INDIA'S TRADE NEWS AND VIEWS
1 October to 15 October 2015

[US, India trade battle at WTO to escalate]
The US has signalled its intention to escalate its ongoing trade battle with India at the World Trade Organization (WTO). Participating in a meeting of trade envoys in Geneva…

[WTO effect: India may halt export subsidies for raw sugar]
Buckling under pressure from countries such as Australia and Brazil at the World Trade Organisation (WTO), India is considering discontinuing direct export subsidies for raw sugar…

[TPP(ing) point for India in global trade]
With trade ministers from the US, Japan, Canada, Australia, Malaysia and seven other Asia-Pacific countries having successfully surmounted the final hurdles to the Trans-Pacific Partnership (TPP)…

[Trans-Pacific pact will not affect India's exports, says Ministry]
India's exports will not be hit in a major way by the trans-Pacific partnership (TPP) pact signed between the 12 Pacific rim countries, including the US, as India has already…

[Government in FTA talks with Peru]
The government is in advanced talks with Peru over a proposed free trade agreement, Commerce Secretary Rita Teaotia said on Thursday.

[India for early ratification of FTA on services with ASEAN]
India today pitched for early ratification of its long-pending free trade agreement on services and investment with 10-nation ASEAN, considered one of the world's fastest growing regions, to pave way…

[India-Latin America need to deepen trade pacts]
India and the Latin American countries need to work towards deepening their existing trade pacts to realise the full trade and investment potential that exist between the two…

['Sri Lanka keen to bolster trade ties with India']
The new government in Sri Lanka is keen to promote trade relationships with India. This includes an agreement on science and technology that is being worked out and which the two…

[India opposes proposed European Trademark rules]
India has opposed the proposed European Trademark rules that will allow European Union (EU) customs officials to seize goods in transit on grounds of suspected trademark…

[Iran accords priority status to India for trade]
Iran has accorded India priority status for trade and investment in acknowledgement of the country's support during tough times when the United States and European Union…

[World trade to grow only 2.8% this year: WTO]
World trade will grow by 2.8 per cent this year and could be pegged back further by a US interest rate rise, China's economic slowdown or Europe's refugee crisis, the World Trade…

[The great global trade slowdown]
Has the golden era of global trade that began with the collapse of communism finally come to an end? And what does this mean for Indian economic strategy? The latest trade statistics from…

[Buffalo meat exports down by 30% on lower Chinese demand]
India's buffalo meat exports declined 30 per cent during April-June. The fall was mainly on account of a 50 per cent dip in demand from China. India's export of buffalo meat to…

Oilmeal exports up 4% in Sept

After falling for five months in a row, oilmeal exports rose marginally by 4 per cent to 1,13,913 tonnes in September even as soyabean meal shipments remained at a historical low…

Coffee exports flat at 3 lakh tones

India's coffee exports in the marketing year ending September 2015 were almost flat both in volumes and value terms.

Gold imports by India said to slump 52% in September from August

Gold imports by India, the world's second- biggest consumer, dropped 52 percent last month after shipments surged in August. Overseas purchases tumbled to 67 metric tons from 141 tons…

Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016
Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in
The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

US, India trade battle at WTO to escalate

D. Ravi Kanth, Live Mint

Geneva, October 02, 2015: The US has signalled its intention to escalate its ongoing trade battle with India at the World Trade Organization (WTO).

Participating in a meeting of trade envoys in Geneva, the US representative indicated that Washington would press ahead with the differentiation move that would deny India trade concessions accorded to developing countries under the umbrella of special and differential treatment architecture of the WTO, the global organization dealing with the rules of trade between nations.

Under the differentiation strategy, the US wants to deny the flexibilities accorded to India as a developing country on a “subjective” basis. This would mean New Delhi having to undertake so-called “blood for blood” commitments in bringing down its industrial or import tariff bounds to applied levels and ending its farm subsidy programs to millions of poor farmers.

At a closed-door meeting of trade envoys from the Group of Seven major industrialized and developing economies on Monday, the US revealed its intention to pursue “differentiation” after the WTO’s 10th ministerial meeting in Nairobi scheduled to begin on 15 December, according to people familiar with discussions at the meeting who did not want to be identified.

The US, the European Union (EU), China, India, Brazil, Australia and Japan took part in the meeting.

The US said China and India will be removed from the list of developing countries that are accorded special and differential treatment (S&DT) flexibilities. Protesting the US stance, India argued that a developing country cannot be denied S&DT benefits without an “objective” criteria. India argued that it has millions of people below the poverty line and also a per capita income lower than Vanuatu and Angola, the people cited above said.

WTO rules allow developing countries to fix the upper bound for import tariffs but actually implement a much lower rate—applied tariff. So effectively import tariffs can be raised if a country fears a particular domestic sector, for instance automobiles, is threatened by imports. If implemented, India will have to forego this concession or policy space.

WTO director general Roberto Azevedo attended the meeting convened to discuss the possible “deliverables” for the Nairobi meeting and a road map for all unresolved issues of the Doha Development Agenda (DDA) negotiations.

During the meeting, the US and India clashed on several issues, particularly over Washington's insistence on a small package of deliverable outcomes for the Nairobi meeting without addressing New Delhi's core demands and the issue of differentiation. They also differed on the post-Nairobi work programme, according to the people cited above.

The small package of deliverables being pushed by the US, Japan, Australia and the EU include farm export subsidies, some issues for the least-developed countries and transparency in existing provisions.

India demanded that these countries should, as required under the WTO negotiation rules, also disclose their proposals.

In response, the US said: "We will put nothing on the table and we don't want anything from the negotiations," according to the people familiar with the discussions.

India made it clear that it wants credible and comprehensive outcomes, particularly a permanent solution for public stockholding programs for food security and the special safeguard mechanism to protect its resource-poor farmers from import surges.

The US also opposed India's suggestion that the post-Nairobi work programme include an explicit statement reaffirming that the Doha trade negotiations will be continued in order to address all unresolved issues.

The US said there should be "zero illusion" on any explicit statement for continuing the negotiations to address unresolved DDA issues. The US maintained that issues in agriculture and market access for industrial products will be discussed outside the DDA after members return from the Nairobi meeting in January 2016.

Both Brazil and China disagreed with the US over its attempts to terminate the DDA negotiations in Nairobi. China, for example, said the DDA will be an ongoing process after the Nairobi meeting and that the negotiations will be terminated only if there was consensus among WTO members. Similarly, Brazil said it would need certainty about the post-Nairobi road map, particularly a statement signalling that it is not the end of the Doha Round.

Given the deadlock in the Goup of Seven, the director general suggested that the best option is not to declare in the final statement that the Doha Round will either continue or die, according to the people cited above.

[Back to top]

WTO effect: India may halt export subsidies for raw sugar

Amiti Sen, Business Line

New Delhi, October 11, 2015: Buckling under pressure from countries such as Australia and Brazil at the World Trade Organisation (WTO), India is considering discontinuing direct export subsidies for raw sugar which are banned under the multilateral trade rules. It may instead give incentives that are compatible with the regime.

A government official told *BusinessLine* : "The mandate in the government is to move away from export subsidies. The Department of Food and Public Distribution is in consultation with the Commerce Ministry to explore other options for helping the sugar industry. The message is clear that export subsidies cannot be the answer to the problems facing the industry." The subsidy of Rs. 4,000 a tonne for export of raw sugar, which expired on September 30, has not been extended, much to the disappointment of sugar millers. Millers say that without incentives from the government it would not be possible to export the 4 million tonnes (mt) of sugar that the government has mandated for the current sugar year (October-September 2015-16) as world prices are ruling much below domestic prices.

Need for proper schemes

The subsidies that the WTO allows for exported sugar are either for transportation or marketing. "If subsidies are to be extended for transportation and marketing, proper schemes have to be devised so that these can't be questioned," the official said.

The Agriculture Ministry has been announcing subsidies for export of raw sugar for the past two years to help ease the sugar glut in the country and enable millers pay the mounting dues to cane farmers.

However, these subsidies have increasingly come under the scanner of the WTO, with several members claiming that these could distort global prices. New Delhi has got away so far by claiming that it has not disbursed the subsidies to exporters yet, but it faces the danger of being dragged to dispute at the WTO if it is established that such sops are being doled out.

At the recent meeting of the Committee on Agriculture at the WTO, Australia pointed out that if the mandated 4 million tonnes of raw sugar takes place at a subsidised price, it could have an effect on world prices as the amount was equivalent to almost a tenth of world trade.

Through mandatory sugar exports, India aims to reduce the glut in the domestic market and help millers pay cane arrears to farmers, which stood at Rs. 14,000 crore at the end of August.

According to industry estimates, because of higher supplies, there would be a carryover stock of about 10.2 mt in the new season. With sugar output in 2015-16 expected at 28 mt, the total supply next season is pegged at 38.2 mt.

[Back to top]

TPP(ing) point for India in global trade

Abhijit Das, Financial Express

New Delhi, October 7, 2015: With trade ministers from the US, Japan, Canada, Australia, Malaysia and seven other Asia-Pacific countries having successfully surmounted the final hurdles to the Trans-Pacific Partnership (TPP) negotiations in Atlanta, it signals a significant achievement for the US in the arena of international trade negotiations. Apart from the benefits of free trade among the signatory countries that account for 40% of global GDP and more than 50% of global trade, the implementation of the TPP could also have consequences, in the short term, for the Doha Round negotiations at the WTO.

TPP negotiations were undertaken in considerable secrecy. Despite the talks having been concluded, the final text of the agreement is not yet in public domain. However, texts leaked during the negotiations indicate that the agreement covers liberalisation of trade in goods and services, strong rules for investment protection, strengthened protection of IPR for ensuring continued windfall monopoly profits for US pharmaceutical firms, opening of government procurement markets, restrictions on government support to state-owned enterprises, etc. With the US having driven TPP negotiations aggressively for the past 2-3 years, it is not surprising that the agreement is firmly cast in the mould of US commercial interests.

Not only does the US benefit from what it has secured in TPP negotiations, it is important to recognise that issues on which the US is on the back-foot in the WTO Doha negotiations, including reduction of farm subsidies, were excluded from TPP negotiations. From a strategic perspective, the TPP would entwine the economies of 11 countries more closely with that of the US, an outcome clearly aimed at reducing the growing dependence of these countries on trade with China. Given the twin gains, it is little wonder that US President Barack Obamainvested considerable political capital at home, and diplomatic capital abroad, to ensure successful conclusion of these negotiations.

The stage is now set for the ratification of the TPP by the 12 signatory countries prior to the implementation of the largest free trade agreement. It is apprehended that at the ratification stage cold reality may hit some of the signatory countries. To illustrate, in Malaysia, the polity is deeply fractured on the issue of the country's TPP engagement.

Mahathir Mohamad, the former Prime Minister and strong man of the country, has stridently criticised the current Prime Minister Najib Razak on this issue. Civil society organisations in Malaysia are also up in arms against the TPP.

Malaysia is not an isolated example of the absence of national consensus on the TPP.

In Canada, which goes to polls later this month, Thomas Mulcair, the leader of the New Democratic Party of Canada (NDP), is reported to have stated that he would not feel compelled to honour the provisions of the TPP if his party is voted to power. Dissenting views opposing the TPP are also growing louder in Chile and Peru. Crucially, in the US itself, Hillary Clinton, along with a large number of influential political leaders, has expressed strong reservation on the TPP.

Assuming that the TPP is eventually ratified by signatories despite the lack of domestic consensus, how will its implementation affect non-signatory countries such as India? Should India have made efforts to join TPP negotiations? What should India do to mitigate the adverse impact of being excluded from the TPP?

With TPP signatories enjoying duty-free access into each other markets, price competitiveness of India's exports could get eroded. Consequently, there is a likelihood of diversion of exports from India in favour of TPP countries. In particular, in the face of competition from Vietnam, India's exports of textiles and clothing as well as leather products are likely to take a hit. However, this adverse impact would be confined mainly to the US market. In some of the major TPP economies, including Japan, Malaysia, Australia and Canada, India's exports may not suffer a tariff disadvantage as India already has FTAs with some of these countries or is at an advanced stage of concluding an FTA with others.

While attempts at quantifying the impact of trade diversion on the account of an FTA can become a speculative exercise, nevertheless it is instructive to note that an important think tank in the US has estimated that, by remaining outside the TPP, India would lose exports marginally to the extent of about 0.3% by 2025—which translates to $3-7 billion. While there could be some investment diversion as well, its quantification is not available.

Overall, the extent of trade diversion does not appear to be alarming.

Turning to the question of whether India should have made efforts to join TPP negotiations, it is important to examine the provisions on protection of IPRs and investment. Many of the provisions relating to the protection of IPRs in the TPP are aimed at facilitating evergreening of patents, thereby delaying the entry of generic medicines into the market. With patented drugs continuing to remain monopolies in TPP countries for longer periods, pharmaceutical prices are likely to rise steeply in these markets—a fact widely disseminated by Nobel laureate Joseph Stiglitz. The choice before India was clear—remain outside the TPP and live with a loss of a few billion dollars of exports, or join the TPP and face steep hike in prices of medicines. Given its public policy imperatives and health needs, the country has wisely chosen the first option.

As far as investment provisions in the TPP are concerned, expecting these to result in increased investment appears to be more a matter of faith rather than being based on conclusive evidence. On the other hand, the regulatory chill that gets induced by international investment provisions and the financial compensation that has to be paid by governments in investor-to-state disputes are dangers that could not be ignored by India. Again, a safe choice exercised by the government.

On the question of what should India do to mitigate the adverse impact of being excluded from the TPP, action is required domestically and at the international level too. Within the country, efforts must be made to enhance the competitiveness of India's exports. On the external front, India needs to get its act together and conclude some of its crucial FTAs, including India-EU Bilateral Trade and Investment Agreement and the ongoing mega FTA negotiations under the auspices of Regional Comprehensive Economic Partnership. Enhanced market access resulting from these agreements could mitigate some of the export losses on account of India's exclusion from the TPP. Of course, India must safeguard its core interests in these FTA negotiations.

Turning to the question of the likely impact of the TPP on Doha negotiations at the WTO, it is no secret that the US finds it inconvenient to abide by some of the commitments agreed in the course of these negotiations in 2008.

Consequently, it has shown extreme reluctance, if not outright opposition, to conclude the Doha deal. Successful conclusion of the TPP provides it an excuse, at least temporarily, to disengage in these negotiations. However, this should not induce developing countries, including India, to make concessions to get the US back to the negotiating table.

It is also likely that as part of the pay-off for returning to the negotiating table, the US would insist on using TPP provisions as a template for initiating negotiations at the WTO on the so-called 21st century issues. Again, this must be strongly resisted by India and other developing countries, who may not find the outcome of negotiations on the new issues to be mutually beneficial.

The successful completion of the TPP is a feather in the cap of President Obama. However, any attempt to use its provisions as a blueprint for WTO negotiations could have extremely divisive consequences for the multilateral trading system. As far as the countries excluded from the TPP are concerned, the onus is on them to come up with an alternate template for global trade rules.

[Back to top]

Trans-Pacific pact will not affect India's exports, says Ministry

Amiti Sen, Business Line

New Delhi, October 8, 2015: India's exports will not be hit in a major way by the trans-Pacific partnership (TPP) pact signed between the 12 Pacific rim countries, including the US, as India has already entered into bilateral and regional trade pacts with some members of the grouping and a few more are in the pipeline, the Commerce Ministry has said.

Had India joined the TPP, the negative fall-outs would have been greater, a Commerce Ministry official told BusinessLine. "The intellectual property rules under the pact would have led to ever-greening of several off-patent drugs and sent prices of essential drugs soaring while the investor-state dispute rules would have infringed on the country's policy space," the official said.

The TPP is a regional trading arrangement between the US, Japan, Canada, Australia, New Zealand, Singapore, Malaysia, Vietnam, Brunei, Peru, Chile and Vietnam. The pact, yet to be ratified by each country, will result in the largest trading bloc with zero or low tariffs on most goods, easier investment norms and services flow but tougher IP rules and laws to protect corporate interests.

"All the number crunching that has been done till now on the effects of the TPP on India do not show losses beyond $10 billion, and that too in 2025," pointed out Abhijit Das from the Centre for WTO Studies.

For instance, the US-based Peterson Institute of International Economics has estimated a 0.3 per cent export loss for India in 2025 on estimated exports, which would translate into no more than $10 billion, Das added.

While some items, such as textile and yarn, may face issues in markets like Vietnam because of rules in the TPP mandating use of local inputs by members to be eligible for zero tariffs for final products, for most other products Indian items are not likely to experience preference erosion because of the country's trade pacts with individual members of the group.

"India already has entered into free trade agreements (FTAs) with Japan, the ASEAN, Singapore and Malaysia. It is about to finalise similar pacts with Australia and the 16-nation RCEP. FTA negotiations with New Zealand and Canada are also in full-swing and we are looking at expanding the preferential trading agreement with Chile. All these pacts would ensure that our exporters don't lose their markets," the official said.

Elaborating on the potential harm that India may have suffered had it joined the TPP, the official said the biggest hit would have been the generic drug producers in the country and the common people.

"The deal gives exclusive marketing rights to biologic medicines for five years even if their patents have expired. There are a number of other provisions too which would result in ever-greening of patents and sky-rocketing of prices of life-saving drugs. This would have been devastating for our poor and middle-class," the official said.

[Back to top]

Government in FTA talks with Peru

Subhayan Chakraborty, Business Standard

New Delhi, October 9, 2015: The government is in advanced talks with Peru over a proposed free trade agreement, Commerce Secretary Rita Teaotia said on Thursday.

Speaking at the Latin America and Caribbean Conclave organised by the Confederation of Indian Industry, she added an agreement facilitating more trade with Chile would soon be announced. Current annual trade with Peru is $1.1 billion. Major exports involve automobiles and cotton. India imports minerals and precious metals like gold.

The secretary called for more trade in mining, information technology and allied services, and environmental technology. The Vice President of Costa Rica was present at the event, as were the ministers of foreign trade and industry from Nicaragua, Uruguay and Ecuador.

An estimated $45 bn is the total two-way trade India has with the Latin American and Caribbean region, up from $3.7 bn a decade earlier. This is five per cent of our total international trade. The government wishes to widen the scope of its preferential trade agreement (PTA) with the Mercosur bloc (Brazil, Argentina, Uruguay and Paraguay). India has partial admission in the regional bloc and about two-thirds of its total trade with the region is through this avenue. The PTA should be re-examined because it is "limited in many ways", said Teaotia. It came into force from June 1, 2009.

The secretary said despite almost $15 bn of investment by Indian companies, South America is one of India's smallest trade areas. Reliance and ONGC Videsh have sought exploration rights for oil and gas there, and are in the process of setting up refining facilities.

Teaotia asked Latin American companies to participate in the 'Make in India' initiative. Inviting investment in mining, she said India allows 100 per cent foreign direct investment in the sector, via the automatic approval route.

Pharmaceutical companies like Ranbaxy are also active in the region which is a hub for the industry.

The Vice President of Costa Rica along with ministers of foreign trade and industry from the countries of Nicaragua, Uruguay and Ecuador, were present at the event.

[Back to top]

India for early ratification of FTA on services with ASEAN

Economic Times

New Delhi, October 14, 2015: India today pitched for early ratification of its long-pending free trade agreement on services and investment with 10-nation ASEAN, considered one of the world's fastest growing regions, to pave way for deeper trade and investment between the two sides.

External Affairs Minister Sushma Swaraj conveyed this to Foreign Affairs Secretary of Philippines Albert F Del Rosario during the third India-Philippines Joint Commission meeting in which both sides decided to step up cooperation in areas of defence and security, intelligence sharing, shipping, trade, and pharmaceuticals among others.

Favouring deeper trade between India and Philippines, the External Affairs Minister also called for review of Double Taxation Avoidance Agreement (DTAA) between the two countries to strengthen provision to curb tax evasion.

Swaraj raised the issue of India-ASEAN FTA on services and investment and pushed for its early ratification. Except Philippines, all ASEAN member countries have signed the pact, which will come into effect only after all members sign it.

India had signed a free trade agreement (FTA) in goods with ASEAN in 2009. It was keen on the services

deal as it did not gain much from the pact on goods due to already lower tariffs in the region. New Delhi feels the services deal will help it reduce the trade deficit with the bloc.
In the meeting, Rosario briefed Swaraj about the situation in the South China Sea to which the External Affairs Minister said India was for a peaceful resolution of the dispute. Philippines, a major country in the western Pacific Ocean, has major disputes with China over South China Sea.

"Both sides reiterated the importance of the settlement of all disputes by peaceful means and of refraining from the threat or use of force, in accordance with universally principles of international law," a joint statement issued after the meeting said.

The two sides affirmed their shared commitment to fight terrorism in all its forms and manifestations and reiterated their resolve to expand and deepen cooperation to counter it.

Swaraj and Rosario agreed to the early convening of the Joint Working Group on Counter Terrorism in New Delhi to discuss all issues related to terrorism and other transnational crimes.

The two leaders also agreed to step up engagement in a wide range of areas including defence production, trade and investment, tourism, agriculture, health and renewable energy.

On the South China Sea dispute, the two sides underlined the importance of safeguarding the freedom of navigation and over flight in the South China Sea and reiterated the importance of an expeditious conclusion on a Code of Conduct.

[Back to top]

India-Latin America need to deepen trade pacts

Business Line

New Delhi, October 8, 2015: India and the Latin American countries need to work towards deepening their existing trade pacts to realise the full trade and investment potential that exist between the two regions, Commerce Secretary Rita Teaotia has said.

New Delhi has preferential trading agreements with Chile and the Mercosur bloc that includes Brazil, Argentina, Uruguay and Paraguay, but these cover just a handful of items.

“It is still a very limited arrangement and we look forward to deepening this engagement, adding value to it and really using it as a tool to be able to facilitate business exchanges with each other,” Teaotia said at the ‘India-Latin America and Caribbean Conclave’ organised by CII.

Bilateral trade between India and Latin America was $45 billion in 2014-15. While trade between the two regions has grown several times over the last 10 years, it still is a very small part of India’s total trade of $758 billion. India’s cumulative Foreign Direct Investments in the region is around $15 billion.

“The potential is immense. If we are able to enlarge and strengthen the agreement then the potential for multiplying these gains mutually is really strong,” she said. The two regions enjoy strong complementarities in areas such as energy, minerals, pharmaceuticals, chemicals, IT/ITeS and automobiles which would serve as building blocks for greater India-LAC trade and investment flows, she said.

The Commerce Secretary also stressed on the need for the Latin American countries to facilitate easier registration and renewal support to the Indian firms. Indian pharmaceutical firms have demonstrated high capability in the area of contract research, clinical trials and clinical data, she said.

[Back to top]

‘Sri Lanka keen to bolster trade ties with India’

Business Line

Chennai, October 11, 2015: The new government in Sri Lanka is keen to promote trade relationships with India.

This includes an agreement on science and technology that is being worked out and which the two countries hope to sign next year, according to Vadivel Krishnamoorthy, Deputy High Commissioner of Sri Lanka in southern India.

Addressing the India-ASEAN-Sri Lanka Chamber of Commerce and Industry here on Friday, Krishnamoorthy said: “There is scope for collaboration in the areas of construction services such as real estate, infrastructure development and town planning in Sri Lanka.” He said the proposal to upgrade infrastructure of five cities around Colombo, which will be finalised after the budget, gives a platform for the countries to work together.

Another project, to rehabilitate conflict-affected families in the northern and eastern provinces by constructing 65,000 independent housing units, presents yet another opportunity to strengthen ties between the countries, he added.

"Sri Lanka's strategic location and stable government, literate workforce and pro-business environment make it an ideal launch pad for Indian entrepreneurs to tap the whole South Asian market," said Krishnamoorthy.

Stating that there is considerable potential to increase Sri Lankan exports to India from $624 million now, he said bilateral trade has grown substantially since 2000, after the signing of a free trade agreement.

[Back to top]

India opposes proposed European Trademark rules

Asit Ranjan Mishra, Live Mint

New Delhi, October 14, 2015: India has opposed the proposed European Trademark rules that will allow European Union (EU) customs officials to seize goods in transit on grounds of suspected trademark violations. India fears the provision will be used, like in the past, to seize low-cost generic medicines headed for African and Latin American countries at EU ports.

In April this year, the European Commission, the executive body of the EU, reached an agreement on the trademark reform package which needs to be put to a final vote in the European parliament and could come into force in the beginning of 2016.

This will lead to major changes in the trademark law of the EU and its member states when it is implemented. It aims to protect businesses in the bloc from counterfeit goods and encourage innovation.

A government official said India has written to the EC, however, it is yet to receive a reply. "The notification of the commission is not clear. We are protesting because trademarks can be confused with patents by customs officials which could lead to confiscation of generic medicines," the official added.

India and the EU have a history of tussles over generic drugs. In 2008, there were 17 cases of medicine seizure 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 initiated dispute settlement consultations in May 2010 at the World Trade Organization with the EU on the issue of detention of Indian generic medicines while in transit.

The dispute was triggered by repeated instances of seizure at EU ports, particularly in the Netherlands, of Indian generic drugs meant for export to Latin American and other countries in 2008. However, both sides reached a settlement in 2011 and the EU agreed not to seize generic drug consignments in transit through its territory.

Helle Aagaard, EU policy adviser with non-profit Médecins Sans Frontières' Access Campaign, said these new rules will increase the risk of abuse by intellectual property rights holders, which could result in harmful delays, seizures or even the destruction of legitimate generic medicines in transit through Europe on their way to people in developing countries. "Any wrongful seizure and detention of generic medicines in transit can lead to harmful, and even fatal, delays for people who need access to life-saving medicines," she added.

The tussle with EU over generic drugs took an ugly turn recently when India indefinitely deferred a meeting between chief negotiators of both sides to revive talks on the long-delayed free trade negotiations, stating it was "disappointed and concerned by the action of EU in imposing a legally binding ban on the sale of around 700 pharma products clinically tested by GVK Biosciences, Hyderabad," on 16 July.

EU defended its action saying the ban was based on scientific and not trade considerations and in keeping with the advice of the scientific committee of the European Medicines Agency (EMA), according to Cesare Onestini, acting head of the delegation of the EU to India.

India could lose about $1-1.2 billion worth of drug exports because of the decision taken by the European Commission to ban the drugs, according to lobby group Pharmaceuticals Export Promotion Council (Pharmexcil).

The country exported $15.4 billion worth of pharmaceutical products in 2014-15, with Europe accounting for $3 billion. Out of the $3 billion, exports of generic medicines constituted about $1 billion and drug ingredients accounted for the rest, according to Pharmexcil.

In a joint statement during the visit of German Chancellor Angela Merkel earlier this month, both sides expressed their “strong commitment to the EU-India Broad Based Trade and Investment Agreement and to bring about a resumption of the negotiations as soon as possible”.

Leena Menghaney, head-South Asia, Médecins Sans Frontières’ Access Campaign, said before rushing into negotiations with the European Commission, India should take into consideration the outcome of the Trans-Pacific Partnership (TPP) agreement negotiations that concluded last week. “The big losers in the TPP are patients and treatment providers in developing countries who will face increased levels of IP (intellectual property) barriers in procuring affordable generics, largely produced by India. The negative impact of the TPP on public health will be enormous, and will be felt for years to come and it will not be limited to the current 12 TPP countries, as it is a dangerous blueprint for future agreements,” she added.

India and the EU have missed at least four deadlines to clinch a free-trade accord, called Broad Based Trade and Investment Agreement, even after 15 rounds of talks.

A prolonged recession in the EU, and its focus on concluding the Transatlantic Trade and Investment Partnership agreement with the US also delayed progress.

[Back to top]

Iran accords priority status to India for trade

Economic Times

New Delhi, October 14, 2015: Iran has accorded India priority status for trade and investment in acknowledgement of the country's support during tough times when the United States and European Union had imposed economic and military sanctions on it.

India is among the three countries, along with Turkey and China, with which Iran wants to collaborate in seven sectors including mining, petrochemicals and food.

A delegation led by the Federation of Indian Export Organisations (FIEO) president SC Ralhan recently visited Iran, while the Iranian minister for trade is expected to visit India next month.

The two nations are likely to have a joint consultative meeting in January next year to thrash out the details of the proposed engagement. "Iran wants to reinforce its relationship with countries which stood by it during its difficult times. Hence, it is reciprocating by giving preference to them," said Ajay Sahai, director general of FIEO.

In 2006-07, when the United States and the EU had imposed sanctions on Iran, India kept exporting commodities like rice, sugar and soybean, along with textiles, and also importing crude oil in large quantities. Earlier this year, the government had issued guidelines to allow third country exports of humanitarian goods such as food, medicines and medical equipment to Iran as part of oil payments due to that country.

In 2014-15, India's exports to Iran stood at $4.17 billion while the imports amounted to $8.95 billion, an increase from $1.44 billion and $7.61 billion, respectively, during 2006-07.

Among other sectors, Iran is also looking at cooperation in agroprocessing, information technology, steel and hotels/tourism.

India, on its part, is also eyeing investments in Iranian ports. Road transport, highways and shipping minister Nitin Gadkari has said that India plans to invest almost Rs 2 lakh crore at Chabahar port in Iran in various infrastructure projects.

India has been in talks with Iran to set up a gas-based urea manufacturing plant at the port which is being developed as both a strategic and economic asset, efforts for which were initiated in 2001 when the then Prime Minister Atal Bihari Vajpayee visited the Persian Gulf country.
ET view: To Iran we must go

Post nuclear deal with the US, Iran is likely to want to renegotiate terms with India, as it shops around for the best options. Sectors like pharma and IT are new areas which India could explore, while expanding existing opportunities.

For India, Iran can provide the market that could provide an impetus for its Make in India initiative. While the past is something that New Delhi can, and must, leverage, it also needs to move decisively to secure opportunities for its businesses, and to secure its strategic interests in Central Asia

[Back to top]

World trade to grow only 2.8% this year: WTO

Business Standard

Geneva, October 1, 2015: World trade will grow by 2.8 per cent this year and could be pegged back further by a US interest rate rise, China's economic slowdown or Europe's refugee crisis, the World Trade Organization (WTO) said on Wednesday.

The forecast, revised down from a 3.3 per cent forecast made in April, means 2015 will be the fourth year in a row with trade growth of less than 3 percent, half the annual average in 1990-2008 before the financial crisis hit.

The WTO's forecast implies growth will quicken this year, from 2.5 per cent growth in 2014. But its expectations have repeatedly proved overly optimistic as hopes of global economic recovery have receded.

There were still big potential risks to its latest numbers.

"These include a sharper-than-expected slowdown in emerging and developing economies, the possibility of destabilising financial flows from an eventual interest rate rise by the US Federal Reserve, and unanticipated costs associated with the migration crisis in Europe," the WTO said in a statement.

The Chinese slowdown already caused the WTO to cut its 2015 forecast for growth in Asian imports to 2.6 per cent, down from a 5.1 per cent projection in April, and Asian exports to 3.1 per cent from the previous 5.0 per cent forecast.

China's falling demand was one major reason why global trade shrank in the first two quarters of 2015, contracting from the previous quarter by an average of 0.7 per cent. Falling demand in Brazil and oil and commodity prices also contributed.

However, year-on-year global growth for the year to date is still positive, at 2.3 per cent from the same period of 2014.

In 2016, world trade is expected to grow by 3.9 per cent, a revision of the WTO's previous forecast of 4.0 per cent.

That rebound is predicated on Asian import growth bouncing back from 2.6 per cent in 2015 to 4.3 per cent, as well as Latin America flipping from a 5.6 per cent import contraction this year to 5.7 per cent import growth in 2016.

The WTO forecasts covered trade in goods, but not trade in services.

[Back to top]

The great global trade slowdown

Niranjan Rajadhyaksha, LiveMint

October 06, 2015: Has the golden era of global trade that began with the collapse of communism finally come to an end? And what does this mean for Indian economic strategy?

The latest trade statistics from around the world do not make for happy reading. Economists at the World Trade Organization have recently cut their forecast of global trade in 2015 by 50 basis points, to 2.8%. Trade volumes are falling in many countries such as China. The Indian trade numbers too have been weak. The immediate news on the trade front should not be a surprise for most people who follow economic trends. But there could be more structural damage as well that is not captured in the headlines.

The trouble began a few years ago. Annual global trade growth averaged a splendid 6% between 1990 and 2008, or broadly twice the growth rate of global output. Then trade between nations collapsed in the aftermath of the North Atlantic financial crisis.

The recovery since then has been weak. A simple extrapolation shows that global trade is even now around a fifth less than what it would have been if the trend of the 18 years after 1990 had been maintained.

Trade growth has averaged an anaemic 2.5% over the past four years. That is just a little less than the growth in global output in that period. In other words, a comparison of the data between 1990 and 2008 on the one hand, and between 2011 to 2015 on the other, shows that trade elasticity has nearly halved between the two periods. The most immediate causes for the sluggish growth in global trade are well known, but the sharp decline in trade elasticity suggests that there are structural challenges that are deeper than the usual reasons such as the slowdown in China or weak demand in the developed countries.

What does this mean for policymakers? Here are three issues that deserve attention.

First, countries that faced weak domestic demand have traditionally tried to export their way out of trouble. What has been happening in recent years may mean that net exports will be of less importance as an engine of economic recovery. Many countries are still trying the old strategy by pushing down their currencies. In fact, the current debates about currency wars need to be looked at against the backdrop of sluggish global trade. The inability to depend on net exports could mean that the classic Keynesian strategy—higher public spending—will become more important when countries are battling weak demand from the private sector.

Second, most Asian countries that raced out of poverty over the past five decades have depended heavily on export growth. China is the latest example. This strategy worked with countries such as India that chose autarky because of export pessimism and languished in the growth race. The technology revolutions as well as the fall in transaction costs after 1990 also made it possible for large firms to splinter their production processes. Integrated companies were replaced by global value chains. Trade in intermediate goods grew in importance. It is not at all clear what is happening, but yet worth asking whether ambitious programmes such as Make In India will struggle when there are such important structural changes in the global economy.

Third, will onshoring become enough of a threat to offshoring as energy costs decline and the use of robotics on a large scale reduces the importance of wage differentials between different countries? Of course, one must not forget the basic Ricardian insight that trade can be beneficial even if one country produces all goods cheaper than another country, or that comparative advantage is more important than absolute advantage.

This is what Paul Krugman wrote in September 2013: “The point is that it’s entirely reasonable to believe that the big factors driving globalization were one-time changes that are receding in the rear-view mirror, so that we should expect the share of trade in GDP to plateau—and that this doesn’t represent any kind of problem. In fact, it’s conceivable that things like rising fuel costs and automation (which makes labour costs less central) will lead to some ‘reshoring’ of manufacturing to advanced countries, and a corresponding decline in trade share.”

Most economists agree that trade lowers costs, promotes specialization and helps in the transfer of knowledge. That is why the recent trends in global trade deserve more attention. Unlike the 1930s, when global trade collapsed because of myopic protectionism unleashed by governments across the world, what is happening now could be more endogenous changes.

Global trade may stage a spectacular recovery in the coming years, but what is happening right now cannot be ignored. It needs to be understood. It needs to be debated.

Finally, take a look at trade intensity. China's trade-to-GDP ratio was 32.2% in 1990, peaked at 61.8% in 2007, and was down 41.5% in 2014. That perhaps tells us something.

[Back to top]

Buffalo meat exports down by 30% on lower Chinese demand

Namrata Acharya, Business Standard

Kolkata, October 1, 2015: India's buffalo meat exports declined 30 per cent during April-June. The fall was mainly on account of a 50 per cent dip in demand from China. India's export of buffalo meat to China is routed through Vietnam. China is yet to formally open a direct import route from India for buffalo meat, despite an agreement to that effect was signed in 2013.

Buffalo meat has traditionally been one of India's top agri-export commodities, generating about $4 billion a year.

According to Agricultural and Processed Food Products Export Development Authority data, in the first three months of the current financial year, buffalo meat exports were down almost 10 per cent in terms of quantity, and 11 per cent in value. Exports to Vietnam were down by nearly 20 per cent in both quantity and value.

The fall in Brazilian currency also impacted India's competitiveness as Brazil is also a major buffalo meat exporter.

"We believe there have been some issues with the customs clearance at China, which has been reluctant to buy buffalo meat that has been indirectly exported to their country via Vietnam," said D B Sabharwal, secretary, All India Meat & Livestock Exporters' Association.

According to Mohammed Ather, chairman and managing director, Azan Group, his company's monthly exports to China via Vietnam have declined from around 160 containers (of 29 tonnes each) a month about six months ago, to less than 50 containers at present. China accounts of nearly 80 per cent of Azan

Group's total exports.

In FY15, Vietnam accounted for 42 per cent of the total buffalo meat exports from India to China. In terms of valuation, Vietnam accounts for 45 per cent of the total realisation from buffalo exports from India. Last year, India exported 14.75 lakh quintal buffalo meat worth $4,781 million. Of this, Vietnam's share was 6.3 lakh quintals worth $2,153 million.

In FY15, buffalo meat was India's largest agri-export commodity, surpassing Basmati rice, which had traditionally occupied the first position.

In tandem with the huge fall in demand from China, the average prices of buffalo meat has also come down by around 25 per cent in the past six months.

At present, the average price of buffalo meat in the international market is $3,000-4,000 a tonne.

Amidst an economic slowdown, China had been curtailing imports from Vietnam. China is Vietnam's biggest trading partner. Soon after the devaluation of Chinese currency yuan by nearly two per cent on August 11, Vietnam devalued its currency, dong, by nearly one per cent, the third time in a year. This apart, the strained relationship over South China Sea had also been a cause of tension between the two countries.

[Back to top]

Oilmeal exports up 4% in Sept

Business Line

New Delhi, October 6, 2015: After falling for five months in a row, oilmeal exports rose marginally by 4 per cent to 1,13,913 tonnes in September even as soyabean meal shipments remained at a historical low, industry body SEA said today.

The country had shipped 1,09,521 tonnes of oilmeals, used as animal feed, in the same period last year.

However, oilmeal exports in the first six months of the 2015—16 fiscal declined 29 per cent to 7,23,661 tonnes from 10,24,370 tonnes in the year—ago period, Mumbai—based Solvent Extractors Association (SEA) said in a statement.

“The export of soyabean meal is at a historical low during the current year and reduced month by month and reported at 42,743 tonnes compared to 1,11,027 tonnes in the first six months of the 2015—16 financial year,” it said.

The industry body said that soyabean crushing has also very much reduced due to continuous disparity in domestic price, affecting overall availability of both oils and meals.

As a result, capacity utilisation is at the lowest and many plants are closed down due to disparity in crushing and export, it added.

As per the SEA data, the country exported 60,211 tonnes of rapeseed meal, 39,110 tonnes of castorseed meal, 7,500 tonnes of ricebran extraction, 6,886 tonnes of soyabean meal and 206 tonnes of groundnut meal during September 2015.

In the April—September period of the 2015—16 fiscal, soyabean meal exports dropped sharply to 42,743 tonnes from 1,11,027 tonnes in the year—ago period. Similarly, the shipment of rapeseed meal exports fell to 2,79,369 tonnes from 5,86,352 tonnes in the said period.

However, export of ricebran extraction increased to 1,48,906 tonnes in April—September of this fiscal from 1,00,838 tonnes in the same period last year.

Exports to South Korea increased marginally to 4,81,827 tonnes in April—September this year from 4,78,555 tonnes in the year—ago period. Similarly, the shipments to Vietnam rose 22 per cent to 1,32,144 tonnes from 1,08,194 tonnes in the said period. The shipments to Thailand declined sharply to 17,951 tonnes in April—September of this year from 94,009 tonnes in the year—ago period.

[Back to top]

Coffee exports flat at 3 lakh tones

Business Line

Bengaluru, October 6, 2015: India’s coffee exports in the marketing year ending September 2015 were almost flat both in volumes and value terms.

Shipments stood at 3.016 lakh tonnes (lt) for the coffee year 2014-15 (October- September), marginally lower than 3.032 lt in corresponding period the previous coffee year.

According to the data released by Coffee Board, the shipments were up marginally in value terms at $817 million (₹ 5,160 crore) in coffee year 2014-15 against $807 million (₹ 4,920 crore) in the corresponding period the previous year. Also, the per unit realisation was up 5.4 per cent at ₹ 1.71 lakh/tonne (₹ 1.622 lakh/tonne).

Higher domestic prices, a declining trend in production of Arabicas – the mild and premium variety, coupled with devaluation of currencies of major producers such as Brazil and Vietnam, which made their exports competitive, have influenced the shipments from India, sources said. India's coffee output touched a record 3.27 lt for the season ending September on favourable weather conditions despite the impact of white stem borer infestation on arabicas.

Further, the forthcoming crop size for the year 2015-16 starting October is seen rising to about 3.55 lt, according to the early forecasts made by the Board.

However, coffee exports in the first nine months of the current calendar year were marginally up at 2.46 lt for the January-September period against 2.44 lt in the corresponding period last year. Though the green coffee shipments are trailing at 1.96 lt in the first nine months against 2.04 lt in the same period last year, the increase in shipments of re-exports at 49,891 tonnes against 39,667 tonnes, have boosted the total exports for the period.

[Back to top]

Gold imports by India said to slump 52% in September from August

Economic Times

October 9, 2015: Gold imports by India, the world's second- biggest consumer, dropped 52 percent last month after shipments surged in August.

Overseas purchases tumbled to 67 metric tons from 141 tons in August, according to two finance ministry officials, who asked not to be identified. Imports were valued at 123.8 billion rupees ($1.9 billion) last month, they said.

Shipments jumped in August as jewelers stocked up to meet a surge in demand during the festival and wedding season that started this month. A decline in gold prices to a four-year low in July also spurred purchases. Prices have since recovered 7 percent, tempering imports.

"Most jewelers have already stocked up and that's why they are not buying aggressively," Harish Galipelli, head of commodities and currencies at Inditrade Derivatives & Commodities Ltd., said by phone from Hyderabad. "Globally prices are quiet and are not showing any direction awaiting clarity on U.S. Fed's rate decision. People are not ready to sit on stocks and get caught on the wrong foot."

Demand usually peaks in the final quarter in India with gifting during festivals and culminates with the start of the wedding season in November. Local demand is poised to climb in the final quarter to the highest level since 2012 and may jump as much as 15 percent from a year earlier, Bachhraj Bamalwa, a director with the All India Gems & Jewellery Trade Federation, said last month.

Bullion for immediate delivery traded at $1,152.35 an ounce at 2:10 p.m. in Mumbai, according to Bloomberg generic pricing. The commodity plunged to $1,077.40 an ounce on July 24, the lowest since 2010. Futures in Mumbai are little changed at 26,586 rupees per 10 grams this year.

[Back to top]