Contents

EU wants more trade concessions from India 3
US, EU, Japan pile pressure to remove local content clause 4
After aviation, India to oppose EU's maritime carbon levies 5
Indian drug firms lobby against EU's new directive 7
You may have to pay just 10% duty on Porsche and BMW 9
India, China plan to jointly oppose EU regulation on API at WTO forum 10
EU Launches Probe Into Dumping Of Indian Steel Wire 10
India seeks change in SME definition by European Union 11
Europe upholds Darjeeling tea's authenticity 13
US, EU oppose India's proposed quality regulations for imported toys 14
Euro zone troubles impact India Inc, says Ficci survey 15
European Union wants India to allow extended patent life for drugs 16
India-EU free trade pact may not conclude this year: IGCC 17
Govt initiates probe into chemical dumping by EU, Mexico 18
India-EU trade talks hit deadlock over import duty 19
Anti-dumping duty on chemical imports from EU, Iran, Japan 20
India, EU to speed up pending trade accord 21
Custom duty cut for EU may hit local players 23
Delay in signing of Free Trade Deal with EU worries textile industry 24
Darjeeling tea growers get protection from European Union 25
EU looking to include Budget sops in free trade pact with India 27
General elections may stall India-EU trade pact talks: Cravinho 28
Delhi urges new push in trade talks with Brussels 30
Garment exporters see hope in European Union pact 31
Insurance Bill now holds the key to FTA with EU 32
India, EU negotiators set to iron out BTIA hurdles 34
Amul wants protection for dairy farmers 35
European Union sets tough conditions under FTA 36
FTA would allow European carmakers to export their surplus to India: SIAM 38
How to make FTA win-win for EU, India 39
India, EU eye more sops, fail to clinch trade deal 41
India-EU FTA: negotiators may meet next month 43

Raise cut-off limit in plan to issue more visas, India tells EU 44
India threatens to stall trade talks with EU 45
Data adequacy grant to India non-negotiable, says EU envoy 46
India-EU FTA talks fail to bridge gaps 48
New bulk drug export norms to comply with EU standards 50
India asks EU to address concerns on data security status 51
India to EU: Can't sweeten trade pact 52
Fading trade timelines 53
EU to impose anti-dumping duties on Indian steel 54

EU wants more trade concessions from India

Nayanima Basu, Business Standard

New Delhi, July 19, 2012: Negotiations for greater market access in the services sector between India and the European Union (EU) under the India-EU investment and trade agreement have taken an adverse turn, making the November deadline for signing the deal implausible.

EU feels India has not offered it the same services sector concessions it offered Korea and Japan. India, however, says it has given the EU more than what was offered to its other trading partners.

EU has also clarified it cannot progress further, unless it bags a good deal in multi-brand retail, insurance, banking, postal & courier services, legal services and accountancy services. However, India has told Brussels while the government here is working towards policy reforms in the multi-brand retail, insurance and civil aviation segments, reforms in banking, postal and courier & legal services would not be possible, according to commerce department officials involved in the talks.

"Given the prevalent sensitivities and the situation of the economy, we are not in a position to give them (EU) any assurance, as the roadmap of reforms is not clear. But we have given them commitments in areas like single-brand retail, computer reservation services, environmental services and bank branches.

These have not been offered to any other trading partner. In certain cases, the departments concerned have gone back from commitments to Japan and Korea because of certain regulatory changes being contemplated. We are having a fresh look at these areas to see where improvement is possible," a senior commerce department official told Business Standard.

The matter was extensively discussed during Commerce & Industry Minister Anand Sharma's visit to Brussels in June, when he met EU Trade Commissioner Karel de Gucht.

India, on its part, has asked the EU to do away with the 20 per cent threshold in the safeguard clause introduced under the Mode-4 quota of services trade relating to the free movement of Indian professionals under a relaxed visa regime. Under services trade negotiations, India has also demanded it be recognised as a 'data-secured' country. As the EU doesn't recognise India as a 'data-secure' nation, Indian firms are not able to secure large-scale government contracts. The EU has decided to undertake an assessment to ascertain whether India meets its standards.

However, Indian officials fear after the study, there is a strong possibility of the EU regarding Indian laws on data security as unsatisfactory, diluting actual access in cross-border supply of services by India.

[Back to top]

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.

[Back to top]

After aviation, India to oppose EU's maritime carbon levies

Tarun Shukla & Neha Sethi, Mint

New Delhi, 23 July, 2012: India plans to oppose at an environment conference in Washington later this month the European Union's (EU's) proposal to levy carbon emissions taxes on aircraft and ships. The aviation ministry will present India's opposition to the EU's emission trading scheme (ETS), said two government officials who declined to be named.

Consultations with the environment ministry on the matter ended last week.

The European Union earlier this year began considering a proposal to bring the maritime sector under the purview of its carbon emissions levy, though it has been facing resistance from several nations, including India, to a similar levy for airlines using its airspace.
The EU "proposes to regulate emissions arising from all ocean-going ships which touch their boundaries or ports by including their emissions in the EU-ETS," said one of the officials mentioned earlier.

"This is a dangerous trend since while inclusion of aviation in the EU-ETS remains contentious, the EU is going ahead with the inclusion of the maritime sector also in the scheme," the official said.

India's shipping ministry has already written to the EU opposing its proposed emissions levy on ships entering EU waters, a ministry official said, also declining to be named.

The likely impact of the proposed new levy on Indian ships couldn't be ascertained immediately. The EU spokesman for climate action, Valero Ladron, said the EU is pursuing an international agreement on global measures to reduce greenhouse gas emissions from international maritime transport.

Considerable efforts are being made primarily in the International Maritime Organization (IMO) and the United Nations Framework Convention on Climate Change (UNFCCC), he said."In the light of these efforts, the EU is considering all the options to address maritime emissions. Bringing maritime into the EU-ETS is just one of the options that are being assessed. No decision has been taken yet," he said.

The EU has maintained that the levy under its emissions trading scheme is not a tax and is challenging countries opposing its proposals.

An environment ministry official, who, too, did not want to be identified, said India will oppose in the IMO if the EU includes the maritime sector for emissions taxation. "It is not clear yet as to when they plan to put it in place. They have only started consultations. It hasn't come to a stage where we need to think of steps to be taken, though just like the aviation sector, there are a series of steps which are possible," this official said. "The EU is trying to take it out of the negotiations in UNFCCC by taking it to the IMO and they are trying to force it through that route," the official added.

Prodipto Ghosh, distinguished fellow with New Delhi-based non-profit The Energy and Resources Institute, said the EU is setting a bad precedent. "The EU-ETS has already been very strongly resisted. Thirty five countries have agreed on countermeasures to be taken and to put sanctions on the EU.... If we allow them to do this in these sectors, then EU can propose to do this in other sectors such as mining, power, land transport, steel, etc., which are all energy-intensive sectors," he said.

R.S. Vasan, head of strategy and security studies at the Centre for Asia Studies, said the EU's proposal for the maritime sector is a concern for India because a lot of the country's exports and imports are dependent on the sea. "But unlike China, the number of ships owned by India is a small percentage. So China is more at risk because it has more number of ships. Developing countries should come together and look at some precedents of instances where India and China have resisted before. They should resist this in organized forums and take their time to first upgrade technology," Vasan said, adding that more often than not clean technology from the developed world is denied to the developing world.

[Back to top]

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.

[Back to top]

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.

[Back to top]

India, China plan to jointly oppose EU regulation on API at WTO forum

Joseph Alexander, Pharmabiz.com

New Delhi, August 6, 2012: India and China may together move the World Trade Organisation (WTO) against the European Union (EU) regulation on bulk drugs which may affect the current exports of Active Pharmaceutical Ingredients (APIs) from both the countries to Europe.

EU has changed the rules for importing active substances into EU for medicinal products for human use and the amended regulation would come into effect fully by July 2013. It would make mandatory the current good manufacturing practices (cGMP) certificate from the local authority for all bulk drugs exports.

Sources said the Commerce Ministry had already taken up the matter with the EU authorities as the directive is expected to pose serious challenge to the API exports and is meant to secure the EU pharma supply chain.

Under the technical barrier to trade (TBT) provisions, India can raise the issue at the WTO forum and it is learnt that India would possibly make a joint statement with China at the next meeting of the WTO. China Chamber of Commerce had already written to Pharmaceutical Export Promotion Council of India (Pharmexcil) on the possibility of making joint representation, it is learnt.

China's share in EU's API imports is 12 per cent while India commands only two percent share in the API imports into the EU. Hence, China is going to be affected more than India.

The Commerce Ministry has also sought the opinion of the Bulk Drug Manufacturers Association over the issue.

Meanwhile, the industry representatives are also trying to take up the issue with Drugs Controller General of India (DCGI). Industry had pointed out that the DCGI was not authorized or conversant enough with EU GMP standards to issue 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 in that case.

[Back to top]

EU Launches Probe Into Dumping Of Indian Steel Wire

Reuters

Brussels, August 11, 2012: The European Commission said it had received an anti-dumping complaint by European steel producers' group Eurofer against imports of stainless steel wires from India.

The complaint alleges that producers of certain types of steel wire have benefited from a number of subsidies granted by India, and are selling their wire in the EU at below-market prices hurting European competitors.

The Commission said late on Friday it was opening an investigation into whether or not the steel wire is being unfairly subsidised and has invited the Indian government for consultations on the matter.

India and the European Union have been negotiating a free trade agreement since 2007, but talks stalled this year over differences in duties on cars and market access for software and service companies.

The EU is India's biggest trade partner and bought more than 40 billion euros ($49.26 billion) worth of Indian goods and services in 2010. But trade with India represented just 2.4 percent of the EU's total.

India has also locked horns with the 27-country bloc recently over an EU law to make all airlines flying in and out of Europe pay for their carbon emissions.

India has said it won't comply with the law, but changes to the aircraft leases almost all of its airlines rely on may force the country's hand.

India seeks change in SME definition by European Union

Amiti Sen, Economic Times

17 August 2012, New Delhi: India has asked EU to amend its definition of small and medium enterprises to accommodate the country's labour intensive small units, so that they qualify for fee concessions under the region's environment legislation, popularly known as REACH.

It has also asked the EU to allow Indian exporters of chemicals and other products, who have to comply with REACH regulations, to go in for direct registration of their products with the authorities instead of appointing EU-based 'only representative' to save on costs.

"Our industry has been struggling to keep pace with the fast-changing regulations under EU's REACH initiative, and are also taking a financial blow due to the heavy fees that have to be paid for getting chemicals registered under the programme," a government official told ET. "The least that the EU can do is to recognise our genuine SMEs and give them the due concessions."

Delhi raised the issue at a recent meeting of the World Trade Organisation's Committee on Technical Barriers to Trade. REACH, which stands for registration, evaluation, authorisation and restriction of chemicals, was implemented in 2007 to restrict the levels of specific chemical substances in all imported goods into the EU.

Under the programme, items that contain chemicals identified by REACH have to be registered in EU giving details of the levels of various substances in the product.

Indian exporters of chemicals, textiles, leather and toys are required to identify an OR to carry out the registration. Exporters not only have to pay registration fees but also the OR, which pushes up their costs. According to industry estimates, the cost of registering a chemical varies from Rs 350,000 to Rs 90 lakh, depending upon the hazardous nature of the chemical.

The cost of conducting toxicology tests to generate safety data is also prohibitive.

Although the EU offers steep fee concession to SMEs depending on their size as a medium, small or micro enterprise, most Indian small companies do not fall under these categories as they are labour intensive and employ more than the prescribed workers.

"The use of staff head count in addition to annual turnover and balance sheet ceiling would classify many of India's micro enterprises as large under REACH, despite meeting the annual turnover or balance sheet ceiling," the Indian representative said at the WTO meeting. "This goes against the spirit of the Technical Barriers to Trade Agreement as it creates unnecessary obstacles to a developing country."

Although the EU representative did not respond to India's proposal on SME definition, she ruled out the request for allowing exporters to register their products directly in the EU, as enforcement action such as inspection and fines, cannot be carried out on the entities outside the country.

"We will keep pressing our cause both at the WTO and bilaterally as it affects the long-term interests of our exporters," the official said.

The Indian Chemical Council had recommended that the government should constitute a fund for the reimbursement of REACH registration expenses.

[Back to top]

Europe upholds Darjeeling tea's authenticity

Sutanuka Ghosal,Economic Times

7 Sep, 2012, KOLKATA: There's good news for the producers of Darjeeling tea, the champagne among tea varieties. The European Trade Council and the German Tea Association have agreed to confer the protected geographical indication (PGI) status on Darjeeling tea, the first commodity from India to get such a tag. This implies that the brew produced only in Darjeeling can be sold as Darjeeling tea in the European Union.

"As of now, blenders in EU countries generally mix 49% of any tea with 51% of Darjeeling tea and still sell it as Darjeeling tea. But it has now been decided that only those packets that contain 100% Darjeeling tea can be sold as Darjeeling tea," Tea Board chairman MGVK Bhanu told ET from Germany. The packets will also have the Darjeeling logo and PGI logo labelled on them.

Darjeeling was granted the geographical indication status by the European Union in October last year, authenticating its origin. However, the implementation of this status involves a phasing-out period within which products which do not conform to the law and are not authentic from the hill district of Bengal will be driven out of the market.
It has also been decided that the European Trade Council and the Darjeeling Tea Association along with the Tea Board will jointly promote Darjeeling tea in the European market.

According to the EU notification, the blenders in Europe have been handed out a caveat in the sense that only those who had products in the market five years before October 14, 2009, can continue selling their blended products as Darjeeling tea for the next five years. "There is hardly any Darjeeling tea left with the European buyers. Henceforth, only Darjeeling tea will be available in Europe," said SS Bagaria, chairman, Darjeeling Tea Association.

Industry officials estimate that around 40 million kg of tea gets sold as Darjeeling tea across the globe every year. In this context, the EU's decision is considered important. The process of granting a geographic indicator, which means that only the produce of a particular area can be sold by its generic name, started with India according the GI status to Darjeeling tea in 2003.

Since, it was mandatory to get home protection, the Indian government passed a Geographic Indicator and Protection Act in 1999 after which Darjeeling tea was given the GI status in 2003. The granting of GI status in the home country - India in the case of Darjeeling tea - is only the first step towards the protection of the commodity's generic brand.

In 2007, the Tea Board of India and the Darjeeling Tea Association invoked a provision in the EU Commission Regulation 5001 to ask Brussels to accord the PGI status to Darjeeling Tea.

"We have also made an application before the Japanese Property Right Organisation for granting of the Production of Regional Origin (PRO) in Japan and also before the Trade Administration Authority (TAA) of USA for granting of Community Collection Mark in the USA," said Sanjay Bansal, chairman of Ambootia Group. He added that PRO and TAA were similar to the PGI tag.

[Back to top]

US, EU oppose India's proposed quality regulations for imported toys

Amiti Sen, Economic Times

New Delhi, September 8, 2012: The US and EU have opposed India's proposed quality regulations for imported toys, saying the legislation requires disclosure of extensive information by manufacturers. The draft legislation, called Toys and Toy Products Compulsory Registration order, makes it mandatory for imported toys to be tested for toxic chemicals and registered in India before being sold to consumers.

Both the US and the EU have demanded that India should incorporate their suggestions and make the legislation framing process more transparent so that all concerns are addressed.

India, however, maintains that extensive bilateral consultations have already been held on the issue and the draft legislation, once framed, would be placed before the World Trade Organisation.

"Most countries frame laws to protect consumers on their own. We, too, are aware of our sovereign rights," an official told ET, adding, "At the same time, we do not want to keep the world guessing. So, we would definitely put up the draft legislation before the WTO."

The legislation is being prepared by the Bureau of Indian Standards (BIS), which is under the consumer affairs ministry, in consultation with the Department of Industrial Policy and Promotion, the nodal body for FDI policy.

"The BIS is continuously carrying out tests on the toxins that contaminate our toys and is upgrading the quality norms. The proposed order on registration of toys is to ensure that all our imports, too, strictly adhere to domestic standards," the official said.

Imports account for almost half of India's toy market, estimated at about $1.5 billion. It is expected to touch $2.6 billion by 2015, according to a recent study by industry body Assocham.

In 2009, India had banned import of toys from China over fears that the country was being flooding with cheap products that contained harmful chemicals. India, however, was forced to withdraw the ban after China complained to the WTO of being singled out.

In response to growing pressure from consumer activists, the BIS revised its toy safety standards last year, building in requirements for phthalate, a harmful chemical used for softening toys. The new compulsory registration order will ensure that imported toys are regulated on the same lines as domestic ones, the official said.

[Back to top]

Euro zone troubles impact India Inc, says Ficci survey

Business Standard

New Delhi, September 10, 2012: Companies doing business in Europe are feeling the pinch of the crisis in the Euro zone, shows a survey conducted by the Federation of Indian Chambers of Commerce and Industry (Ficci).

Europe is the largest trading partner of India, absorbing as much as 20 per cent of India's outbound shipments. And, 73 per cent of Indian companies doing business in Europe said they'd already suffered a loss of 20 per cent or more in their businesses from the region since the beginning of the crisis.

The survey, of 30 companies, sought to check the impact on Indian industry of the economic survey there. Eighteen per cent of the respondents said there was a five to 10 per cent decline in their businesses. As many as 60 per cent of the surveyed companies expected the current economic situation to persist for the next two to three years, Ficci said. However, a fifth of the respondents expressed optimism that the economic situation in the European Union would begin to look up in a year.

The survey showed a little over half of the Indian companies had begun to look beyond Europe to keep their balance sheets stable. "These companies have begun to gradually look for greener pastures in African countries, west Asia, south Asia and even in north America," said Ficci.

About 13 per cent of the respondents said rather than facilitating foreign investments and businesses, the respective European governments have made processes more stringent in getting and renewing long-term visas and work permits. Getting a business visa remains a worrying issue for the companies surveyed to effectively engage the European economies.

About a tenth of the respondents suggested the Indian government could favourably look at providing subsidies and lower duties for promoting India-EU trade.

Among the positive developments, Indian manufacturers are aggressively pursuing new business plans.

This includes more import of high-end machinery and technology from Europe due to highly competitive prices being offered by European exporters.

This could have long-term spin-offs for Indian industry, in terms of added capacities and reduced capital expenditures.

The chamber said India's outbound investments in the EU might see smaller deals but the activity would continue.

[Back to top]

European Union wants India to allow extended patent life for drugs

Amiti Sen, Economic Times

October 3, 2012, New Delhi: The European Union is making frantic efforts to convince India to liberalise its patent regime as part of the proposed bilateral free trade agreement.

Negotiators from the 27-member bloc have been insisting that India allow European pharmaceutical companies to extend the life of their patented drugs in the Indian market beyond the commitments made under the Trade Related Aspects of Intellectual Property Rights (TRIPS).
They argue that the European parliament does not allow bilateral trade deals that does not include an agreement on intellectual property. Patents worth an estimated $150 billion, held by European pharmaceutical companies, are set to expire over the next five years.

"Although India sent out a strong message last year during the negotiations that it would not agree to go beyond the commitments made under TRIPS, the EU is now saying that it has to get some concessions beyond the mandate of TRIPS," an Indian official told ET.

Following EU's insistence, India agreed in August to hold special sessions on TRIPS and services. Last week, several rounds of talks were held between senior officials from the two sides in Delhi, but they failed to reach a conclusion.

With patents on many blockbuster drugs set to expire soon, an estimated $250 billion in sales are at risk between now and 2015, according to data from Evaluate Pharma, an on-line pharmaceuticals research company.

US drug major Pfizer has already reported a sharp dip in profits after the patent on its cholesterol-lowering drug Lipitor ran out last year. European drug companies including Sanofi-Aventis and Astro Zeneca are among companies that are likely to get hit over the next few years.

What the EU primarily wants from India is data exclusivity, which refers to exclusive rights of a company over the clinical data for its drugs, without actually holding a patent for it.

"This would allow patent holders to make slight changes in formulations once the patent life of a product comes to an end and immediately file for data exclusivity," the official said.

"Since generic producers, or manufacturers of copied version of the originally patented drugs, are not allowed to produce drugs with data exclusivity for 10 years, the product would have several years of extended protection."

India gives patent protection for a period of 20 years, which it considers adequate. "We are not in favour of giving data exclusivity at all as it could make life saving medicines unaffordable in the country," the official said.

"The EU wants to carve out a deal that would not affect live-saving medicines. We have to see what they have in mind."

The Indian pharmaceutical industry is the third largest in the world in terms of volume.

[Back to top]

India-EU free trade pact may not conclude this year: IGCC
PTI

18 October 2012, New Delhi: The much-delayed negotiations for the proposed free trade agreement between India and the EU are unlikely to conclude this year due to persisting differences over several issues such as opening up of the services sector and level of duty cuts in the automobile segment.

"I do not expect the agreement to be concluded this year since there are still some critical aspects (issues) under negotiations," Indo-German Chamber of Commerce (IGCC) Director General Bernhard Steinreucke told PTI in an email interview.

Germany is the largest trading partner of India in the 27-nation European Union (EU).

The pact, officially dubbed as Bilateral Trade and Investment Agreement (BTIA), seeks to liberalise trade in goods and services.

The negotiations for the pact, which started in June 2007, has missed several deadlines. These talks were to conclude in 2011, but differences between the two sides on the level of opening of the market came in the way of the BTIA.

The pact that will provide for liberalising trade in services, an area of strength for India, faces hurdles like visa problems in several EU member countries such as Germany and Britain.

The two sides also have differences on matters like level of duty cut in wines and spirit, inclusion of intellectual property rights and data security in the pact.

"In the automobile industry and imports of wine (by India) there are some issues," Steinreucke said.
In a meeting yesterday with Algirdas Semeta -- European Commissioner for Taxation and Customs Union, Audit and Anti-Fraud -- Commerce and Industry Minister Anand Sharma expressed his disappointment over EU's stand of not giving data secure status to India.

The country has time and again said that without this status, it would be difficult for New Delhi to further proceed for the BTIA negotiations.

However, Steinreucke hoped that the negotiations for the agreement may be concluded by next year. "With lower tariffs and better access, the EU-India free trade agreement will certainly increase the trade between our two countries," he said.

The country and its largest trading partner EU aim to slash duties on over 90 per cent of the trade under the pact.

The two-way trade increased to USD 110.26 billion in 2011 from USD 83.37 billion in 2010.

[Back to top]

Govt initiates probe into chemical dumping by EU, Mexico

Business Standard

23 October 2012, New Delhi: India has initiated a probe into alleged dumping of a chemical, used in different industries including plastic and construction, by European Union and Mexico following complaints by domestic players.

The Commerce Ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has begun an investigation into alleged dumping of "Polyvinyl Chloride (PVC) Suspension Grade Resin".

In a notification, the DGAD said it has sufficient evidence of dumping of the product from European Union and Mexico to initiate 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," it said.

The period of investigation is from April-March 2012 . 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 added.
After completion of the probe, the commerce ministry, if needed, would recommend the duty and the finance ministry would impose it.

The application was jointly filed by DCW Ltd, Chemplast Sanmar, Reliance Industries Ltd, DCM Shriram Consolidated and Finolex Industries.

Countries initiate an anti-dumping probe to determine whether their domestic industries have been hurt because of surge in cheap imports of any product. As a counter-measure, they impose duties under the multilateral regime of the WTO.

The duty is aimed at ensuring fair trading practices and creating 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.

[Back to top]

India-EU trade talks hit deadlock over import duty

Amiti Sen, Economic Times

24 October 2012, New Delhi: India's trade talks with European Union seem to have deadlocked over the import duty New Delhi levies on alcohol and automobiles. India says it has already made a liberal offer that is not negotiable any more, but the EU says it wants further cut in import duties that are a maximum of 60% on cars and 150% on whisky. "We have already made liberal offers in both alcohol and automobiles and the EU welcomed it. But now they are trying to re-open areas that have already been agreed upon which is not acceptable to us," a government official told ET.

The issue will come up for discussions again when negotiators meet next month.

New Delhi is understood to have agreed to bring down duties on wine by more than half from 150% to 40% above the threshold level of $4 per litre and whiskies over $6-$7 per litre." The EU is now pushing for cheaper alcohol to be entitled to the duty cuts offered and has asked us to lower the threshold level for wines to $3.2 per litre," the official said.

Similarly, even in automobiles the EU has demanded concessions over and above what the two sides agreed upon earlier. "We had sealed the deal on automobiles earlier this year. New Delhi had offered the EU a very generous deal and there is no reason why it should be re-opened," the official said.

In automobiles, India is understood to have agreed to allow imports of 2.5 lakh cars at 10% duty, a sixth of 60% it levies now, spread over five years. For cars outside the quota, New Delhi has offered to consider reducing import tariffs by half to 30%.

So far, India has not offered concessions on either alcohol or cars to any of its trading partners in its bilateral deals as these two sectors are young and hold a lot of growth potential. The Indian automobile industry, which has been protected so far be-hind high import tariff walls, is apprehensive that lowering duties for EU countries could spell havoc for the infant domestic industry.

Industry body SIAM has warned that duty concessions will keep out investments from the country as foreign car makers would prefer to export their cars to India rather than set up manufacturing facilities.

India, which hopes to gain in the services sector, is also unhappy with the progress on issues such as gaining data secure status in the EU that will increase flow of sophisticated offshore business to the country.

In a recent meeting with the EU commissioner for taxation and customs union, India's commerce minister Anand Sharma criticised the delay in EU's study of India's security processes.

[Back to top]

Anti-dumping duty on chemical imports from EU, Iran, Japan

Business standard

28 October 2012, New Delhi:The government has imposed anti- dumping duty of up to $1,537 per tonne on shipments of a chemical used in beauty products, from EU, Iran, Indonesia and Japan, saying it was being exported to India below cost price.

The Revenue Department imposed the duty on import of 'Melamine', following recommendations by the Directorate General of Anti-Dumping and Allied Duties (DGAD) in the Department of Commerce.

Anti-dumping duty is aimed at ensuring fair trading practices and creating a level-playing field for domestic producers vis-a-vis foreign producers and exporters resorting to dumping.

"The anti-dumping duty imposed...Shall be levied for a period of five years (unless revoked, amended or superseded earlier)," the Revenue Department said in a notification.

Earlier, the DGAD had carried out a probe into the imports of the chemical. The investigation found that the product was dumped into India below the normal price and thus caused "material injury" to the domestic industry.

Besides being used in innumerable products of beauty and utility, melamine is also used for laminates as it offers good hardness, resistance to scratch, stain, water and heat.

The notification said while the restrictive duty will be $1,446 per tonne on import of Melamine from Iran, the duty has been fixed at $1,537 from the other three destinations. Anti-dumping duty varies from product to product and country to country.

India 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.

[Back to top]

India, EU to speed up pending trade accord

Asit Ranjan Mishra, Livemint

2 November 2012, New Delhi: India on Thursday proposed to adopt an incremental approach to expedite negotiations for the long-pending trade accord with the European Union.

Such an approach would mean “what may not happen now can be included later,” trade minister Anand Sharma said after a meeting with German economy and technology minister Philipp Roesler.

Analysts said what Sharma means is that the two sides should move ahead with the negotiations capturing the achievable targets and keeping the contentious issues off the table for now.

Arpita Mukherjee, professor at the Indian Council for Research on International Economic Relations said Sharma may have meant that India cannot agree on all the demands from the EU at this time and will make measures binding under the trade agreement as India progressively liberalizes further.

“What we have on the table from both the sides, it is fairly robust. We will now leave it to the negotiators to bring it to its early conclusion,” Sharma said.

Biswajit Dhar, Director General at Research and Information System for Developing Countries, said the message that India is trying to send is that the EU should understand India’s sensitivities and both sides should try to achieve the best they can under the current circumstances.

Talks on the bilateral trade and investment agreement between the two started in 2007. The two sides have missed at least four deadlines to complete negotiations. In September, India further liberalized foreign investment in retail, aviation and broadcasting sectors, areas where the EU is interested in. Swedish furniture retailer Ikea has applied for government clearance to open retail stores in India with a commitment to invest €1.5 billion (around Rs.10,455 crore today). Supermarket chains such as Britain’sTesco Plc. and Carrefour SA of France are also interested in opening retail stores in India.

Apart from the reform measures already announced, the EU wants India to open up its postal and legal sectors, and further liberalize the pension, insurance and banking sectors. India has made it clear it cannot promise anything that requires legislative approval. The EU also wants India to approve the government procurement Bill pending before Parliament to make for greater transparency in state purchases. India also wants greater flexibility in the movement of skilled professionals. Since the EU does not have a common working visa system, it restricts the free movement of an Indian professional across nations of the grouping.

While the current Schengen visa system allows free movement of people within signatory countries in Europe, it is essentially a tourist visa meant for short stays and does not allow visa holders to live permanently or work in Europe.

Europe is currently debating the adoption of a common immigration policy to provide single working visas for non-Europeans.

India is also keen on EU members removing restrictions on investments by Indian companies. Some EU countries such as Hungary and Romania prohibit acquisitions by Indian companies. India has also been demanding that the EU declare the country data-safe, a move that will help information technology and back-office services companies.

Roesler in his meeting with Sharma underlined the concerns of German’s pharmaceutical industry in the wake of granting of compulsory licence of a cancer medicine to Natco Pharma Ltd recently. “Sharma assured the visiting minister that India’s action was well within the parameters of TRIPS (trade-related aspects of intellectual property rights) commitments and the flexibility of compulsory licensing has been used more than 50 times by the developed countries while this was the first time India resorted to this," a commerce ministry statement said.

Sharma has said India and Germany will achieve the trade target of €20 billion this year. The trade between the two countries stood at $23.56 billion (around Rs.1.2 trillion today) in 2011.

[Back to top]

Custom duty cut for EU may hit local players

Sidhartha, Times Of India

12 November 2012, New Delhi: Slashing customs duty on high-end wine and spirits as part of the Broad-based Trade & Investment Agreement (BTIA) with the European Union will make life difficult for local players, especially at a time when homegrown barons such as Vijay Mallya too have been forced to sell stakes to global giants.

On the automobile front, it is feared that if the import duty on cars is lowered, several European carmakers which do not have manufacturing facilities in India may opt for the import route and would refrain from setting up plants here.

The twin moves may not be palatable to the domestic industry as the tariff protection that they have long enjoyed will go soon after a deal is signed, but are critical elements of the trade pact that is under negotiation for over five years. Protection cannot be available endlessly. In any case, there is a long transition period of at least four-five years or so for the auto industry and there is hardly any local wine that competes with what is made in Europe, said an official privy to the discussions.

In case of automobiles, the deal will ensure that European carmakers will take pole position in the race for domestic sales as the government has ignored demands for a level-playing field for their Japanese and Korean rivals despite India having existing trade agreements with the two Asian manufacturing giants.

In fact, the two proposals go far beyond what was originally offered. Initially, the government had only offered to lower import duty on a specified number of vehicles. But subsequently, it seems to have agreed to an across-the-board reduction along with a cut in customs duty on around 65 auto parts and machinery.

In return, it has got EU to agree to phase out import duty on cars by 2020 and allow Indian textiles to enter the member countries on payment of concessional rate duty. Officials said a deal to boost export of Indian farm products such as banana, rice and sugar has also been clinched.

But when it comes to services, New Delhi cannot show significant gains. For instance, despite agreeing to send its team to certify that India is a data secure country, a precursor to a better deal for local giants such as Infosys and Wipro, the assessment is yet to be done.

Similarly, when it comes to visa issues, there have been no gains as yet as the European authorities are arguing that it is a sovereign issue dealt by individual states.

Officials said that a deal could take a while before being signed as there are several issues on which India and EU are yet to agree from patents to social development and investment regime.

They, however, ruled out delinking the agreement on goods from those on services and investment, an approach that had been adopted for the agreement with Asean. The fear is that splitting the agreements would not benefit India, and EU would walk away with gains on goods trade.

[Back to top]

Delay in signing of Free Trade Deal with EU worries textile industry

Sutanuka Ghosal & Madhvi Sally, Economic Times

23 November 2012, Kolkata/Ahmedabad: With Free Trade Agreement (FTA) between India and European Union (EU) not coming through, the Indian apparel industry is extremely concerned.

Exports to EU have drastically fallen this year with the region reeling under the worst ever economic recessionin in recent times. The FTA was expected to be signed in October-November this year but textile industry officials say that it has now been pushed back to the first quarter of next year.

In the EU region, India's textile exports have suffered the most in Italy, where the exports are down by 33.65 per cent during April - September FY13 as compared to same period the previous year.

In France and Germany, exports are down by 31.28 per cent and 28.53 per cent respectively on a year-on-year basis. India's overall exports of made-ups have declined by 5.76 per cent in the first six months of the current fiscal year to $11,960.74 million.

"Value-wise, the difference between this year and last year's exports has narrowed down because the rupee has weakened against dollar in FY13 as compared to FY12. In the April-September 2012 period, the rupee was valued at 45.24 against the dollar but in the first six months of FY13, the rupee has fallen to 54.66 against dollar. But volume-wise exports were much less," said DK Nair, secretary general of the Confederation of Indian Textile Industry (CITI).

Textile exports from India to EU, which attracts an import duty of 12 per cent, are costlier than that from Bangladesh. "There is no duty on EU imports from Bangladesh, which has emerged as one of our biggest competitors in the world markets," said Nair.

Exporters find the inordinate delay in signing FTA with EU quite disappointing. Gautam Nair, managing director, Matrix Clothing, said: "The weak recovery in the EU region and the US has reduced the purchasing power of people in these markets, leading to a shortfall in the overall demand. The India-EU FTA should come soon, because EU is our biggest market and the textile sector will benefit from this." Incidentally, orders from EU in the post-Christmas period have just dried up.

Raja M Shanmugan, MD of Tirupur based Warsaw International said European importers were keen that India sign the FTA. "They realise that we are disciplined, have ample raw material (cotton), technical knowhow and will be competitive. So, why should we remain behind Bangladesh, which enjoys duty- free access to the European Union (EU), Australia and the US?" he asked.

Ludhiana-based ready-made garment exporter Deepak Dumra has seen a 10 per cent fall in export orders. "Orders are slow particularly from Greece, Spain and Italy and we are being hopeful of things improving by early next year," said Dumra.

[Back to top]

Darjeeling tea growers get protection from European Union

Jim Yardley, Economic Times

Darjeeling, 18December 2012: Among connoisseurs, few teas surpass a good Darjeeling. The smooth and mellow taste commands a premium price, and the name itself evokes a bygone era when the British first introduced Chinese tea plants here in the Indian foothills of the Himalayas.

To Anil K Jha, the superintendent of the Sungma Tea Estate, all this would be extremely good for business, except that much of the tea sold globally as "Darjeeling" is not grown here. Foreign wholesalers often put the name on a blend of the real stuff and lesser teas. And in some cases, growers elsewhere simply slap a Darjeeling label on their tea.So Jha and other Darjeeling growers have followed the example of Scottish whisky distillers and French wineries, winning legal protection for the Darjeeling label under laws that limit the use of certain geographic names to products that come from those places.

In a decision this year, the European Union agreed to phase out the use of "Darjeeling" on blended teas. Now, just as a bottle of Cognac must come from the region around the French town of Cognac, a cup of Darjeeling tea will have to be made only from tea grown around Darjeeling.

"That flavor, that uniqueness that comes from here - it is nowhere else," Jha said as he stood among manicured tea bushes on a hillside about 5,000 feet above sea level, near the border with Nepal. "People have tried to replicate it, but have failed," he said.

The uniqueness of Darjeeling as a place certainly seems beyond dispute. On clear days, the white peaks of Kanchenjunga, the world's third-highest mountain after Everest and K2, floats over the hilltop city like an ethereal fortress. Beyond the noisy clamor of the city, many of the steep surrounding foothills are carpeted with tea estates, some planted more than 160 years ago when a British surgeon found that tea bushes thrived in the region's alpine setting.

The mountainous terrain also limits production. India produces almost 2 billion pounds of tea annually, more than any other country, but Darjeeling accounts for only about 1 percent of that output. The Darjeeling district has 87 certified tea gardens, as they are locally known, producing about 20 million pounds of tea every year, and the potential for expansion is almost nil.

That is why local tea growers grew annoyed that as much as 88 million pounds of tea were being sold as Darjeeling on the global market each year.

"Darjeeling tea has always been more expensive," said Ranen Datta, a longtime adviser to local tea growers, noting that the wholesale price is about five times that of ordinary teas. "And we found that sellers all over the world were selling tea under the name Darjeeling."

And not only tea: A French company that makes lingerie has fought legal battles with the Tea Board of India to keep using the name."This brand name, Darjeeling, was being misused," Jha said. "The basic interest of Darjeeling was being killed."

Local tea growers had already fought to save their product from the vagaries of Cold War politics. During the era of British rule, Darjeeling tea was mainly shipped to Europe, which remained the primary market after Indian independence in 1947, when Darjeeling's tea gardens shifted from British to Indian ownership.

But as India drew politically closer to the Soviet Union, a deal to sell tea to Moscow ushered in a dark period for Darjeeling. The Soviets ordered in bulk and mixed Darjeeling with pedestrian teas from Soviet satellite countries so it could be marketed more widely.

"Russians were not particular about the quality of Darjeeling," Datta said. "They took it if it was clear and black."

[Back to top]

EU looking to include Budget sops in free trade pact with India

Amiti Sen, Business Line (The Hindu)

New Delhi, 23 January 2013: The India-EU free trade negotiations have been unofficially put on hold till the Government announces its Budget for 2013-14 next month-end.

The EU is keenly watching out for budgetary concessions, in areas such as insurance and import duties on goods, that could be woven into the bilateral agreement, an Indian official has said.

"Since we have reached the last round of our negotiations, it seems that the EU wants to wait and see what our Budget offers so that it could incorporate it in the free trade agreement. Once a commitment is made in a pact, it is difficult to go back on it," a Commerce Department official told Business Line. Interestingly, Finance Minister P. Chidambaram, who is on a global tour to woo foreign investments, told investors in Singapore on Tuesday that the Budget would hold a lot for them.

Negotiations on the India-EU pact, formally known as the broad-based trade and investment agreement (BTIA), are on since 2007. Most of the issues related to tariff concessions in industrial and farm goods are more or less settled and both sides have expressed keenness to settle thorny issues such as professional visas, intellectual property, foreign investment in retail and insurance and data security without delay.

While a meeting on some technical issues related to the proposed pact is expected later this month, formal negotiations are not scheduled either this month or the next, the official said.

There are expectations that the Insurance Bill proposing to increase foreign investment limit in the insurance sector to 49 per cent from the existing limit of 26 per cent will be taken up during the Budget session.

There are also demands from the industry for import duty cuts on a number of capital goods and industrial inputs.

Moreover, the EU wants to see if there would be any movement in the Public Procurement Bill introduced by the Finance Ministry in Lok Sabha last year during the Budget session. The legislation seeks to make the process of public procurement transparent and free of corruption.

"The EU is keen to include both insurance and Government procurement in the FTA and take commitments that India cannot back-track on. It has its fingers crossed over whether something would happen during Budget time in these areas," the official said.

New Delhi is yet to make up its mind whether it wants to take on binding commitments for foreign direct investment in retail. Although India has allowed 51 per cent FDI in multi-brand retail and 100 per cent FDI in single-brand retail subject to certain conditions, policy makers are not sure whether they should bind these commitments as it would be difficult to change them if they feel the need at a later time.

"There is no guarantee that even if the FDI limit for insurance is raised or some duties are reduced, the EU will be able to cut a better deal for itself in the FTA. But it would certainly have reasons to bargain more effectively," a trade expert working for an industry chamber said.

The BTIA is expected to create additional markets that would almost double bilateral trade to an estimated €150 billion ($200 billion) from about $110 billion last year.

[Back to top]

General elections may stall India-EU trade pact talks: Cravinho

Nayanima Basu, Business Standard

New Delhi, 7 February 2013:João Cravinho, the Ambassador of the European Union (EU) to India, today expressed serious concerns over the ongoing talks to establish a trade agreement between India and EU that has missed several deadlines.

Cravinho said with the impending general elections, which is slated for around May 2014 as of now, it will be difficult for the government to negotiate such an ambitious and broad-based deal like this. The negotiations to have the deal - Broad-Based Trade and Investment Agreement (BTIA) – with EU started in 2007.

“We are now coming to the crunch. There is nothing left to be negotiated now. In India elections are on the horizon now and we do not know how far or how near is that horizon. In such a scenario, the circumstances are not conducive for negotiating international agreements. We are not there yet, we cannot guarantee if we can be there. But we should be there,” he told reporters here today.

The ambassador also added that the deal will be beneficial for both sides with unprecedented gains on both sides across all sectors. He, however, also said that the talks have gone on a much slower pace than expected.

“A lot hinges whether we can manage to do the FTA (free trade agreement). It has been a fairly slow progress largely because we are planning to have an ambitious deal. From Indian perspective it is much more an ambitious deal because it covers all sectors mainly services and procurement. But for EU this is less ambitious than what we are negotiating with US or Korea,” he added.

EU had been unrelenting on their demands for more tariff concessions in India’s auto sector, which has resulted in severe opposition from the auto manufacturers in India who protest that cheaper imports would into their industry resulting in massive job losses. Similar problems have also risen with the wines and spirits sector. EU has also demanded for stronger implementation of the Intellectual Property Protection norms that might affect the country’s the generic drugs industry which exports almost 67 per cent of its produce to other developing and poorer countries.

Referring to the tariff concessions that the EU had been demanding, the ambassador admitted that “there are gaps but they are not large enough that those cannot be closed.”

The proposed trade pact with EU would result in removal of import duties on more than 90 per cent of total tariff lines. However, Cravinho also hinted at the fact that had the talks gone on as decided, the EU was also game to go in for total elimination of tariffs.

“We had hoped for a zero-zero proposal ultimately eliminating tariffs. But that does not seem achievable anymore.”

Cravinho also clearly said that if talks with India fail to arrive at a successful conclusion soon, then the EU would be forced to give more attention on the negotiations it is having with US and Japan for having trade pacts with them.

“If the focus shifts to US and Japan, then I am afraid the talks to have a deal with India might go on for years.”

During a recent meeting between external affairs minister Salman Khurshid and Baroness Catherine Ashton, EU's High Representative for Foreign Affairs and Security Policy and the Vice President of the EC, both sides agreed to conclude the talks before the EU-India Summit, which is scheduled to take place later this year in Brussels.

Last week, commerce and industry minister Anand Sharma had also assured that India and EU is “on the verge” of signing the deal.

[Back to top]

Delhi urges new push in trade talks with Brussels

Shawn Donnan in London, Joshua Chaffin in Brussels and Victor Mallet in New Delhi, Financial Times

12 February 2013: India has called for an urgent meeting of Indian and EU negotiators to give new life to stalled negotiations towards a trade agreement between the two.

Anand Sharma, India's commerce minister, is seeking an "urgent meeting of the chief negotiators in less than two weeks" to help finalise an agreement, which would bring together 1.7bn people, more than a quarter of the world's population. EU officials have said the talks have stalled after more than five years and could be called off if not completed by June.

"We are advising the EU-India ministerial in the hope that we will be able to bring this to a meaningful closure," Mr Sharma told the Financial Times. "That ministerial should take place in March."

Mr Sharma's comments caught EU trade officials in Brussels by surprise. They had recently told the Indians that they believed talks were stuck and that a ministerial meeting would not be worthwhile until India passed new legislation opening its investment and services sector, something that is not expected before next month.

"If they want to get back in the game, they need to show serious progress on these legislative issues," one EU official said.
EU-India negotiations have become a case study for the risks of launching free trade talks that consume administrative resources and political capital but then become bogged down.

EU representatives say a deal needs to be concluded by the middle of the year. After that, the EU plans to focus on trade talks with the much larger markets of the US and Japan, while the Indian government may become less likely to make concessions ahead of a general election in 2014.

European negotiators want India to liberalise its banking and insurance sectors and give greater access to the Indian markets for vehicles and for wines and spirits, which are protected by tariffs of as much as 100 per cent.

On the India side, officials are demanding easier European work visas for skilled professionals in fields such as accountancy and information technology, as well as better access to the protected European market for agricultural produce.

Mr Sharma said India had made "very ambitious" offers on the opening of its markets. "We have made substantial progress. There are some issues which need closure," he said. "India is committed to sign a broad-based trade and investment agreement with the EU. We feel that in the present global economic climate it will be a positive message."

Many economists argue that such bilateral trade deals are in any case an inadequate and unnecessarily complicated substitute for global trade liberalisation via the so-called Doha Round of negotiations.

"Yes, there is a stalemate and there shouldn't have been a stalemate," Mr Sharma said of the Doha talks, promising rapid reengagement with new ministers from the US and China.

He said developing countries needed to be reassured "that the multilateral trade regime will correct the historical imbalances". Mr Sharma added: "We also need access to the developed countries' market. It's a two-way process. We hope that will happen."

[Back to top]

Garment exporters see hope in European Union pact

The Times of India

New Delhi, 25 February 2013: With little respite from the slowdown, the garments industry is hoping that the free trade agreement with the European Union will reverse the falling trend. Garments, which are among the most prominent items in India's export basket, have been severely hit by the slowdown in the US and the EU. According to the latest data, India's exports to EU fell 21% to $5.1 billion in 2012. Similarly, in case of the US, it was down over 8% to $3.1 billion in 2012.

While a majority of India Inc may be opposing the proposed free trade agreement with the EU, the garment industry is hoping to use the pact to boost shipments to the 27-member trading bloc. After all, discussions point to EU agreeing to allow duty concessions for garments imported from India. This will help Indian exporters to grab a share of the pie that they have had to hand over to rivals such as Bangladesh and Sri Lanka.

"The whole industry knows that you (government) are working very hard for immediate finalization of FTA between India and EU. The industry is waiting this to happen so that new opportunities may be captured by us among the most prominent items in India's export basket," Apparel Export Promotion Council chairman A Sakthivel said.

[Back to top]

Insurance Bill now holds the key to FTA with EU

Asit Ranjan Mishra / Remya Nair, Livemint

New Delhi, 10 March 2013: The much-delayed free trade agreement (FTA) between India and the European Union (EU) may finally get through if the government is able to amend the law to allow greater foreign investment in Indian insurance firms.

Chief negotiators of the two sides are scheduled to meet next week in Brussels to thrash out the remaining issues in the deal. This will be followed by a meeting between trade ministers from both sides in April to close the deal.

Talks on the bilateral trade and investment agreement started in 2007. The two sides have missed at least four deadlines to complete negotiations.

"There is a very good chance of reaching a deal this time", a commerce ministry official said speaking on condition of anonymity. "Everyone knows they (EU) are interested in opening up the insurance sector. Let's see what happens in Parliament."

Of the 23 private life insurance companies operating in India, 11 are joint ventures with European insurers. Of the 21 private general insurance companies in the country, seven are partnerships with firms headquartered in Europe.

The insurance amendment Bill proposes to raise the foreign direct investment (FDI) cap for the sector to 49% from 26%, but the standing committee on finance, headed by main opposition Bharatiya Janata Party leader Yashwant Sinha, is against this.

The government is trying to forge a consensus with opposition parties to ensure passage of the Bill and may table the Bill in Parliament in the second half of the budget session, said a finance ministry official, also declining to be identified.

The finance ministry is also exploring an option to allow foreign institutional investors to hold up to a 23% stake in Indian insurance firms, maintaining the FDI limit at 26%, if a consensus can't be reached.
"We have heard from some of the foreign promoters. Let's see what can be done. Political consensus is needed to push through the bill," the finance ministry official said.

Asked if the meeting in Brussels will be the last round of talks for a EU-FTA deal, the commerce ministry official said: "In a way yes, but discussions would still continue to fine tune the deal. I would call it a critical round."

EU ambassador to India Joao Cravinho last month warned of "a closing window" of opportunity given that India's general election is scheduled for next year.

Cravinho said differences over services—the mobility of professionals without restrictions that India has been pitching for—were more serious than those over reducing tariffs in the auto and wine and spirits sectors.

India also wants the EU to declare the country data-safe, which will help information technology and outsourcing companies. The EU, however, maintains the issue is not part of the FTA negotiations and should be dealt with independently.

"We will certainly be very supportive of India getting data adequacy status... It's in India's interest because there are billions of dollars of business involved, but it's also in our interest because

European companies will gain by using Indian companies to do their data processing. It will reduce our costs," Cravinho said.

T.S. Vishwanath, principal adviser at APJ-SLG Law Offices, said the trade negotiations between the two sides are heading towards a conclusion as a majority of the issues have been sorted out. "On issues like reducing tariffs on automobile imports, India needs to convince the EU that it has a road map even if it does not eliminate duties at one go. Similarly, EU also needs to tell India how India can become a data secure country. A deal does not quite look difficult now," he said.

Apart from insurance, the EU may insist on making FDI in multi-brand retail more flexible as it considers the current policy complex, said Arpita Mukherjee, professor at the Indian Council for Research on International Economic Relations.

"EU may insist on further liberalizing the sourcing clause, making backend investment requirements flexible and allowing FDI in e-commerce," she said. Opening up the retail sector for foreign investment was one of the key demands of the EU. India last year allowed 51% FDI in multi-brand retail and 100% FDI in single-brand retail.

Though the commerce ministry says it had no plans to allow FDI in e-commerce, Planning Commission deputy chairman Montek Singh Ahluwalia on Friday signalled a change in government's thinking. "I have expressed my view that if we have FDI in conventional retail, the same principle should apply in online retail. Many people have brought this to my attention. I propose to raise this with (commerce minister) Anand Sharma," he told reporters.

[Back to top]

India, EU negotiators set to iron out BTIA hurdles

ENS Economic Bureau

New Delhi, 22 March 2013: India and the European Union (EU) chief negotiators are meeting tomorrow in Brussels to carry forward the bilateral free trade agreement and iron out critical issues before the ministerial-level talks begin in April.

The Broad based Trade and Investment agreement (BTIA), which is being negotiated since 2007 and has missed several deadlines, will not only reduce tariffs on goods, and liberalise services and investment provisions, it will also open the 27-nation bloc for the Indian exports.

"The chief negotiators of both sides will meet in Brussels on March 22 and March 23 to carry forward the negotiations," a statement issued by the commerce ministry said. The ministerial-level talks will start from April 15, an official said.

Commerce and industry minister Anand Sharma expressed hope for early conclusion of the BTIA and said, "Offer on the table is very strong and largely we have meeting of mind."

He said that both the sides should focus on the big picture and the benefits that will accrue out of the agreement. Moreover, he added that it will send a positive message to the global economy.

The officials in the ministry said that focus is on conclusion of the agreement before the general elections in India next year. European Commission presidential elections are also due next year.

The two sides have not been able to conclude the negotiations due to differences on the level of opening of the market.

India has been seeking single visa for its professionals on short-term contractual visits to the European Union while the EU has been asking for significant reduction in customs duty on cars, wines and spirits on their exports to India.

The two-way trade stood at $110 billion in 2011. India has already implemented comprehensive free trade agreements with countries including Japan, Malaysia and South Korea.

Meanwhile, Sharma also met Hugo Swire, British minister of state, foreign and commonwealth, today and apprised him about emerging investment opportunities in India, including developing integrated industrial townships, especially in proposed Chennai-Bangalore Industrial Corridor Project.

The ministers agreed to move forward in exploring the possibilities in advanced manufacturing.

During 2012, the bilateral trade between India and the UK grew 28 per cent to $16 billion over the previous year. However, the two-way trade has witnessed a declining trend during April-January of the 2012-13 fiscal.

[Back to top]

Amul wants protection for dairy farmers

Anand, Business Line (The Hindu)

27 March 2013: Amul, the iconic milk brand of the country's largest dairy co-operative, Gujarat Cooperative Milk Marketing Federation (GCMMF), on Tuesday, urged the Union Commerce Ministry to take care of farmers' interests while negotiating the proposed free trade agreement with the European Union. It urged the Government to have a re-look at the proposed EU-India FTA.

Import duty

Amul strongly opposed for providing any advantage in import duty on certain dairy products. R.S. Sodhi, Managing Director of GCMMF that which markets Amul, has written to the Union Minister of Commerce along these lines recently.

In a statement here, Amul said it is important to note that the EU does not permit import of dairy products from India in the name of SPS (Sanitary and Phyto Sanitary) measures, saying that Indian milch animals are not maintained, according to the EU standards and, hence, the dairy products are not safe for consumption.

Interestingly EU also subsidises its milk farmers by giving various incentives on export of their dairy products which actually make their products cheaper than the cost.

EU wants to export such subsidised dairy products to India, without giving access to the Indian dairy products to its own market which has a large NRI population, he said.

GI protection

The EU demands also reveal that it wants protection of some of the cheeses such as Gouda, Feta and Emmenthal under the Geographical Indication (GI) protection, meaning that Indian cheese producers cannot give such names to their cheese.

At the same time, the EU wants to sell Indian ethnic products such as paneer and lassi in their own market without giving any similar protection to India.

It is also noteworthy that in areas where India is richer, for example in traditional knowledge such as Ayurvedic medicine and genetic resources such as neem, the EU is refusing to take the measures to stop bio-piracy (i.e., protect biological resources by patenting them without paying royalties).

Essentially, Sodhi said, the EU is asking India to give more monopoly protection in the areas (GIs) where it has more intellectual property.

This will cost Indian consumers (who have to pay higher prices) and Indian producers (who will no longer be able to clearly identify their products and so are highly likely to lose sales) who are already in nascent stage of agro food processing industry.

He pointed out that the EU is actually anticipating a huge market opportunity in India once the comprehensive FTA is ratified. India needs to be "extremely cautious" at this approach of the EU to ensure that the country's interests are not hampered.

Sodhi requested the Ministry to take up the matter 'very strongly' against this protection, especially when majority of 80 millions Indian farmers (many of whom are marginal and landless) are very much dependent on milk business by keeping one or two cattle which provide their daily livelihood.

[Back to top]

European Union sets tough conditions under FTA

Asit Ranjan Mishra/Vidya Krishnan, Livemint

EU has proposed its customs authorities will have the right to seize drugs in transit in case of IPR infringements

New Delhi, 2 April 2013: The gains accruing to the Indian generic drugs industry as a result of the Supreme Court judgement on the Novartis case may be lost if India accepts demands by the European Union (EU) under the proposed free trade agreement (FTA) between the two sides.

According to a leaked intellectual property chapter of the India-EU FTA draft document posted on the website of a not-for-profit non-governmental organization Knowledge Ecology International, the EU has proposed that its customs authorities will have the right to seize drugs in transit if infringements of intellectual property rights (IPRs) are suspected. The EU has also demanded seizure of bank accounts and properties of drug exporters.

"In the case of an infringement committed on a commercial scale, the parties shall ensure that, if the applicant demonstrates circumstances likely to endanger the recovery of damages, the judicial authorities may order the precautionary seizure of the movable and immovable property of the alleged infringer, including the blocking of his/her bank accounts and other assets," it says.

However, there is no agreement so far on this issue and according to the leaked document, India has proposed that both parties shall ensure that goods in transit through their respective territories are not subject to any enforcement procedures relating to infringement of IPRs.

A commerce ministry official said on condition of anonymity that there was no question of India accepting the demands made by the EU on this front.

India is a major supplier of generic medicines to many African and other least developed countries. Generic medicine consignments by Indian firms have been seized in the past in transit at European ports several times on the grounds of alleged patent infringement. In 2008, there were 17 cases of medicine seizures in the Netherlands alone, according to a response from Dutch authorities to Health Action International, a non-profit organization, under a freedom of information request. Of these, 16 were shipped from India and one from China.

India launched a trade dispute against the EU and the Netherlands in May 2010 over the seizure of generic medicines in transit. However, it later withdrew this after the EU directed customs authorities not to seize any such drugs consignments.

Leena Menghaney, campaign coordinator (India) at Médecins Sans Frontières (MSF), said public health activists like her are worried about patent infringement litigation if India agrees to the EU's conditions with respect to IPRs.

"India has faced a lot of criticism in the past year due to compulsory licensing and the EU FTA negotiations. The kind of IP enforcement we saw today by the apex court will not be possible if India signs the EU FTA," she added.

Talks on the bilateral trade and investment agreement started in 2007. The two sides have missed at least four deadlines to complete negotiations.

India's trade minister Anand Sharma, while inaugurating the Mint Luxury Conference on 22 March, had said negotiators from both sides have made enormous progress and India expects to conclude talks at a ministerial meeting with EU trade commissioner Karel De Gucht scheduled for 14-15 April.

“It will be a most ambitious trade agreement for India covering 96% of India’s tariff lines. Those who are interested in wines, cheese and many of those other things, these are settled long back. The ministerial will follow on 14-15 April in Brussels, so that by that time negotiators have tied most of the remaining loose ends,” he had said.

MSF has announced that it will be protesting against the “protectionist” IP policies under EU FTA on 10 April.

Interestingly, Sharma said in a release on Monday that the Supreme Court judgement was a historic one and reaffirmed the position of Indian law and in particular, provisions of section 3(d), which mandates the need for a substantive innovation while deciding on a case for the grant of a fresh patent.

“Indian patent law is fully in conformity with our international obligations under the TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreement,” he added.

[Back to top]

FTA would allow European carmakers to export their surplus to India: SIAM

Chanchal Pal Chauha, The Economic Times

New Delhi, 10 April 2013: Indian automakers fear that a proposed free-trade agreement (FTA) between the European Union and India could end up benefiting European carmakers at their expense, Society of Indian Automobile Manufacturers (SIAM) says. "We are of the opinion that a free trade agreement with EU would allow a one-sided advantage and allow the European auto industry to export their overcapacity to India," says SIAM president S Sandilya.

The current talks with EU centre on a 50 per cent reduction of tariff of all cars from 60 per cent import duty to 30 per cent. Additionally, a quota of big cars of over 1500cc is also being negotiated that may allow EU to export these vehicles at 10-15 per cent duty to India. The industry is concerned that free import under reduced tariff may allow India to become a big lucrative market of cars made in the EU.

In 2011-12, the Indian automobile industry achieved a turnover of Rs 2,64,000 crore, of which vehicle exports revenue was around Rs 32,000 crore. Automotive trade already favours the EU. In 2010-11, EU exported $3.4 billion worth automotive products to India including $400 million worth of completely built units (CBU) of car. According to government data, the rest were completely knocked down cars (CKD), unassembled cars classified as auto components that are tooled in small factories into fully built cars. In the same year, India exported cars worth $1.7 billion to the EU. A majority of these were hatchbacks. It did not export any CKDs.

The difference between the two countries is that India's exports to the EU are limited to small cars with an average price of 6,000-7,000 euro each, while the cars being exported by the EU are large luxury sedans and SUVs, each costing 20,000 euro and above.

Analysts tracking the sector say this difference loads the trade hugely in favour of the EU even without the FTA being operational. "If duties on car CBUs are reduced under the FTA, this trade imbalance in favour of EU will be further enhanced at the cost of domestic production and value addition," says Deepesh Rathore, India MD of Delhi-based automotive think-tank IHS Global Insight.

The auto industry accounts for 4 per cent of the country's GDP and employed 13 million people in 2005. The government's 10-year Automotive Mission Plan aims to bring this up to 10 per cent of the GDP and 25 million additional jobs by 2016. In comparison, Germany has 22 per cent of GDP coming from its auto industry.

Automakers fear the ongoing FTA negotiation may impact future investment and employment generation. Already French carmaker Peugeot Citroen has pulled off its Rs 4,000-crore investment from India looking to directly import cars under the FTA route. Currently each locally manufactured car in the country generates employment for 13-15 people, while CKD operations where components are assembled into a vehicle, employ 4-5 people.

Employment in logistics, sales and service of these vehicles is additional to these figures. "If we follow this local manufacturing that has made India today the sixth largest car manufacturer of the world, we have the potential to become the third largest car manufacturer by 2020 and the world leader in small cars by then. This could become a distant dream if lower tariffs shift our core manufacturing out of India," Sandilya warned.

SIAM, which represents 40 automotive vehicle and engine manufacturers in India, wants all CBU and engines to be kept in India's negative list as was the case in earlier FTAs with Japan, ASEAN and South Korea.

[Back to top]

How to make FTA win-win for EU, India

Jaideep Mishra, The Economic Times

16 April 2013: The European Union (EU), with 27 member-countries operating as a single market, is the world's largest economy and major trading bloc. And negotiations for the proposed EU-India Free Trade Agreement (FTA), under discussion since 2007, have reached a critical juncture.

The plan is to reduce tariffs on goods, liberalise services and investment rules for greater, mutually-beneficial market access. The gains from trade can be huge, by way of stepped-up inflows of investment, technology and myriad other skills designed to rev up productivity improvements so as to be better integrated with the global economy.

The government of India is in advanced-stage talks with the EU to conclude a Bilateral Investment and Trade Agreement (Bita), commonly known as the EU-India FTA. But how exactly would the pact benefit India and the EU?

Huge Potential

India's share in the trade of the EU is low — about 1.5% both for imports and exports — so the potential for increase is large. And given such a small share, bilateral trade liberalisation with India is unlikely to be perceived as a major threat.

The share of the EU in India's trade is far higher (about 25% of imports and 21% of exports). But note that India's trade has become increasingly and significantly geographically diversified in the last two decades, and the share of the EU has considerably declined since the 1990s. So, trade liberalisation with the EU cannot be deemed a major threat either.

Besides, services is the fastest growing segment of the Indian economy, and we stand to gain from increased cross-border movement of professionals and service providers. Actually, both parties are keen to include services in the FTA.

Further, liberalisation of trade in agricultural goods is unlikely to be a major demand of either party in the FTA, which is another reason to go ahead with the pact. With a large population dependent on farming, India has high tariff peaks (up to 160%) on agricultural items best left for a multilateral trade deal.

More important, the attractiveness of India as a destination for foreign direct investment (FDI) has improved in recent years, and the high economic growth potential here is reason enough for investors in the EU to engage more with India.

But when it comes to actualising investments on the ground, there are a number of issues to be tackled, such as delays in garnering land or other clearances. Anyway, Indian investors have been actively exploring cross-border opportunities for some time. So, a bilateral pact to make the investment regime more transparent and rule-based should improve investor sentiment. One study estimates that the EU-India FTA is likely to increase FDI from the EU by 27%, and increase the stock of FDI nationally by almost a fifth. For India, such investment flows would mean better integration with global supply chains.

On the flip side, negotiators for the FTA need to guard against shallow trade integration, which would have negative implications across the board. If the agreement is confined largely to reduction of tariffs, it can result in trade diversion — with mostly suppliers in third countries benefiting — exceeding trade creation for both parties.

To purposefully gain from the FTA, what is required is deep integration, including a convergence of norms and guidelines on investments in various sectors. It would then lead to productivity gains driven by technological change, spillover effects and economies of scale here, as well as niche specialisation, for instance, in the high end of the market. In tandem, there is the need to remove significant non-tariff barriers to trade, including opaque procedures.

The bottom line is to boost facilitation to maximise the benefits of trade and investment and avoid the known pitfalls.

[Back to top]

India, EU eye more sops, fail to clinch trade deal

The Times of India

New Delhi, 17 April 2013: India and the European Union failed to clinch a deal on the Bilateral Trade and Investment Agreement (BTIA) that has been in the works for six years as both sides sought more concessions for the deal to go through.

Amid a volley of protest at home over the government's stance on allowing cheaper imports of cars and wine, Sharma sought a "good package" on services, including "data secure" status that will help Indian IT companies, especially smaller players, source activity from EU.

The other area of interest for India is movement of professionals.

A key demand is to get EU to drop the safeguard clause on services sector that will kick in when 20% of European Union's committed number of professionals enter member states' territories.

In addition, India wants a clause which allows movement of spouses and dependents along with professionals who get temporary entry into an EU member state.

"Both sides sought a complete understanding on a balanced package in the services sector.

Other issues of market access for agricultural products, pharmaceuticals and textiles were highlighted by Sharma.

EU conveyed its strong interest in financial services, automobile sector, wines and spirits and cheese.

EU also sought assurance on the facilitation of registration of their Geographical Indicators," an official statement said.

At the same time, Sharma is learnt to have made it clear that going beyond WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights, or Trips, was a no-go area."The experts and chief negotiators (at the official level) will remain engaged and the next ministerial meeting is scheduled for June," the statement said.

After PM Manmohan Singh's visit to Germany, his office seemed to suggest that the BTIA was a done deal with the final details to be worked out during Sharma's meeting with EU trade commissioner Karel de Gucht.

But given the differences and the protests in India, the government seems to have taken a strong position and did not rush into a deal.

With Indian general elections just a year away, the Europeans are keen on concluding negotiations.

EU negotiators fear that if talks are not concluded by December, the agreement will have to wait for another six to eight months.

Times View: Govt should not be in a hurry

The decision by India and the European Union not to rush into the Broad-based Trade and Investment Agreement (BTIA) is a move in the right direction.

Given the far-reaching impact it is likely to have on several sectors of the Indian economy and indeed on similar agreements with other countries or blocs, it is imperative that it is well thought through and discussed before being signed.

The government should not commit itself to any deal unless each and every move is carefully considered and debated.

Transparency is crucial and the nation must be taken into confidence before finalizing such a comprehensive pact.

[Back to top]

India-EU FTA: negotiators may meet next month

PTI

New Delhi, 21 April 2013: The negotiators of India and European Union are likely to meet here next month in a bid to resolve contentious issues creating a road-block in inking of the bilateral FTA, ahead of their ministers meeting in June.

On April 15 meeting in Brussels, Commerce and Industry Minister Anand Sharma and EU Trade Commissioner Karl De Gucht failed to reach on a conclusion and has agreed to meet again in June.

"Before the ministerial meeting, chief negotiators and expert groups from both the sides are likely to meet next month here. However, the dates are yet to be finalised," sources said.

Several rounds of meetings have already been held between India and the 27-nation European bloc since the negotiations for the Broadbased Trade and Investment Agreement (BTIA) were launched in June 2007 but both the sides are still engaged in bridging the gaps on several issues.

EU is pressing for significant duty cuts in auto, wines and spirits and dairy products, besides hike in FDI cap in the insurance sector and a strong intellectual property regime.

On the other hand, India wants liberalised visa norms for its professionals, data secure status and market access in services and pharmaceuticals sector.

Despite differences over several matters, Sharma has recently said the negotiations are progressing very well.

Germany, one of the key members of the 27-nation European bloc, very clearly articulated the impediments in conclusion of talks, which has missed several deadlines for conclusion.

The two-way trade between India and EU was USD 91.3 billion in 2010-11.

Significantly, European Union has launched the trade talks with Japan last month and gearing up to initiate same with the US in next few months.

[Back to top]

Raise cut-off limit in plan to issue more visas, India tells EU

Amiti Sen, Business Line (The Hindu)

New Delhi, 4 May 2013: India has asked the European Union to have a higher cut-off for triggering visa curbs introduced in the latter's proposals offering additional 40,000 visas to Indian professionals every year.

This is part of the ongoing India-EU free trade agreement talks. New Delhi has argued that a lower cut-off margin could render the concessions meaningless.

In a safeguard clause, the EU will allow individual member countries to take measures to check entry of professionals from India as soon as 20 per cent of the committed number is breached.

Since the EU's offer is one of the main bargaining chips to nudge India to agree to deep tariff cuts in cars and alcohol, any limit on the number of visas is not acceptable, a Commerce Department official said.These additional visas are to be issued by the EU-member countries without any Economic Needs Test to show its impact on local workforce, which is otherwise mandated by many countries. "The threshold level is way too low. This means that as soon as a member gives out one-fifth of the total number of visas it has agreed to issue, it could be free to impose restrictions. This is like giving with one hand and taking back with the other," the official said.

India has listed the issue as top priority to be discussed in the meetings of the negotiating group before the next India-EU ministerial meet scheduled in June. The main problem with EU‟ s proposed commitments for additional professional visas could be the fact that it imposes different burden on different countries, with the heaviest weight on the UK.

UK's share of 12,000 is 30 per cent of the total - despite the country making up only 12 per cent of the EU's population.

The Commerce Department argument is that since these visas are short-term, for up to six months, it would not be burdensome for any country.

India has also asked the EU to grant secondary mobility inside the EU-member state to Indian professionals so that they can move from one EU country to the other without restrictions.

[Back to top]

India threatens to stall trade talks with EU

Nayanima Basu, Business Standard

New Delhi, 9 May 2013: India has threatened to stall the negotiations on an ambitious free-trade agreement (FTA) with the European Union (EU). At a meeting of the chief negotiators next week, India is expected to give an ultimatum to the 27-nation bloc on recognising it as a 'data-secure' country.

At a meeting between Commerce, Industry and Textiles Minister Anand Sharma and EU Trade Commissioner Karel de Gucht last month, India clearly told EU without greater access into the European market for its professionals, it would "not be able to continue" the talks.

"India has offered the best deal to any partner so far. There is enough on the table from the Indian side in all sectors of EU's interest. Now, it is necessary that ambitions are tempered to ensure early closure of negotiations. Our main demand is greater opening of the EU market for our professionals. If we cannot get that, we will not proceed any further. If they cannot resolve the issue through negotiations now, so be it. We will not be able to proceed further," a senior commerce department official told Business Standard.

India is expected to convey this message "very strongly" to the EU at the meeting of the chief negotiators on May 15. The meeting would be followed by a last-ditch-effort meeting between Sharma and de Gucht in June. "To give meaningful market access to Indian IT (information technology)/ITeS (information technology-enabled services) companies, we need a declaration of data adequacy status from EU. Without this, any market access offered by EU in mode 1, particularly for smaller IT/ITeS companies, is ineffective… Otherwise, what is the point in dragging on the talks?" the official asked.

The deal, talks for which began in 2007, has become a contentious issue for the government. Now, with the Lok Sabha elections due next year, the government isn't likely to take any chances and invite criticism on failure to sign the deal, one that wouldn't even benefit the citizenry, especially the swelling servicessector.

According to EU law, European countries doing outsourcing business with countries not certified as datasecure have to follow stringent contractual obligations, which increase operating costs and hit competitiveness. Though almost all Fortune 500 companies have entrusted India with critical data, EU has refused to declare India 'data-secure'. India has repeatedly told EU the existing provisions of Article 43A of the IT Act were adequate to ensure EU citizens' data was secure.

EU had been rigid in granting the coveted status to India, as it felt India lacked adequate data protection laws and incidences of security breach were rampant in India.

During a recent interaction with Indian industry, Joao Cravinho, EU ambassador to India, had said EU wouldn't be able to provide much under the trade pact, as it was a legislative issue. He said the matter would be resolved once India signed the deal with EU. For EU to make the changes and grant data-secure status to India, a meeting of the 27-nation bloc's data protection commissioners has to be convened. This would be followed by a voting process, after which the European parliament would take a decision.

[Back to top]

Data adequacy grant to India non-negotiable, says EU envoy

Nayanima Basu, Business Standard

New Delhi, 17 May 2013: Even as India is pushing hard to obtain the coveted Data Adequacy status from the European Union under the ongoing talks for a bilateral trade deal, the 27-nation bloc has clearly stated it will not in any way negotiate the issue.

The Indian government considers it crucial that India gets this status, similar to the Safe Harbour agreement it has with the US, to get more access to the EU market for India's teeming professionals such as software engineers, nurses, doctors, lawyers, chefs and chartered accountants, among others.

"Data protection is our fundamental right and rights are not negotiated. I understand it is important for India to get the status but then this is not the forum for that. I know how significant it is for India to get access to the European countries for its IT (information technology) professionals. This also increases the cost for us but this cannot be done under the trade talks," EU ambassador to India João Cravinho told Business Standard, on the sidelines of a meeting here today.

The EU's Data Protection Directive, under Article 25, states the criteria for assessing adequacy of data protection in a third country. This directive is now expected to be replaced by the EU Data Protection Regulations, 2012. These say transfer of data outside the European Economic Area (EEA) can take place to only those countries ensuring an adequate level of protection. This is what makes the status so sought.

According to Nasscom, the apex body of India's IT sector, getting India declared as a data-secured country will increase revenues from the EU to the extent of $7 billion (Rs 38,350 crore) annually by way of increased offshoring and cost savings to companies leveraging India in their business model.

The EU ambassador also said that granting the status to any country outside the bloc required a longdrawn process, as each of the states' protection commissioners needed to approve the process. He highlighted the need for India to adhere to the recommendations made by the 'Group of Experts on Privacy' constituted by the Planning Commission under the chairmanship of the former chief justice of the high court of Delhi, Ajit Shah.

Presently, chief trade negotiators from both sides are meeting here to prepare the grounds for a possible formal conclusion of the talks between commerce and industry minister Anand Sharma and EU trade commissioner Karel de Gucht. The Indian side is led by Rajeev Kher from the ministry of commerce and industry.

The ambassador said the EU had not got anything significant from India in terms of reduction of duties on automobiles and wines and spirits.

The Government of India had been claiming that in these two sectors, it had offered much more to the EU than to any other country with whom India has broad-based trade agreements, encompassing goods, services and investment. The EU also has huge interest in getting more access in India's insurance sector, something Germany is much interested in.

Minister Anand Sharma had recently told Business Standard he'd try to hammer out some consensus on the issue. With crucial elections next year, India will not settle for anything less under this ambitious deal, the negotiations for which started in 2007. According to senior officials, the government might stall the talks if it failed to get the status from Europe.

The Data Security Council of India, along with Nasscom, is working with the department of commerce and the department of information technology & electronics on the issue of trans-border flow of data from the EU to India. In May 2010, the EU had commissioned a study to analyse the adequacy of protection of personal data provided in India.

It did not find the laws adequate here.

[Back to top]

India-EU FTA talks fail to bridge gaps

PTI

New Delhi, 18 May 2013: In a setback to talks for the long-pending India-EU Free Trade Agreement (FTA), the chief negotiators‟ meet on Friday failed to bridge “substantial gaps” on crucial issues, including insurance and data security status for IT sector, creating a bleak possibility of a ministerial meet next month.

The two sides began negotiations to iron out differences on various vexed issues from 13 May, spearheaded by their chief negotiators who joined them on 15 May to reach a final position on the proposed trade pact.

However, the week-long talks ended with “substantial gaps” after which sources clearly indicating that there might not be a ministerial meet, as was scheduled for next month, since the brain-storming session could not achieve any major deliverables.

The sources noted that “a sense of urgency” as was witnessed in the previous rounds from the European side was “missing” this time and asserted “both sides failed to achieve any major breakthrough which was expected from this meet as this was treated as the penultimate round”.

They also maintained that with “failure” of this round, now the inking of the agreement seems unlikely in the current regime in India, which will be soon poll bound.

While Indian side was led by additional secretary in the commerce ministry Rajeev Kher, Ignacio Garcia Bercero headed the European Union (EU) side.

Launched in June 2007, the negotiations for the proposed Broadbased Trade and Investment Agreement (BTIA) between India and the 27-nation European bloc has witnessed many hurdles with both sides having major differences on crucial issues.

While on the first day itself, the EU side made it clear that hiking FDI cap to 49% in the insurance sector was must for concluding the negotiations, Indians expressed its inability to do so without an approval from the Parliament.

From Indian side among other issues, granting data secure nation status to it by EU was very crucial as it will have a bearing on Indian IT companies wanting market access.

Besides demanding significant duty cuts in automobiles, EU is pressing for tax reduction in wines and spirits and dairy products and a strong intellectual property regime.

On the other hand, India wants liberalised visa norms for its professionals, data secure status and market access in services and pharmaceuticals sector.

India is among nations not considered data secure by the EU. The EU law mandates that European countries doing outsourcing business with countries that are not certified as data secure have to follow stringent contractual obligations which increases operating costs and affects competitiveness.Last month, commerce and industry minister Anand Sharma met his EU counterpart Karel De Gucht in Brussels and had discussed the progress in BTIA. It was agreed that chief negotiators would remain engaged and a ministerial meeting was scheduled for June.

During the Berlin visit of Prime Minister Manmohan Singh last month, India and Germany had set a target of concluding the talks for India-EU free trade agreement this year.

The hope for concluding the FTA this year was voiced even as German Chancellor Angela Merkelcandidly advocated that the two sides were yet to overcome “all the difficulties”, while pressing for increase in the foreign equity cap in India‟ s insurance sector and reduction in tariffs on import of automobiles from Europe.

The total trade between India and EU stood at $94.43 billion during April-February 2012-13. It had aggregated to $109.86 billion in the entire 2011-12 fiscal.

[Back to top]

New bulk drug export norms to comply with EU standards

The Hindu

New Delhi, 23 May 2013: The Commerce and Industry Ministry, on Thursday, issued new guidelines for pharmaceutical makers to comply with the European Union (EU) Good Manufacturing Practice (GMP) standards. In a statement issued here, the Ministry says such a move will give a boost to pharma exports from India. India has demonstrated its keenness to meet international requirements for exports of pharmaceutical products yet again by taking timely action for complying with the new procedural requirements of the EU for import of Active Pharmaceutical Ingredients (API) into the EU,. the statement adds. Active Pharmaceutical Ingredients, commonly referred to as bulk drugs in the industry, are used in making medicines. The new legislation, which will come into force from July 2, requires a written confirmation by a competent authority nominated by the government that the API has been manufactured in accordance with the EU GMP standards, the Ministry says in the statement. The authority will also give a written confirmation that the manufacturing facility, where the API is produced, is subject to control and enforcement of GMP standards and is equivalent to those in the EU countries. EU Directive

The EU had issued a new directive on June 8, 2011, to lay down a community code relating to medicinal products for human use and to ensure that the defective products do not reach consumers. The directive lays down a system of control over the entire supply chain for pharmaceuticals. Various EU industry members have been expressing their concern over the ability of India to comply with the new procedure by the July 2 deadline. However, India is optimistic that its pharma industry will be able to meet regulatory requirements within the given timeframe. This landmark achievement underlines the seriousness of India towards pharma exports. Compliance by pharma industry with the EU directive is expected to have a positive impact on the companies as many of them are aspiring to export to developed countries, the statement adds.

[Back to top]

India asks EU to address concerns on data security status

PTI

New Delhi, 30 May 2013: India today asked European Union to address its concerns on providing data secure status for the IT industry under the proposed Free Trade Agreement (FTA), to which the 27-member bloc has expressed willingness to set up a Joint Working Group (JWG). India's concerns were conveyed by Commerce and Industry Minister Anand Sharma to EU Trade

Commissioner Karel De Gucht when the two met on the sidelines of an OECD meeting in Paris today during which they also reviewed the current status of the India-European Union Broad-based Trade and Investment Agreement (BTIA) negotiations. The two sides have failed to bridge the gap on various crucial issues, including increase in FDI in insurance sector by India and granting of the status of data secure nation by the European Union during the talks between their Chief Negotiators here earlier this month. During the meeting, "Sharma emphatically underscored the need for addressing India's concerns on providing data secure status. EU is willing to set up a Joint Working Group which will look at all the technical aspects to ensure that India will be able to achieve necessary compliance for data security purposes," an official statement said here. Data-secure status is a big demand of India as its current lack of status has prevented the flow of sensitive information to India, a big deal for its IT industry. This has also impacted the movement of people through restrictions on business development as it restricts transfer of personal data to locations outside EU, unless the importing country ensures adequate data protection. India has been arguing that since US has a safe harbour pact with the EU, and that the US and India have a data adequacy agreement, therefore the EU should give data adequacy status to India.

[Back to top]

India to EU: Can't sweeten trade pact

Sidhartha, The Times Of India

New Delhi, 20 June 2013: The government has run out of patience and will ask the European Union to sign a free trade deal "within a narrow political window" as India is unwilling to offer further tariff cuts for automobiles and has no room to provide flexibilities on pharmaceuticals and government procurement.

Top government sources said commerce & industry minister Anand Sharma has been advised to deliver a stern message to Karel De Gucht, his European counterpart as EU's list of demands seem unending even seven years after negotiations began. Sharma could not be reached for comment as he was travelling overseas, while commerce department officials refused to comment.

On India's demands, EU has refused to grant "data secure" tag to information technology companies and instead give data adequacy status, something that has also been given to the US. Data secure status will make it easier for mid-rung Indian companies to bag contracts in most of Europe. The sources said the issues raised on pharma related to pricing regulations, patents, counterfeit medicines and access to cheap drugs, which do not relate to FTAs, a position that has been clearly articulated to Brussels on several occasions.

Similarly, on government procurement, EU has demanded commitments based on the proposed public procurement law, which has not even been placed before Parliament. While India is willing to engage on the issue once the law is enacted, the trading bloc sees it as a critical element of any deal. EU is pushing
for preference in government purchases for European companies, which is unacceptable to India. New Delhi has said it will only ensure that orders above a specified value are bid out and European bidders are not at a disadvantage.

The third issue that is holding up talks is EU's demand for a steeper tariff cut on automobiles that goes beyond the government's offer to lower import duty to 10% for a specified number of vehicles, and reduce it to 30% for cars beyond the threshold. But EU wants a shift towards zero duty and government says it is not possible.

The sources said EU is raising issues at the last minute, while the political window for a deal is narrowing given the impending general elections next summer. They pointed out that Indian negotiators had participated in the talks last month with the impressions that negotiations have to be concluded soon. But EU doesn't seem to be heading for a political closure before September — instead of the agreed deadline of July. As a result, signing the deal cannot take place before March or April 2014, when India will be in the midst of general election.

[Back to top]

Fading trade timelines

T S Vishwanath, Business Standard

4 July 2013: The timelines for a possible India-Europe bilateral trade and investment agreement are getting tight with both sides supposedly failing to close the deal on some critical issues. While this could risk hurting several years of negotiations that have been undertaken by both sides, it is also important to note that the final deal should be based on a clear win-win for both partners. First, it is important to note that an agreement can be beneficial for both sides if it is balanced and addresses the sensitivities that have been highlighted by the two partners. But time is of essence and the 28-nation European Union (EU) and India should now look at arriving at a consensus on issues by the end of July, if an agreement has to be signed. Once the negotiators finish their negotiations the two sides may require some time to complete the legal document and then clearances would be needed which could take time. The EU would take longer to get clearances, as its processes take more time. A delay in completing the negotiations soon could possibly mean that an agreement, if at all, would be put off by about a year or two. The year-long hiatus would be prompted by the fact that elections in India are expected to be held in the middle of next year and by the time a new government takes charge it would be time for the current European Commission to pack up. Therefore, negotiations can begin again, if at all, only in early 2015. The EU is India's largest trade partner and a trade deal can be beneficial for both sides. Negotiators surely know this. But what seems to be holding back the deal is the level of ambition that some sectors are hoping to achieve. An important area of divergence seems to be in the auto sector. Various reports seem to suggest that the EU is keen on getting a zero-duty offer from India in this sector. Certainly, that does not seem achievable. But then it is important to recognise that the stand taken by the Indian auto sector also provides no flexibility to our negotiators. The EU will need to realise that even a slight opening, if achieved, can be a good starting point for future discussions.

Given the current state of play, some sectors in India need to take a more proactive role if they wish to see a conclusion to a bilateral free trade agreement (FTA). Some of the obvious gainers in India from such a deal include the information technology sector and the textiles and clothing sector. Interestingly, one does not see much of a public stand by either of these sectors in advocating an early conclusion towards a deal. The current deadlock, therefore, provide us with some pointers to help make such trade agreements far more effective and worthwhile for the government and the industry. First, the industry needs to play a far more proactive role during such negotiations. This is especially for sectors that stand to gain from FTAs. Their role should not be limited to back-room lobbying but a more public positioning of their support for a deal. This will help build public opinion in favour of FTAs. As of now, public positioning by the industry for an agreement is more focussed on the negative impact rather than about the opportunities that such deals would provide. This vitiates the environment for any FTA. Second, the industry needs to start track two with counterparts in the other countries, as soon as official negotiations begin to ensure that the feedback to negotiators is based on a better understanding of the industry position on the other side. Third, the industry should desist from adopting a "one-size-fits-all" approach with all trade partners. This seems to be a case in some sectors that have taken a defensive view for nearly all the FTA negotiations. Fourth, foreign investors in India need to play a more active role in providing inputs to the government when such negotiations take place. Such FTAs can help develop global value chains and multinational companies in India that have not advocated such a view, as yet. Taking this thought forward, Indian companies, too, should look at these agreements as stepping stones to build value chains across countries.

[Back to top]

EU to impose anti-dumping duties on Indian steel

Priyadarshi Siddhanta, The Indian Express

New Delhi, 11July 2013: Just when the India-European Union free trade agreement was narrowing down to duty on wine and opening up of the insurance sector, the Indian steel industry has asked the government to protest against anti-dumping duties on their exports to Europe.

They have been supported by Steel Ministry's Economic Research Unit (ERU). The unit has cautioned that the European Commission will release an "action plan" to revive the European steel industry. "It may include subsidies and strong trade actions to reduce or eliminate competition from imports, especially from the developing nations," its advisory notes. This will be a piquant situation as Indian companies, including Tata Steel, operates from both Europe and India.

Incidentally, on Tuesday, Prime Minister Manmohan Singh had said that steps were needed to push steel production volumes in India that is now at less than 80 million tonnes every year. The government expects to raise the volume to 280 million tonnes by 2025, a CAGR of 13.35 per cent.

Eurofer, the apex body of European steel makers is planning to initiate anti-dumping and subsidy countervailing cases against import of stainless steel long products and galvanised sheets of which India is a major exporter to the EU. The European steel companies are still in the middle of a deep slowdown and are reeling under excess capacity of 60 million tonnes. "Given the intensity of the crisis in the EU region, there are talks of nationalisation or temporary government management of major steel mills there, for example ILVA of Italy," the policy advisory body said. In response to the ArcelorMittal plan to close two key facilities in France, the country's government has warned of nationalising the facility.

The possibilities of such measures from Europe are high, it said. Since India has filed some cases against Europe-produced steel, "The EU steel industry may be looking for some retaliatory measures. It is also a matter of concern that that the EC may adopt non-tariff barriers involving environmental issues," the steel policy advisory body reasoned. It said that in the recent past trade action were taken against Indian steel products in Indonesia and Thailand and the steel ministry was unaware of it and came to know about it only after their respective trade actions were notified.

[Back to top]