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India may drag EU to WTO if drugs ban is not lifted

Amiti Sen, Business Line

New Delhi, August 6, 2015**:** India is considering the option of dragging the European Union (EU) to the World Trade Organisation for "unjustly'' banning 700 Indian drugs that were clinically tested at the Hyderabad-based GVK Biosciences.

The Commerce Ministry is examining at least two technical grounds to see if a case can be made against the 28-member bloc at the multilateral forum, an official told *BusinessLine*.

The core allegation of data manipulation of electrocardiograms (ECGs) of volunteers levelled by the French drug regulatory authority, ANSM, against contract research lab GVK can be challenged as the lab has denied it and also produced evidence to support its position, the official said.

Moreover, the ministry is also examining the scientific validity of the requirement for ECGs for testing the efficacy of the banned drugs, he added.

Most of the banned generic drugs — copies of once patented medicines that are now off patent — were being sold in the European markets for several years without any adverse reports about their quality or effectiveness.

Commercial bias?

New Delhi is apprehensive that the EU's decision could have been guided more by commercial concerns rather than on health grounds as the Indian generics are available at a fraction of the price of the patented versions sold by pharmaceutical majors, many of them based in Europe. "The bigger idea behind the move could be to discourage generic drug production," the official said. India exports drugs approximately worth $15 billion annually.

India has already deferred its talks on the proposed Free Trade Agreement (FTA) to protest against the ban.

ANSM had complained to the European Medicines Agency (EMA) last year that clinical trials for bio-equivalence testing (tests to prove that generic drugs are as effective as the ones whose patents have expired) of certain drugs conducted by GVK between 2008 and 2014 were unreliable. It claimed that one person's ECG data was used for different volunteers who underwent the tests.

"GVK has already submitted results of independent cardiologists who have gone through the ECGs and have stated that in most cases it was evident that the ECGs were of different individuals," the official said.

Decision soon

Apart from proving that the ECGs were of different persons, if India can establish that the ECGs are not necessary to prove that the tested drugs were effective, then it will have a "water-tight'' case.

"We will take a decision … soon. Much also depends on whether the EU is prepared to sort out the issue bilaterally," the official said.

The Commerce Ministry has been trying to convince the EU about the authenticity of the GVK clinical trials for the past eight months. Commerce Minister Nirmala Sitharaman had raised the issue with the EU Trade Commissioner in May this year.

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India defers FTA talks with EU over ban of 700 drugs

The Indian Express

New Delhi, August 06, 2015: Objecting to the ban of around 700 pharma products by the European Union (EU) last month, India on Wednesday said that it has called off a scheduled meeting of chief negotiators of the two sides on the proposed free trade agreement.

The meeting on the proposed Broad-based Investment and Trade Agreement (BITA), which was scheduled for August 28, has been deferred as "the government is disappointed and concerned by the action of the EU in imposing legally-binding ban on the sale of around 700 pharma products clinically tested by GVK Biosciences, Hyderabad". A statement from the Ministry of Commerce and Industry said the government has engaged on the issue with various EU regulators over the past eight months.

Pointing out that most of the drugs banned by the EU are already in the market for many years "without any adverse pharmaco-vigilance report from any member state", the ministry said that the pharmaceutical industry is one of the flagship sectors of India which has developed its reputation through strong research and safety protocols over the years. "And therefore government will examine all options in this regard," the statement added.

Earlier in June commerce and industry minister Nirmala Sitharaman had met her EU counterpart, trade commissioner Cecilia Malmström, on the sidelines of an informal meeting of trade ministers in

Paris and the two sides had agreed to revive talks at chief negotiators' level. When contacted, PV Appaji, director general of industry body Pharmexcil refused to comment on the impact of the ban order on the Indian pharma industry. However, earlier Pharmexcil had said that the loss to be suffered by the sector would be around $1.2 billion.

Lauding the development, DG Shah, secretary general of Indian Pharmaceutical Alliance, said that the EU has erred on two counts while taking the decision. "First, the inspectors inspected only 25 products and based on that they extrapolated their findings to 1,000 products. Secondly, the charge is of manipulation of ECG which were taken for clinical trial. The inspectors who visited were not experts in reading ECGs, which can be correctly read only by cardiologists. These ECGs were sent to globally expert cardiologists and none could said that there was manipulation," Shah added.

Last month the EU had banned the products for alleged manipulation of clinical trials conducted by GVK Biosciences and the decision is to come into effect from August 21. The suspension of sales and distribution of generic drugs ordered by the European Commission, which is the executive body of the EU for proposing legislation and implementing decisions, will be applicable to all 28 member nations. The development comes at a time when the EU has intensified its efforts to reach out to India for concluding the negotiations on the FTA amid slowdown in its key economies and has signaled its willingness to show flexibility on all major issues that have stalled the talks.

The last round of talks, which started in June 2007, was held in May 2013. However not much breakthrough was achieved due to EU's concerns in areas including high tariffs on cars and wines, insurance, banking, retail, legal services, geographical indication, and public procurement while India's concerns were on services. Exports to the EU shrank 4.4 per cent to $49.3 billion in 2014-15 while imports contracted 2.2 per cent to $48.8 billion. According to Pharmexcil, India exported pharma products worth $15.4 billion in 2014-15.

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India says deal on public food stockholding essential

D. Ravi Kanth, Live Mint

August 03, 2015: As the World Trade Organization (WTO) failed to finalize a work programme on Friday; India fired a salvo for a "permanent" solution for public stockholding programmes for food security, saying it is an "essential deliverable" at the upcoming ministerial meeting in Nairobi.

The work programme was mandated to be agreed by 31 July for concluding the Doha Round of trade negotiations at the WTO's 10th ministerial conference in Nairobi set for 15 December.

But unbridgeable differences over demands for changing the existing parameters for reducing domestic farm subsidies by major industrialized countries, particularly the US, have put paid to the work programme.

Without the blueprint, it is not clear how the Doha negotiations launched in 2001 will conclude in Nairobi. Many countries, particularly a large majority of developing countries, expressed their disappointment at the failure to arrive at the roadmap for the Nairobi meeting.

"There are still huge differences in expectations," said Roberto Azevedo, WTO's director general, at the final trade negotiations committee meeting before members proceeded for summer recess.

Echoing a common refrain of the US that the red lines of the US, China and India for reducing domestic farm subsidies do not overlap, Azevedo repeated that "red lines do not overlap".

Without elaborating on the differences, he said "substantive progress towards convergence has remained very limited".

"We will need to see a step-change in members' flexibility and political engagement if we are to make progress," he said.

In a sharp response, India expressed concern over the lack of "meaningful" engagement by members on its alternative proposal for a permanent solution for public stockholding programmes for food security.

India, along with other members of the G-33 farm coalition led by Indonesia, made detailed proposals on how a permanent solution can be finalized by including subsidy payments for public stockholding program-mes in the so-called 'green box' disciplines that are exempted from reduction commitments.

During the past 10 years, major industrialized countries had shifted their controversial farm subsidy programmes to the 'green box' to avoid any scrutiny at the WTO.

"The WTO's 'green box', which is meant to hold non-trade-distorting subsidies, is now home to about $120 billion of the $130 billion in nutrition programmes and farm supports," according to Timorthy Wise, an academic at the Tufts University in the US.

But the US and other major industrialized countries rejected the G-33 alternative proposals on the ground that the 'green box' disciplines are meant to be non-distorting.

"We are deeply concerned that members are not engaging meaningfully on that (G-33 proposal) and instead asking for alternatives to be explored," India's trade envoy Anjali Prasad said at the meeting.

“As India has repeatedly pointed out, a permanent solution to this problem (of food security) is an essential deliverable at Nairobi,” she emphasized.

India has also reiterated “certain important parameters” to ensure credible outcomes at the Nairobi meeting. New Delhi said it will not accept the dilution of “development dimension (of the final outcomes)”, “special and differential flexibilities(for developing countries), and “less-than-full reciprocity (the industrialized countries undertake higher commitments)”.

Prasad argued that India will not accept new norms that would reduce is policy space under the existing provisions.

Of late, the US and the EU have repeatedly said the Doha Round must be concluded at Nairobi. The US also suggested at a recent meeting that there would be a trainwreck if the Doha negotiations are not concluded, an African official said.

“We don’t subscribe to a Nairobi ‘make-it-or-break-it’ narrative or conclusion of the Round at any cost or in any manner whatsoever,” Prasad warned.

The US said unless major countries show “flexibility” to undertake commensurate commitments, there cannot be progress. Washington said it is prepared to show flexibility but others must also do the same.

In a sharp response to the director general’s assessment, Brazil said it will not accept an “unbalanced outcome”, in which agriculture is left behind with zero progress while other areas are subjected to substantial commitments. “Any viable outcome requires movement in domestic support as a necessary condition,” Brazil maintained.

“The holidays should also serve to put an end to the apparent illusion entertained by a few that we could once again end up with agriculture left behind with close to zero progress, while on other fronts including, NAMA (non-agriculture market access), services and rules, there could be broader movements, even if related to only policy space,” said Brazil envoy Marcos Galvao.

“That is not going to happen. Brazil, for one—and I know we are not alone—will not be part of any attempt to build consensus upon any kind of unbalanced outcome,” the envoy argued.

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Regional cooperation pact talks: China demands more concessions from India, Japan

Amiti Sen, Business Line

New Delhi, August 11, 2015: China has emerged as India's toughest adversary at the on-going Regional Comprehensive Economic Partnership pact being negotiated between 16 countries including the 10-member Asean.

Beijing blocked a preliminary agreement on goods market liberalisation at last week's round in Nay Pyi Taw, insisting that New Delhi and Tokyo improve their initial offers in the area, a government official told *BusinessLine*.

"New Delhi managed to convince all other members, including the Asean, of its need to keep initial offers low because of the sensitivity of a number of industrial sectors, but Beijing was not willing to listen," an official familiar with the development said.

Chinese threat

India, especially, has to be careful about what it offers to China as the local industry is apprehensive about a flood of cheap goods from the country once duties are lowered.

While the RCEP would also incorporate agreements on opening up markets in services and liberalising investments and also pacts in other areas such as government procurement and e-commerce, the focus is on goods as it is the trickiest issue and other areas are expected to fall in place once it does.

"All eyes are on China now. If it agrees to the initial offers on the table at the moment, then the meeting of trade ministers later this month will be successful and a formal agreement in goods could be worked at by the next round in October based on what the ministers announce," the official said.

China is upset because India has chosen to offer it preferential duties on less than half of the items traded between the two countries. India is willing to offer the maximum tariff relaxation to the Asean (going beyond what has been offered in the India-Asean FTA), followed by its other FTA partners Japan and South Korea.

New Delhi is also not keen to offer generous concessions to Australia and New Zealand, with which it is yet to sign FTAs.

“Since China doesn’t have FTAs with both India and Japan, it was hopeful of getting some concessions in both the markets through the RCEP agreement. But if it wants a deal, it has to be less ambitious,” the official said.

The RCEP, which also includes Australia, New Zealand and South Korea, once operationalised, could result in the largest trading bloc in the world as its 16 members account for 45 per cent of the world population and a combined GDP of $21.4 trillion.

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Yuan devaluation, experts divided over India trade competitiveness factors

Sanjay Vijayakumar, The Hindu

August 15, 2015: The devaluation of yuan has put a special focus on the potential of the move eroding India’s trade competitiveness. Experts differ on the impact with some saying that the competitiveness factor were beyond currency movements, while others saying that India can maintain its competitiveness if rupee also declines.

India has had a sustained trade deficit with China, which touched nearly $50 billion in fiscal 2015. The risk for India comes from two ways: one cheaper imports from China affecting domestic companies and second it would affect India’s exports to other countries.

“Our worry is that if there is one more poor economic data, China is again going to devalue the currency, which would have an cascading effect on other currencies and which would affect our export potential to other countries where we have to compete with China,” Ajay Sahai, Director General of Federation of Indian Export Organisations said.

Indian rupee which has been a best performing currency, hit a two-year low on Thursday.

“To retain export competitiveness to the extent possible, the rupee must also decline. It may be pointed out here that since 2013 onwards when the RBI took corrective measures to steady the rupee, our currency has performed better than those of other emerging markets. There are definitely signs of

competitive depreciation across countries – driven currently by market forces and not governments or central banks," said CARE Ratings in a note.

The markets are going to keep guessing the RBI's intervention and action and hence the rupee will be volatile. A lot depends on when the depreciation of the renminbi stops and at what level it stabilizes, it added.

Brokerages Nomura and DBS Group Research point out that the trade balance between India and China are beyond just currency movements. Both of them pointed that there has been increased imports from China despite a significant appreciation of the yuan versus the rupee. They pointed out that India should focus on policy related efforts in boosting competitiveness.

Jagannath Panda, Research Fellow and Centre Coordinator for East Asia at the Institute for Defence Studies and Analyses reckon that India should take up the currency debate with China in the India-China Strategic Economic Dialogue.

"Currency movements have never been part of these dialogues so far, might be a good time to include them."

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Devaluation of yuan will affect India's textile exports

The Times of India

Mumbai, August 13, 2015: The devaluation of Chinese currency yuan will have an adverse impact on India's textiles exports and clothing, which is facing sluggish growth due to recessionary conditions in global markets, an industry body has said.

"The sudden move on the part of China to devalue its currency yuan will have an adverse impact on India's exports of textiles and clothing, which are facing already sluggish growth due to recessionary conditions in global markets," Texprocil chairman R K Dalmia said in a statement here.

China's central bank on Tuesday devalued its tightly controlled currency by close to 2 per cent to boost exports amid a slowdown in the world's second-largest economy and the recent stock market crash.

Even as global exports are on a sliding path, this decline in global demand is putting pressure on the export-driven Chinese economy.

Dalmia pointed out that the Chinese government appeared to be more sensitive to the decline in their exports than the Indian government as they had acted with alacrity to arrest the decline in their exports by taking urgent steps like devaluing their currency.

"Our government, on the other hand, regrettably has been unable to appreciate the depth of the decline in our exports and take remedial steps," Dalmia said.

He pointed out that the government has not yet announced the interest rate subvention of 3 per cent, which has been pending despite sanction of funds for this purpose by the Finance Ministry.

In view of the crisis situation facing the textiles industry, Dalmia appealed to the government to clear the dues of the industry under the TUF scheme and release additional funds.

These steps would enable the textile sector which has a very low operating margin to survive in these times of global recession and intense competition, Dalmia added.

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2.5% hike in import duty can't save metal industry from being steamrolled by Yuan's devaluation

The Economic Times

Kolkata/Mumbai, August 13, 2015: Steel and metal companies are probably never going to recover from this in a hurry. Under an onslaught on cheap imports, a second devaluation in the Chinese currency — the biggest two-day lowering of the yuan's rate against the dollar in more than two decades — has caught them unawares.

Within hours after the yuan rumble, the government reacting with alacrity, announced a 2.5% hike in import duty across the board on iron and steel. It is the second such duty hike in less than two months.

On Wednesday, basic customs duty on flat-rolled steel products was raised to 12.5% from 10%, import duties on iron and non-alloy steel ingots, bars, rods, wires of stainless steel, semi-finished products of iron have also been increased to 10%.

Yet the move is unlikely to offer much protection to steel companies. Seshagiri Rao, joint MD and CFO of JSW group said: "The duty hike is small and incremental. Moreover, it will not apply to items from free trade agreement (FTA) countries from where we are facing the threat of imports. The earlier duty hike too was not applicable to FTA countries."

Total imports of steel shot up to 2.8 million tonne in the first quarter of FY16, of which China accounted for 26% while Japan and Korea had a 43% share. China's imports were at 7.2 lakh tonne, Japan's at 5.9 lakh tonne, while Korea's were at 6.2 lakh tonne. In 2014-15, steel imports went up 71% to 9 million tonne (MT), with China accounting for 2.9 MT (33%) of it. Against this, Chinese imports had amounted to 1.1 MT in 2013-14 when total steel imports touched 5.45 MT or roughly around 9.8%. Japan, Korea and the US have taken protective action against the Chinese imports. While Indian steel makers are competitive in terms of conversion cost, infrastructure bottlenecks, high interest and energy costs put them at a disadvantage. "The latest duty hike is not enough. We want the government to impose safeguard duty of 25-30% on steel to shield our industry from reckless imports," Ravi Uppal MD & CEO of JSPL said.

China exported 100 MT of steel last financial year. Even though several countries, including India, have taken measures to curb imports, China has remained aggressive in dumping its excess production to the world market.

In a recent interview with ET, global steel guru and founder of World Steel Dynamics, Peter Marcus, attributed "oversupply" for the aggressive Chinese export offensive. "I call it the Chinese export armada," and Marcus predicted the (global) steel industry is in "incredible trouble" today. "For steel firms, 2015-16 could be a disaster and that's going to lead to a net capacity reduction," he said.

Closer home, experts view the trauma to be even more acute as Indian demand (for steel) is sluggish which is compounded by growing exports. "Even if demand comes back it will reduce the pain to an extent but not elevate it fully," said Anjani Agrawal, India mining & metals leader at EY. "Becoming efficient by cutting cost is the only tool fight this," Agrawal reasoned. The plight of the steel industry is likely to take a severe toll on banks which have an exposure of close to Rs 2,80,000 crore, out of which Rs 1,50,000 crore (53%) is stressed. "This figure is only likely to go up, given the crisis we are facing in steel sector," Rao warned.

"It gives them room to cut prices further by 3-4%. The question is whether China will continue to devalue yuan to promote its exports," said Chirag Shah, director of equity research and head analyst of building materials, metals and mining at Barclays Capital. He added that debt servicing capacity of large steel companies has not been impacted as yet but the stress is visible. In the aluminium sector too, he expects smelter shutdowns given the sharp correction in end-product prices.

In its latest report, CARE Ratings said: "The surprise decision on devaluation of yuan is aimed at reviving its slowing economy and help exporters become more competitive in global markets." Currently, Indian steel capacity is at 100 MT while domestic demand is about 76 MT. So, the Chinese move will significantly hamper Indian steel firms' export competitiveness, the report added.

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Exports, imports contract 10.3% in July

Asit Ranjan Mishra, Live Mint

New Delhi, August 14, 2015: India's merchandise exports contracted for the eighth month in a row in July, though at the slowest pace in seven months, which is seen by many analysts as a ray of hope in difficult times.

Data released by the commerce ministry showed both exports and imports contracted 10.3% in the month, leading to a trade deficit of $12.8 billion, an eight-month high.

In comparison, China's exports fell 8.3% in July, its biggest drop in four months.

While devaluation of the Chinese yuan is expected to further erode competitiveness of Indian shipments and has led to volatility in the exchange rate, the finance ministry on Friday said the devaluation will only have a temporary impact on the rupee as India has adequate foreign exchange reserves.

"What is happening in China has introduced some amount of volatility. Because our macroeconomic situation is better, this should be seen as a temporary adjustment because our fundamentals are strong," chief economic advisor Arvind Subramanian said, adding, "we have adequate (forex) reserves."

The Indian currency on Thursday hit its weakest level against the dollar since September 2013, as China further devalued the yuan. However, on Friday, the rupee snapped its seven-day losing streak and closed 10 paise higher at 65 on fresh selling of the greenback by banks and exporters on hopes of a resumption of foreign capital inflows into equity markets.

The dip in exports was mostly due to a fall in refined oil exports, which dropped sharply by 43.2% to $3 billion. However, most other sectors showed positive growth, except chemical exports, which contracted by 6.2% to $1.2 billion.

Exports of gems and jewellery grew 4.9% to $3 billion, drugs and pharmaceuticals rose by 10.9% to $1.5 billion, engineering goods by 0.8% to $5.8 billion and readymade garments by 6.6% to $1.5 billion.

Non-oil imports, which are considered to be an indicator of domestic demand, rose 3.8% to $26.5 billion in July while oil imports contracted by 34.9% to $9.5 billion during the same month.

Import of gold and silver jumped significantly by 62.2% and 113% to $3 billion and $278 million, respectively.

Amid the persisting contraction of merchandise exports, the rise in shipments in July, from the average of $22 billion in the first quarter (April-June), to $23.1 billion is a silver lining, said Aditi Nayar, senior economist at rating agency Icra Ltd.

"Half of the sequential rise in the merchandise trade deficit in July relative to the previous month can be attributed to the uptick in gold imports following the decline in price. A persistence of this trend may emerge as a cause for concern going forward," she added.

However, some exporters feel recovery in growth momentum in some export sectors may be temporary. "Continuous fall in exports is a matter of great concern and the troubles may even increase in the coming months since the global demand remains quite subdued, with the exception of the US markets," said Anupam Shah, chairman of the Engineering Export Promotion Council of India.

"The government needs to immediately step in and chalk out a strategy for giving a competitive edge to Indian exporters," Shah added.

India's net services exports contracted 4.4% to $16.5 billion during the quarter. Nayar said the contraction in merchandise exports and imports in the current fiscal is being echoed in the services sector as well.

"Despite the benefit from lower commodity prices, the merchandise trade deficit has narrowed by a meagre $2.5 billion in April-July 2015 relative to the previous year, which too is partly offset by the dip in the services trade surplus in the first quarter. As a result, the current account deficit is likely to record a marginal decline in the first quarter from $7.8 billion in the first quarter of the previous year," she added.

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Indian exports to witness 10% jump on US GSP

Nayanima Basu, Business Standarad

New Delhi, August 7, 2015: With the US renewing generalised system of preferences (GSP) benefits on retrospective basis from July 29, India's merchandise exports can see a 10 per cent jump in the present fiscal of 2015-2016.

Of the total exports of $310.57 billion in 2014-2015, US accounted for $42.44 billion. Under the US GSP, 3,500 product lines will be eligible for the benefits. Some of the main ones in these are engineering goods (mechanical machinery, electrical machinery and equipment, tools, agricultural implements), organic and inorganic chemicals, plastic and copper, among others.

"In some of the sectors the GSP benefit is as high as 10-11 per cent. Keeping in mind the sectors that have been covered under the US GSP review this time, we expected total exports to go up by 10 per cent this fiscal," said Ajay Sahai, CEO, Federation of Indian Export Organisation (FIEO).

Export of engineering goods, which constitutes 24 per cent of the country's total exports and US being its biggest market, is expected to jump by 15-20 per cent. The average duty on engineering imports in the US ranges from three to four per cent. "Our exports meant for the US markets are now going to go up by 15-20 per cent on annual basis due to this as we are now expecting a quantitative jump. This will also help in gaining the competitiveness that Indian exporters lost," said Sanjay Budhia, managing director of Kolkata-based Patton International Ltd, engaged in exporting steel stampings, locknuts and other fittings to the US.

Budhia, who is also chairman of Confederation of Indian Industry's (CII) National Committee on Exports and Imports, said that the move was long due and delay in renewing the benefits has had an adverse impact on engineering exports. "This renewal has been effected at a very crucial time for India, when exports have dipped for the seventh consecutive month. One of the major reasons for this decline is a slowdown of demand in the US, which has been India's traditional export market. The renewal of GSP will help pick up demand by the US firms, and help Indian exporters regain some of the lost ground," said Chandrajit Bannerjee of CII.

According to the Engineer-ing Export Promotion Council (EEPC) engineering exports might see a turnaround from the second quarter itself. In the first quarter of the financial year, engineering exports stood at $15 billion, out of which $1.7 billion accounted for the US. Chemical exports are also likely to see a rise as it will experience a cost saving of two to eight per cent in the US.

"It will have a positive impact but it is difficult to quantify because we have seen a decline due to duty barrier, weak demand and volatility in crude prices and currency. But I am definite that chemical sector might see a double digit growth in this financial year," said B R Gaikwad, chairman, Chemical Export Promotion Council (CHEMEXCIL).

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India's exports to Greece fall 15% on debt crisis: Government

The Economic Times

New Delhi, August 05, 2015: The financial crisis in Greece has led to a 15.45 per cent fall in India's exports to the European nation during the first quarter of this fiscal, Parliament was informed today.

Total bilateral trade between both the countries during this period fell 8.33 per cent to $124.11 million, Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.

The Greek Debt crisis has impacted India's bilateral trade with Greece," she said.

She further said that no trickle-down effect of the crisis in India is anticipated at this stage; however, institutional mechanism is in place with Greece where steps can be discussed.

"The volume of software and engineering exports of India to Greece is not very large, hence there is negligible impact, however, there is not much impact on Eurozone," she added.

The bilateral trade between both the countries was $488.59 million in 2014-15, an increase of about 10 per cent over the previous fiscal.

Replying to a separate question, she said exports to countries including Afghanistan, Pakistan, Indonesia, and Singapore are showing declining trend in the last three years.

"Exports to some Asian countries during the last three years have declined. The sluggishness in export depends on several factors including economic scenario in the importing countries, world economic recession, currency fluctuation and fluctuation of oil/petroleum prices," she said.

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India on top in exporting beef

TCA Sharad Raghavan, The Hindu

New Delhi, August 10, 2015: India retains its top spot as the world’s largest exporter of beef, according to data released by the U.S. Department of Agriculture, and has extended its lead over the next highest exporter, Brazil. It must be noted, however, that the U.S. government classifies even buffalo meat as beef.

According to the data, India exported 2.4 million tonnes of beef and veal in FY2015, compared to 2 million tonnes by Brazil and 1.5 million by Australia. These three countries account for 58.7 per cent of all the beef exports in the world. India itself accounts for 23.5 per cent of global beef exports. This is up from a 20.8 per cent share last year.

Data from the Centre for Monitoring Indian Economy (CMIE) shows that most of India's buffalo meat exports go to Asian countries — Asia receives more than 80 per cent, while Africa takes around 15 per cent. Within Asia, Vietnam is the largest recipient, at 45 per cent.

India's buffalo meat exports have been growing at an average of nearly 14 per cent each year since 2011, and fetching India as much as $4.8 billion in 2014. Last year, India for the first time earned more from the export of buffalo meat than it did from Basmati rice.

Several databases, including the United Nations Food and Agricultural Outlook, show that meat consumption in India is increasing. However, the data also shows that beef consumption has been falling over the years, down -44.5 per cent in 2014 from the level it was in 2000. This fall in consumption has been taking place regardless of the political party in power. Chicken consumption, however, was up 31 per cent in that period.

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India may lift ceiling on e-commerce exports

Live Mint

New Delhi , Aug 07 2015: With an eye to boost e-commerce exports, the government is considering to lift the present cap of Rs.25,000 on overseas shipments through the e-commerce route once it puts in place an electronic data interchange (EDI) software system to track such transactions.

In the foreign trade policy announced in April, the commerce ministry for the first time provided export incentives to e-commerce exports up to Rs.25,000 through courier services for items such as handloom products, books, leather footwear, toys and customized fashion garments from six ports on a pilot basis. The value of such items shipped through couriers are not captured under regular export data and often categorized as samples. The scheme is operational at airports and post offices of Delhi, Mumbai and Chennai on a pilot basis.

“At present, the revenue department is developing the EDI software on a public private partnership mode with the Express Industry Council of India. Once the software is ready, the e-commerce incentive scheme will be rolled out throughout the country and without any limit on the value,” a government official said, speaking under condition of anonymity.

“Usually, exporters ship it claiming it to be sample and not export because if they have to follow the normal export route, they have to file shipping bill and checks by custom officials which is a cumbersome process for small exporters with small values. The software will do away with the problem,” the official added.

The system will also allow the government to figure out the value of India’s exports through e-commerce. “Present systems fail to capture any such data,” the official said. “Exports of samples which currently include e-commerce exports are subsumed in the others category of exports and it is difficult to separate e-commerce exports on this head.”

The present ceiling of Rs.25,000 does not make sense as e-commerce exporters bring in more foreign currency to the country, according to Arpita Mukherjee, professor at the Indian Council for Research on International Economic Relations. “If the government wants to make India a designing hub, such limits should go as high designs can be very expensive,” she said.

India’s e-commerce space is entangled in policy blackholes and lacks regulatory clarity. The commerce ministry is engaged with the online retailers to provide more clarity on foreign investment as well as domestic regulatory issues.

The government is engaged with stakeholder consultations to resolve issues involved with online and offline retail. In a recent consultation with state governments, Bharatiya Janata Party-ruled states such as Rajasthan, Madhya Pradesh and Haryana appealed to the government to follow a pragmatic approach while deciding on foreign investment in retail, including e-commerce, rather than a dogmatic approach.

At present, the government allows 100% FDI in wholesale e-commerce trading but none in retail e-commerce. The government is reluctant to allow FDI in retail e-commerce, fearing it will lead to the backdoor entry of foreign offline supermarket chains.

Once reluctant to negotiate the issue at multilateral forums since its domestic e-commerce policy is not clear on the matter, India has started sending signals that it is ready to make e-commerce part of trade agreements.

In the inter-session meeting of trade ministers belonging to the 16-member regional comprehensive economic partnership at Kuala Lumpur last month, India agreed to the formation of a working group on e-commerce, after initial strong resistance to the move by Japan.

Similarly, reversing its stand against engagement in e-commerce at the BRICS grouping (comprising Brazil, Russia, India, China and South Africa), India agreed to the Framework for BRICS E-commerce Cooperation at a summit in Ufa, Russia, earlier this month.

“We applaud the progress in the implementation of BRICS Trade and Investment Cooperation Framework. We welcome the Framework for BRICS E-commerce Cooperation as an instrument to promote current and future initiatives with an aim to build a closer economic partnership in this sphere. We instruct our ministers to continue to explore ways and means in strengthening our cooperation on e-commerce,” the joint statement of the Ufa declaration read.

Explaining the logic behind India’s changed stance, a government official last month said in an interview that if India doesn’t get into negotiations on e-commerce at international forums at this stage, it will end up losing out. “Right now, we don’t understand how the growth will be. If globally there is so much interest, then you better be there to control the architecture of it. If you don’t join now, then you will be left out. You have to be in control and define the rules of the game,” he had said, requesting anonymity.

However, the official clarified that at this stage, India has only agreed to cooperation and information exchange and will not accept any liberalization commitments in e-commerce.

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India likely to export dairy products to Russia by Dec

Dilip Kumar Jha, Business Standard

Mumbai, August 01 2015: India will start exporting dairy products to Russia from December, after a proposed inspection of dairy manufacturing facilities by a team of experts from Russia and relaxation of norms by its phytosanitary authority Rosselkhoznadzor. The Russian team is slated to meet India's commerce minister this September.

Although Russia had opened up its market for India's dairy products, the latter could not send shipments due to strict norms set by Rosselkhoznadzor. The draft guidelines said, "Raw milk used for the dairy production shall originate from the farms which are comprised of at least 1,000 cattle."

Vasiliy Lavrovsky, head of the Directorate for Veterinary Inspections in the Framework of the International Cooperation and the World Trade Organization (WTO), argued that this requirement was introduced in the draft agreement, as Indian cattle are infected with dangerous diseases such as foot and mouth disease, brucellosis and tuberculosis.

Lavrovsky added that controlling animal diseases is easier in big farms than in small ones. The key elements of such a system shall be individual tagging of animals, traceability of their movements and monitoring of their health and milk safety.

"The minimum number of cattle clause is a non-starter and irrelevant today when the whole world negotiates trade in terms of quality. Once quality is assured, Russia should not have any problem in importing dairy products from India. We would be able start exports immediately after norms are liberalised," said R S Sodhi, chairman, Gujarat Cooperative Milk Marketing Federation Ltd, which produces and markets Amul brand milk and dairy products.

Amul started negotiating trade terms with a couple of Russian importers immediately after Russia's dairy market access was thrown open for Indian exporters early this year.

India's negotiating team headed by Guruprasad Mohapatra, director-general of the department of commerce, said, "Dairy exporters are facing difficulty because of the clause as only two herds of such size exist in India and that restricts the possibilities of dairy production for the Russian market."

Assuming significance of India's dairy exports to achieve bilateral trade to $30 billion by 2025 against $10 billion at present, both sides have agreed to hold negotiations on this issue in the September meeting.

Dairy exporters believe that the Russian authority might reduce the minimum number of cattle to 500 or even 100 if not omitted the clause fully. In the meeting, the export of buffalo meat is also scheduled to be discussed at length.

According to sources, Parag Dairy and Dynamix Dairy Industries are the only two dairies conforming to the 1,000 cattle requirement of the Russian authority. But the commerce ministry is yet to sign a protocol to start exports to Russia. “We explained that we should be allowed to export while the Centre continues to engage with Russia to bring new suppliers onboard. Why should other players determine if the protocol should be signed? Our facility received the approval and we made it clear that those losing out should not decide our chances. If Russia is suggesting anything on the milk handling process, we should take it positively,” said Shirish Upadhyay, Senior Vice-President (Strategic Planning), Parag Milk Foods Pvt. Ltd.

While Russia is keen on buffalo meat and dairy products among others, it is interested in exports of poultry, pork and bovine hides to the Indian market apart from grain and beans.

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Govt increases import duty on steel

The Times of India

New Delhi/Mumbai, August 13, 2015: A day after devaluation of the Chinese yuan, the government on Wednesday announced a 2.5% increase in customs duty on flat and long steel products, amid a growing clamour for protectionism from the metal industry, which is passing through a rough phase due to a crash in global prices and over capacity in countries such as China.

Several companies such as JSPL and JSW have reported loss in the last quarter and the government is worried that bank loans may be hit due to the adverse financial health of top-notch companies. Along with power and road, steel is a sector that lenders are watching closely as they fear a rise in non-performing assets.

Although the import duty has been raised on several steel products, the industry is demanding more protection, citing surge in import from China and South Korea, with which India has entered into a free trade agreement.
"It is not sufficient to check the surge," said a senior executive in a Delhi-based company. Steel industry executives believe that the yuan devaluation will result in further imports from the world's biggest producer of steel and aluminum.

"The devaluation of the Chinese yuan appears to be a step taken to counter the slowdown in their domestic market and stimulate exports. We have to ensure that India is not the dumping ground as we have seen recently in the steel market. Indian industry suffers from relatively high interest rates and logistics costs compared to international players. The government must ensure fair play domestically and provide global competitiveness support," said Firdose Vandrevala, executive vice chairman, Essar Steel India.

Chinese steel shipments surged 27% to 62.1 million metric tonnes, while aluminum shipments rose 28% to 2.9 million tonnes in the first seven months of the year, the highest ever for the period, and two-thirds of the record 93.8 million tonnes in 2014. India witnessed a sharp 57% jump in import of steel during the April-June quarter, of which more than a fourth came from China alone. Japan and Korea also saw their shipments to India increase by 100% and 50%, respectively, during the period.

China's export of steel products was 9.7 million tonnes in July, near the record 10.3 million tonnes seen in January. Steel futures in Shanghai have slumped 32% in the past year and aluminium prices declined 24% on the London Metal Exchange (LME).

Seshagiri Rao, joint managing director at JSW Steel, India's third-biggest steelmaker, believes that devaluation of yuan will further sharpen the ability of Chinese steel companies to export to India as they are desperate to export steel at any price. China is by far the world's largest steel consumer and producer, accounting for about half of the world's output.

JSW Steel shares fell 2% to close at Rs 878, while JSPL shares fell 6% to close at Rs 77 in a weak Mumbai market on Wednesday. Similarly, Vedanta Ltd shares fell 8% to Rs 114, while Hindalco Industries shares fell 7% to close at Rs 96.

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India to impose import duty of 10 percent on wheat

Mayank Bhardwaj, Reuters

New Delhi, August 7, 2015: India will impose an import duty of 10 percent on wheat until March 31 next year, Finance Minister Arun Jaitley said on Friday, reinstating tariffs after a gap of eight years following big overseas purchases in recent months.

Reuters reported last week that a decision had been taken after officials from the ministries of farm, food, trade and finance met to discuss ways to curb imports at a time when domestic stocks are ample thanks to seven years of bumper harvests aided by government subsidies.

In June private firms signed deals to import 500,000 tonnes of premium Australian wheat, the biggest such purchases in more than a decade, which led to criticism Prime Minister Narendra Modi's government was letting farmers down.

Some flour millers in India's port cities contracted to buy the wheat after rain and hailstorms earlier this year damaged crops, especially high-protein varieties used to make pasta and pizzas.

The duty increase, announced on the website of the upper house of parliament, could rule out the import of another 500,000 tonnes that had been expected earlier.

A trader in New Delhi said the government may have been forced to move quickly due to fears that some of the 52,500 tonnes of French wheat rejected by Bangladesh over quality concerns could find its way into India.

The trader, who did not want to be named, said at least one of the rejected cargoes was heading towards Tuticorin port in southern India.

"The government didn't want any rejected cargo to come to India because it would have prompted trading companies to divert the rest of their rejected vessels to Indian shores," he said.

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India's gold imports increased by 61% in April-May

Business Standard

New Delhi August 2, 2015: India's gold imports increased by about 61% to 155 tonnes in the first two months of the current fiscal mainly due to weak global prices and the easing of restrictions by the Reserve Bank of India (RBI).

In the international market, gold has been trading weak over the past few months. On Friday, it closed at $1,095 in the New York market.

Large imports of gold impact the country's current account deficit, which occurs when the value of the import of goods and services is more than its exports. The CAD in 2014-15 shrank to 1.3% of GDP from 1.7% in 2013-14.

The RBI and the government have maintained that the CAD level is comfortable.

In 2014-15, India imported 915.54 tonnes of gold as against 661.71 tonnes in the previous financial year.

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