INDIA'S TRADE NEWS AND VIEWS

21 June to 5 July 2012

India's exports grow slower than world average in Q1
India's export growth was below the world average in January-March, but imports rose faster than the increase seen globally...

Commerce Ministry preparing new action plan to double exports to $500 bn
With merchandise demand slowing down in global markets, the Commerce Ministry is drawing up a new strategy for achieving exports of $500 billion by the end of 2013—14…

India, EU spar over protectionism
Ahead of next week's ministerial meeting in Brussels, officials from the European Union and India on Thursday sparred over protectionism and tax law changes made by New Delhi…

India-EU free trade talks may conclude by Oct, signed by Nov
India and the European Union on Tuesday decided to chalk out a roadmap to complete their Free Trade Agreement (FTA) negotiations by October-November this year…

India, China bilateral trade set to hit $100 billion by 2015
In their 13th meeting in eight years, Prime Ministers Manmohan Singh and Wen Jiabao on Wednesday decided to take the India-China relationship to the next level by giving a boost to trade…

India asks Russia to fast-track free trade pact proposal
India today asked Russia to "make headway" with the proposal for a comprehensive free trade agreement between New Delhi and Russia-Belarus-Kazakhstan customs union…

India eyeing access to Russian pharmaceuticals market
India has urged Russia to open its booming $19-billion pharmaceuticals market and expedite the list of 500 drugs that it currently imports from India…

Indian pharma: Pricey patented drugs do not seem the norm
There seems considerable policy action in the Indian pharmaceutical scene…

India, Brazil & China defend generic drugs at WTO
India, Brazil and China have defended the right of poor countries to access cheap generic medicines at the World Trade Organisation, resisting attempts by the US, Japan and some other developed countries…

US ups the ante on Nexavar Generic, threatens to take India to WTO
The US House of Representatives and the US Patent and Trademark Office (USPTO) have threatened to drag India to the World Trade Organisation's dispute panel for issuing the firstever compulsory licence…

US to take on India at WTO over import restrictions on poultry products
The US will formally fight India at the World Trade Organisation over import restrictions imposed by New Delhi on poultry products from countries reporting outbreak of low-intensity bird flu…

US plays spoilsport, to nix India's wheat export plan
The United States has put a spoke in India's attempts to export wheat even before the government can get its act together on the proposal to ship two million metric tonne of wheat…

Wheat recovers as govt allows 2mn tonne exports
Wheat futures prices today rose by 0.49% to Rs 1,225 per quintal as speculators created fresh positions after the government approved export of two million tonnes of its exports…

Government okay with Punjab exporting wheat to Pakistan
The Union government, in principle, has agreed to export wheat to Pakistan. The empowered group of ministers on food has asked the Punjab government to work out a proposal…

India rethinks frequent ban on export of foodgrain, other farm commodities

India's frequent ban on export of foodgrains and other farm commodities may soon become a thing of past as the commerce department is working on a policy to allow traders meet their exports obligations…

India hopes to revive mango export to Australia this year

India is preparing to export irradiated mangoes to Australia, four years after being granted market access, in a move that traders believe could revive faltering overseas sales…

Onion prices up 25% as govt allows export without MEP

Onion prices rose 25 per cent in the spot market here on Monday due to lower output estimates on deficient monsoon rainfall and the government's decision…

India extends ban on milk import from China for one year

The government has extended ban on import of milk and its production from China for one more year…

Southern spinners import cotton

As the fall in cotton prices in the international markets has been much sharper than in India, spinners in south India are now looking to import cotton…

Government to check cheap imports

The government has decided to arm itself with more ammunition for trade defence, besides trying to be more agile in dealing with cheap imports that are dumped into the Indian market…

Two meetings on the ITA-II

India and Indonesia will attend an informal World Trade Organization meeting today focusing on expanding the scope and coverage of the existing 1997 Information Technology Agreement…

India Minister: Confident of Reaching Political Consensus on FDI in Multi-Brand Retail

Indian Commerce and Industry Minister Anand Sharma said Thursday he is confident of a political consensus emerging on allowing foreign direct investment in multi-brand retail in coming weeks…

Big Banks Told to Fund Exporters

The finance ministry has directed banks with substantial overseas presence to arrange credit for Indian exporters in a bid to halt a sharp slide in shipments from Asias third-largest economy…

Foreign banks face Bharat challenges

Foreign banks have been part of India's financial landscape since late nineteenth century…

How Manila trumped the teacher

In its rise to top of BPO biz, Philippines brought a great deal from India….

***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.

India’s exports grow slower than world average in Q1
Arvind Jayaram, Hindu Business Line

June 21, 2012: India’s export growth was below the world average in January-March, but imports rose faster than the increase seen globally.

The World Trade Organisation (WTO) has estimated that the country’s exports rose by 2.1 per cent to $78.64 billion in the first quarter of 2012. In contrast the country’s imports shot up at a faster pace of 21.8 per cent to $122.47 billion during the period, according to the global trade body’s ‘Quarterly World Trade Estimates’.

In contrast, global exports rose by 5.3 per cent to $4.46 trillion, while imports increased by just 5.4 per cent, to $4.54 trillion.

This was the slowest level of export growth seen in India during the past year. In January-March 2011, the country’s exports had shot up by 49.4 per cent.

They continued to register strong growth in the subsequent two quarters, surging by 37.5 per cent and 51.2 per cent, respectively. However, in the last quarter of 2011, the growth slowed to a disappointing 5.3 per cent.

Lowest level

Imports were also at their lowest level in four quarters during the January-March quarter. In the corresponding quarter of 2011, they had increased by 24.1 per cent. The value of imports shot up further by 34.1 per cent in Q2, 2011, but grew at a slower pace thereafter to 33.8 per cent and 29.1 per cent, respectively, in the last two quarters of the year.

India’s export performance outstripped the global average in the first three quarters of 2011, when outbound shipments worldwide rose by 22.6 per cent, 25 per cent and 22.3 per cent. The country only fell behind the rest of the pack in the fourth quarter of 2011, when global exports rose by 9.9 per cent.

However, the good performance was overshadowed by the sharp increase in India’s imports at a faster pace than the rest of the world.

Globally, imports rose by 22.4 per cent, 24.3 per cent, 20.3 per cent and 10.3 per cent during the four quarters of 2011.

[Back to Top]

Commerce Ministry preparing new action plan to double exports to $500 bn
PTI

New Delhi, June 24, 2012: With merchandise demand slowing down in global markets, the Commerce Ministry is drawing up a new strategy for achieving exports of $500 billion by the end of 2013—14.
“It will take around a month to prepare the action plan.The focus will be on reducing transaction costs of exporters, ensuring they do not face non-tariff barriers in the importing countries, a senior Commerce Ministry official told PTI.

While the ministry had drawn a strategy paper in May last year on doubling exports in three years from $251 billion in 2010—11, deteriorating conditions in the global economy require a fresh look at the gameplan, the official said.

The African continent, which has shown resilience along with Asia despite turmoil in the European markets and slowdown in the US, would be the main plank for the action plan being worked out by the Commerce Ministry.

It has identified 25 African countries, including South Africa, Nigeria and Egypt to achieve increased shipments for about 200 Indian products including pharmaceuticals, fruits and vegetables and textiles. “We are trying to create a matrix. We will see which product has major demand in a particular nation and what type of problems an exporter faces,” the official said.

The final strategy will be prepared after the government-industry interface. “We will consult exporters for the feedback. They know what is the potential and where are the issues.”

Africa is growing by about 4.5 per cent per annum. Although, India’s total merchandise exports to this region stood at only $16.28 billion in 2010-11, there is huge demand for Indian goods.

Besides, Latin American and Asian markets are also emerging as major export destination for Indian products after demand slowdown in the traditional markets of Europe and the US.

India’s exports grew by 21 per cent to $303.7 billion in 2011—12. However, according to officials, this year would be more difficult for exporters. In April, the shipments declined by 4.16 per cent year-on-year.

[Back to Top]

India, EU spar over protectionism
Times of India

New Delhi, June 22, 2012: Ahead of next week's ministerial meeting in Brussels, officials from the European Union and India on Thursday sparred over protectionism and tax law changes made by New Delhi.

EU ambassador Joao Carvinho told a press conference that the trading bloc had written to Indian authorities, citing protectionist moves such as a higher duty on imported vehicles, ban on cotton export and stipulating a local sourcing norm for telecom equipment. "It is closing markets instead of opening up," he said.

In addition, he said EU had sought clarifications on the government's move to retrospectively amend the law to levy capital gains tax on Vodafone but was yet to hear from Indian authorities. Officials in the commerce department shot back, saying Carvinho was "singing the wrong tune" and pointed to independent studies to argue their case. "An Unctad-WTO-OECD report has said that there has been a declining trend in imposition of new trade restrictive measures in India," a senior official said.

The slugfest took place days before the commerce and industry minister reaches Brussels to take stock of progress on the bilateral trade and investment agreement.

"For a deal to be attractive, it has to be broad-based," Carvinho said, while pointing to negotiations with Canada, Japan and Mercosur, the Latin American trading bloc. He admitted that there were gaps on services, where EU is demanding opening up of sectors such as retail and finance and India wants easier access for its citizens in the European markets. On goods, there has been progress with EU agreeing to preferential access for Indian textiles in return for lower import duty on cars and wines and spirits.

[Back to Top]

India-EU free trade talks may conclude by Oct, signed by Nov
Arun S., Hindu Business Line

Brussels, June 26, 2012: India and the European Union on Tuesday decided to chalk out a roadmap to complete their Free Trade Agreement (FTA) negotiations by October-November this year.

The FTA – officially known as Broad-based Trade and Investment Agreement (BTIA) – is likely to be signed during the next India-EU Summit, expected to be held in November.

The Commerce, Industry and Textiles Minister, Mr Anand Sharma, said, "After a number of rounds of negotiations, issues of concern to both sides have been identified. We must devote our energies to addressing these issues as expeditiously as possible."

"India is keen on a successful and balanced outcome of the negotiations at an early date," he added.
He stated this after meeting the EU Trade Commissioner, Mr Karel De Gucht, here and taking stock of the progress of the negotiations. The ministerial-level meeting followed the talks between the Commerce Secretary, Mr S.R. Rao, and his counterpart as well as between the Chief Negotiators from both sides on Monday. This was the 15th round of FTA negotiations.

MUTUAL CONCERNS

According to official sources, talks on the services sector dominated this round. On cross-border supply of services (outsourcing), the EU raised doubts on whether India is data-secure.

Pointing to the presence of several Fortune 500 companies in India, including their research and development centres, Mr Sharma insisted that India is data secure and sought greater market access for Indian companies providing cross-border supply of services to the EU.

India also demanded that EU ensure freer movement of Indian service professionals, including from the IT sector, through the FTA.

New Delhi also asked the EU to do away with certain "restrictive" safeguard clauses, saying they may come in the way of India availing itself of the concessions offered by the EU in the FTA.

Besides, India has sought more market access in agricultural products.

Meanwhile, the EU has sought clarity on greater market access in wines and spirits and the automobile sectors. The EU also raised protection of Intellectual Property Rights, including Geographical Indications and patents.

Despite the Euro Zone crisis and the slowdown in the Indian economy, trade between India and EU in 2011 increased to $108.8 billion from $83.46 billion in 2010.

[Back to Top]

India, China bilateral trade set to hit $100 billion by 2015
Shobhan Saxena, Times of India

Rio de Janeiro, June 22, 2012: In their 13th meeting in eight years, Prime Ministers Manmohan Singh and Wen Jiabao on Wednesday decided to take the India-China relationship to the next level by giving a boost to trade and priority to resolving the border dispute between the two countries. Going into a huddle on the first day of the Rio+20 conference here, the Indian Prime Minister, who calls Wen his 'close friend', and his Chinese counterpart agreed to take steps to ensure that the bilateral trade between the two emerging economies reaches $100 billion (about Rs 5,60,000 cr) by 2015. The two-way trade between the two countries reached $74 billion in 2011, with China becoming one of the largest trade partners of India and vice versa.

With the delegates and officials of almost all 190 countries present here keeping an eye on the India-China bilateral, the prime ministers of two emerging economies of Asia emerged from their 40-minute meeting after agreeing to boost trade and also give top priority to defence and security dialogue between the two countries.

Speaking to media after the crucial meeting, India foreign secretary Ranjan Mathai said during the meeting, the Indian prime minister invited Chinese investment in infrastructure in India. "The two leaders also decided to start the export of Indian rice to China soon," the foreign secretary said, adding that the issue of trans-border rivers flowing in India and China also figured in the talks which took place on the sidelines of the UN summit on sustainable development.

Though it was not immediately clear in which sectors of infrastructure the Chinese would be allowed to invest, Indian diplomats said it was a major turning point in India-China relationship.

With almost all G-7 leaders, except French President Francois Hollande, skipping the meet, Manmohan Singh and Wen have been hogging all the limelight, especially because the draft of the declaration to be adopted at the end of the summit on Friday has a major imprint of G-77+China group. "The view of developing nations that eradication of poverty should be the top priority has prevailed over the adoption of green economy objectives. This couldn't have happened without close coordination between India and China and summit host Brazil," says an Indian delegate who has been part of nerve-wracking negotiations.

The closing of ranks by India and China at an important global meet can have long-term ramifications for the balance of power in Asia as well as the world at large. In the meeting, Wen said the two sides need to further consolidate their political and strategic mutual trust and ensure that their ties will move forward on the right track. "Under the current complex global and regional circumstances, China and India face mutual challenges and opportunities," Wen said.

On the question of boundary dispute between the two countries, the two leaders said the Special Representatives of India and China have been asked to prepare details of the joint work done so far. China also agreed to look into the issue balance of trade which is heavily in its favour. "The Prime Minister raised the issue of Indian trade deficit and the Chinese agreed to work with India in addressing the fact that India has a large trade deficit. They mentioned in fact specifically that they are arranging trade missions to India to improve access of Indian exports into the Chinese market. They are organizing commodity fairs. And they noted for example one of the changes which has happened recently is that rice exports from India to China will now be commencing,"Mathai told the representatives of Indian media organisations covering the Rio+20 summit.

Now, Indian exporters can soon begin sending basmati rice to China after both countries agree on a mutually satisfactory quarantine protocol. China has already cleared Indian exports of basmati rice following six-year process during which many hurdles that bar the entry of Indian rice into the Chinese market were overcome.

Negotiations on the issue of rice exports were on since 2006, when President Hu Jintao visited India. Finally, it was given a concrete shape during Hu's visit to New Delhi for the BRICS summit in March.

[Back to Top]

India asks Russia to fast-track free trade pact proposal
PTI

New Delhi, June 22, 2012: India today asked Russia to "make headway" with the proposal for a comprehensive free trade agreement between New Delhi and Russia-Belarus-Kazakhstan customs union as it would help in boosting trade ties.

The proposal came for discussion during the meeting of Commerce and Industry Minister Anand Sharma with with Russian Minister of Economic Development Andrey Belousov and Russian Minister of Industry & Trade Denis Manturov.

Sharma is in Russia to attend St Petersburg International Economic Forum 2012.

An official statement said that Sharma also conveyed the urgency "to make headway with the proposal for CECA with the Russia-Belarus-Kazakhstan Customs Union, which holds the key to achieving higher trade targets for India,"

He said that "the first step for Comprehensive Economic Cooperation Agreement (CECA) with the customs union countries can be taken after Russia's accession to WTO by setting up of a Joint Study Group".

The Customs Union between Russia, Kazakhstan and Belarus formally came into existence on January, 2010.

The three countries took their economic integration with the implementation of the Common Economic Space which provides for free movement of goods, services, people and investments.

Further, Sharma said that the level of bilateral trade and investment between India and Russia is below its potential.

"He put stress on making sincere and concerted efforts and to take specific measures including thrust areas, to achieve the target bilateral trade figure of USD 20 billion by 2015," the statement added.The bilateral trade between the countries stood at $ 9 billion in 2011.

[Back to Top]

India eyeing access to Russian pharmaceuticals market
Nayanima Basu, Business Standard

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

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

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

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

“There is considerable scope for enhancement of trade as well as investments, in the pharmaceutical sector. As the list of 57 strategically identified medicines is now available, we may expect further cooperation in the pharmaceutical sector,” a senior commerce department official told Business Standard. India is also planning to actively participate in Russia’s ‘Pharma 2020 Programme’ that would facilitate setting up of production units in Russia, besides, streamlining the registration process and sharing of information on drugs imported by Russia and on production volumes of strategically identified medicines. Indian pharmaceutical products are of international standards and 30-40 per cent cheaper than other markets on an average. Indian pharmaceutical market is the third largest in the world, in terms of production volume and fourteenth in terms of value. Pharmaceutical exports constituted about 4-5 per cent of India’s total exports in the last five years. India’s pharmaceutical exports constitute 58 per cent of generics drugs, 40 per cent of active pharmaceutical ingredients and two per cent of ayurvedic or herbal products.

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

[Back to Top]

Indian pharma: Pricey patented drugs do not seem the norm
Jaideep Mishra, Economic Times

5 July, 2012: There seems considerable policy action in the Indian pharmaceutical scene. There is the reported move to boost supply of essential drugs in government hospitals, the attempt to vet cross-border investments here and the first compulsory licence has been granted to locally manufacture the low-cost version of a patented anti-cancer drug, and that has since led to a still-lower-priced generic version by a third party.

A recent policy research working paper is on the price behaviour of patented drugs in India, following the domestic product patent regime for drugs beginning in January 2005. What has been the impact of the stronger intellectual property rights (IPRs) on prices and supply of drugs?

The study involves a single therapeutic category, albeit a large one. The finding in the paper is that the introduction of product patent did not generate any significant withdrawal of generic drug products containing the relevant molecule.

One possible explanation cited is the likelihood of licence deals or joint ventures between the innovator and one or more local generic firms.

Overall, what's revealed is that as per the study, product patents appear to have a 'positive and significant effect' on the drug price, upping it on an average by 12%. Also, ample therapeutic substitutes seem to be available for most new patented drugs.

Of the 160 molecules tracked in the particular therapeutic category, only nine were under price controls - the government currently controls the price of 74 drugs, representing about 8% of the market - and only one such molecule was subjected to a product patent. So, the effect of price controls on curbing patent-induced price rise seems negligible, it is averred.

Now, prior to 1970, Indian pharma was dominated by western MNCs that controlled over 75% of the market, mostly through imported drugs. The situation changed with the Patents Act of 1970, which mandated only process patents for drugs. The law allowed generic drug producers to basically reverse-engineer a product by tweaking the production process.

Back then, the reasoning was that a weak IPR regime might allow domestic firms to imitate foreign technology so as to boost access and keep drug prices low in the bargain. Later, it was felt that continuing with such a policy regime would reduce incentives for research and development on drugs that could differentially benefit the requirements of tropical countries in the South.

Big pharma may have lobbied hard as well. Hence the change in world trade rules, in 1995, which called for a system of product patents and legal protection to all Trade-Related Intellectual Property Rights (TRIPS) that included pharmaceuticals but with safeguards like provision for compulsory licensing.

And since 2005, the patent regime in India - and China and Brazil from 2002 and 1997, respectively - has allowed patenting of drug products.

Now, on the one hand, it is entirely possible that patent enforcement would lead to higher drug prices, which then might lower utilisation and adversely affect public health.

The mavens have indeed been pressing for a change in the rewards system that would boost least-cost manufacture and appropriate pricing of innovative drugs, and provide direct grants, prizes and other rewards for the innovators.

On the other hand, it is hoped that prices of research-intensive patented drugs may not increase much provided there are generic substitutes available. Besides, it may well be that the patent holder is somewhat more efficient than generic imitators and so would strive to economise on overall costs and prices.

The paper is on the effects of introducing product patents for the central nervous system (CNS) therapeutic segment of the Indian pharma market.

In terms of retail sales, the CNS category is the second-largest globally, and one of the fastest growing in India. The study uses proprietary data on pharma sales from 2003 to 2008, to correlate the figures when product patents were granted by the patent authority.

What is calculated is average price per dose in each quarter for each product. For simplicity, only single-ingredient products, those with only one active molecule, are tracked. It narrows down the search to some 1,700 drug products involving 160 new molecules. There were no CNS product patent granted in 2005; by the end of 2008, they added up to 24% (39 out of the 160).

Further, 90% of the patent filings in the segment turned out not to claim the active ingredient, in what remains a price-sensitive market.

Most were secondary patent filings - for a new formulation, dosage or derivative of an existing molecule. The authors plan to extend the research to other therapeutic segments to study the effects of patenting on drug prices.

(Pharmaceutical Patents and Prices: A Preliminary Empirical Assessment Using Data from India, ***Mark Duggan*** *and Aparajita Goyal,* ***World Bank*** *working paper, May 2012)*

[Back to Top]

India, Brazil & China defend generic drugs at WTO
Amiti Sen, Economic Times

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

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

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

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

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

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

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

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

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

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

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

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

[Back to Top]

US ups the ante on Nexavar Generic, threatens to take India to WTO
Divya Rajagopal, Economic Times

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Back to Top]

US to take on India at WTO over import restrictions on poultry products
Amiti Sen, Economic Times

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

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

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

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

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

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

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

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

[Back to Top]

US plays spoilsport, to nix India's wheat export plan
Amiti Sen, Economic times

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

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

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

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

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

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

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

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

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

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

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

[Back to Top]

Wheat recovers as govt allows 2mn tonne exports
Press Trust of India

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

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

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

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

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

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

[Back to Top]

Government okay with Punjab exporting wheat to Pakistan
Rituraj Tiwari, Economic Times

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

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

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

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

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

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

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

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

[Back to Top]

India rethinks frequent ban on export of foodgrain, other farm commodities
Amiti Sen, Economic Times

New Delhi, July 4, 2012: India's frequent ban on export of foodgrains and other farm commodities may soon become a thing of past as the commerce department is working on a policy to allow traders meet their exports obligations even in times of domestic shortages through imports.

The move will help India restore some global credibility as it has often faced flak for its banning spree.

"Once we are ready with the proposal, it will be sent to the finance ministry," a commerce department official told ET.

New Delhi's flip-flop on exports of onions, sugar and cotton in particular has been criticised at the international foras such as World Trade Organization and G-20, creating fears of India being branded as an unreliable supplier.

The G-20 meeting of farm ministers in Paris last year underlined the need to oppose export bans, especially at a time of humanitarian crisis.

Moreover, banning exports at the slightest pretext of domestic shortage has also led to bitter exchanges among commerce, food and agriculture ministries, as seen in the case of cotton exports.
The proposal seems to have the blessings of the finance ministry as former finance minister Pranab Mukherjee raised the issue in the discussion on the Union Budget in May this year.

"We have to maintain our presence in the international market and meet our commitments," Mukherjee had said, adding it is all right to export something that the country produces even if it has to be re-imported later if the need arises.

Despite having millions of tonnes in wheat stock, the exports in 2009-10 and 2010-11 was only 3.5 lakh tonne.

The exports industry, too, has been complaining for long that short-term policies affect decision making.

"Our reputation as an exporting nation suffers because of our fast changing policies. It creates uncertainties not just for exporters but also for our importers.

We are not seen as reliable suppliers," said Abinash Verma, director general, Indian Sugar Mills Association. The commerce department is confident the proposed policy will work.

"If we implement the proposed policy, an exporter can continue serving his customer, provided he is ready to import from other sources if there is a shortage at home," the official said.

Experts say the concept is fine, but it needs to executed with care.

"When exports continue at the time of shortages, the impact on prices is much more than the demand-supply gap because of speculation," says Biswajit Dhar, director general, Research and Information System for Developing Countries. So, when the government decides against export ban, it has to simultaneously think of ways to control speculation, Dhar adds.

The commerce department had earlier proposed unrestricted exports of all major commodities under a limited ceiling, but it was not appreciated by food and textile ministries.

[Back to Top]

India hopes to revive mango export to Australia this year
Jayashree Bhosale, Economic Times

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

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

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

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

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

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

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

[Back to Top]

Onion prices up 25% as govt allows export without MEP
Dilip Kumar Jha , Business Standard

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

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

A Friday notification by the Directorate General of Foreign Trade showed the government had scrapped the MEP barrier to boost exports. Pakistan, the normal competitor has none available at present, with its crop having failed last year. Continuous revision of MEP had restricted India’s opportunity; the government feared rising onion prices might help raise inflation. However, after May 8, the MEP requirement had been removed; the loosening was applicable till July 2, when it was to be reviewed.

"Trade was better, with export demand having got support from the MEP removal," said Ashok Valunj, director of the Agricultural Produce Market Committee at Vashi.

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

Union food minister K V Thomas had earlier estimated India's total onion output at 15.7 million tonnes in the 2011-12 crop year (July-June), against 13 mt in the previous year. However, frequent changes in government policies restricted demand at home and abroad. Due to the high export price, India had lost its competitive edge in international markets to China and Egypt. In January, the government had lowered the MEP on all varieties, except Bangalore Rose onions and Krishnapuram onions, to $150 per tonne. India ranks second in the world in onion production, with Maharashtra and Gujarat the main producing regions. There was a serious supply crunch in late 2010 and early 2011, when prices rocketed to Rs 80-85 a kg in the retail market. Demand was usually stable through the year in 2011-12.

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

[Back to Top]

India extends ban on milk import from China for one year
Business Standard

Mumbai, July 4, 2012: The government has extended ban on import of milk and its production from China for one more year.

A notification to this effect was issued by the Directorate General of Foreign Trade late Monday evening which says that milk and its products would continue to be banned from China until June 23, 2012 or further orders, whichever is earlier. The prohibition of import includes chocolates and chocolate products and candies/ confectionary/ food preparations with milk or milk solids as an ingredient.

The prohibition on import of milk and its products from China was originally imposed September 24, 2008 with reports that the milk products imported from China contain melamine – a banned substance injurious to health. The ban was extended since then time to time.

There were reports that milk sold in China was laced with melamine. Unfortunately, it is possible that it accumulates in the body and causes toxicity problems - basically damaging the kidneys and forming stones (solid deposits within the kidneys or bladder). Infants fed regularly with milk containing melamine will be particularly susceptible to these effects. As we have seen tens of thousands have been affected and several have died in China. Why this problem is not more widespread, given the rather large number of infants potentially having been drinking contaminated formula-milk for months is unclear.

Dairy farmers have been feeling the squeeze for years, particularly in parts of the world where technological advancement has been slow in coming and so their profit margins on their milk output have not been lifted by improved efficiency. In order to boost profits milk has been diluted. However, this brings with it the problem of falling quality - dilute with water and measurable concentrations of milk proteins, fats, and sugars fall. Dilution by up to 30 per cent has not been uncommon, which is where melamine comes in. Melamine is a small organic molecule with a high nitrogen content that can easily fool the quality control equipment into thinking that nitrogen (from protein) is present at normal levels and so the milk is passed as good.

Acting on reports by the food standard authority in the US, the American regulator also banned imports of milk and its products from China in 2008.

Despite repeated clarification from the Chinese Authorities of resolving melamine issue, the ban on imports of milk and its products continued in India which saw similar ban on import of Indian seafood into China.

The move came over a week after the Food Safety and Standard Authority of India (FSSAI) had recommended extension of ban on milk and its products on June 22 in view of reports of poor quality standards of milk in China. The DGFT was awaiting a nod from the Ministry of Commerce for extending this ban further despite the previous suspension period expired on June 24.

[Back to Top]

Southern spinners import cotton
Sharleen D'Souza, Business Standard

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

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

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

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

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

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

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

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

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

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

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

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

[Back to Top]

Government to check cheap imports
Sidhartha, Times of India

June 27, 2012, New Delhi: The government has decided to arm itself with more ammunition for trade defence, besides trying to be more agile in dealing with cheap imports that are dumped into the Indian market.

It has already discussed with the industry the possibility of shrinking the investigation period for anti-dumping probes to nine months, from an average of 12 months. The law gives the government 18 months to complete such investigations which require authorities to impose duty if duty is proved along with injury to the local industry.

"We have told the industry that we can complete the investigations within nine months, provided they give the required inputs," said an official. From the time a complaint is filed, the process includes prima facie establishment of a case, submission of preliminary findings and levy of provisional duty which is followed by the final report and duty.

India is the top user of this trade defence mechanism, with Chinese goods facing the maximum such actions. When it comes to anti-subsidy action, India is completely new to the arena although it has the legal backing to initiate such action. It is only now that the directorate general of anti-dumping and allied duties has notified the anti-subsidy proforma and has completed training its staff to deal with the issue, especially in the wake of complaints of China subsidizing several products to stay competitive.

The probe will need data to establish direct transfer of funds by the government, provision of goods, other than infrastructure, at low or zero cost or other forms of price support. "Often, data is not easy to come by on these issues," said an official.

In case of anti-dumping, where data concerns were expressed earlier, officials said information was more freely available now. For China, the Indian authorities have now decided to tie up with the anti-dumping agency across the border to access companies there and also get the services of an interpreter.

[Back to Top]

Two Meetings on the ITA-II
Washington Trade Daily

Geneva, June 26, 2012 – India and Indonesia will attend an informal World Trade Organization meeting today focusing on expanding the scope and coverage of the existing 1997 Information Technology Agreement, WTD has learned (WTD, 5/15/12).

At a closed-door meeting of the Friends of the System coalition, trade envoys discussed the two-track approach now being pursued in the consultations.

On “track one”, the “Friends” decided to intensify the outreach effort to broaden the participation of members in an ITA-II currently being pursued by some two dozen countries led by the United States, the European Union, Japan, Canada, Korea, Singapore, Malaysia and Hong Kong.

India and Indonesia will take part in today’s discussion to get a better idea of the scope and coverage of the proposed agreement, said participants familiar with the meeting. The Indian government remains undecided about the need to expand the ITA in its current form, WTD was told.

At a recent seminar convened by the WTO secretariat, an Indian telecommunications official said the ITA has not succeeded in achieving its objectives, such as expanding trade in information technology products or raising standards of living. The overall impact of the ITA has been a sharp decline in investment, component manufacturing, raw materials and high value-added manufactured products, the official said. The ITA also has increased the dependence on imports.

The “Friends” also discussed another meeting today convened by eight industrialized and developing countries to discuss a draft consolidated list for ITA-II. The eight countries – which include the United States, the EU, Japan, Taiwan, Costa Rica, Korea, Malaysia and Singapore – will talk about a draft list of products being submitted by each member. The intent is to prepare a consolidated list for coverage under a new ITA-II.

An official from the WTO secretariat presented a detailed report at the meeting on the scope and coverage of the ITA-II agreement and the expected gains from a new agreement.,

[Back to Top]

India Minister: Confident of Reaching Political Consensus on FDI in Multi-Brand Retail
Rumman Ahmed, Dow Jones International News

Bangalore, 21 June 2012: Indian Commerce and Industry Minister Anand Sharma said Thursday he is confident of a political consensus emerging on allowing foreign direct investment in multi-brand retail in coming weeks.

The minister was speaking to a group of political and business leaders during a visit to Russia, according to an Indian government statement.

India had late last year shelved a plan to allow international supermarkets and department stores to enter the country, disappointing retailers and damaging the government's credibility.

The federal government had suspended a decision to allow 51% foreign direct investment in multi-brand retail, which includes companies such as Wal-Mart Stores Inc., Carrefour SA and Tesco PLC, until an agreement on how to do it is reached among the main political parties.

The government had, however, allowed 100% foreign investment in single-brand retail. Single-brand foreign retailers such as Nike Inc. previously could only hold 51% of an Indian joint venture.

[Back to Top]

Big Banks Told to Fund Exporters
Dheeraj Tiwari & Rishi Shah, Economic Times

New Delhi, 4 July, 2012: The finance ministry has directed banks with substantial overseas presence to arrange credit for Indian exporters in a bid to halt a sharp slide in shipments from Asia's third-largest economy.

Banks with overseas presence will have to extend credit directly or make funds available to exporters through smaller banks for which arrangements have to be finalised within a week,the finance ministry has told chief executives of public and private sector banks in a letter sent on Monday.

The letter says big banks, by which the ministry seems to mean lenders such as SBI and ICICI Bank that have a large overseas presence,will have to work out within a week a mechanism to fund smaller banks to ensure flow of credit to micro and small-sector exporters.

We have told big banks to help customers of smaller banks by lending directly to these banks with a mark-up of not more than 10 basis points, a finance ministry official told ET, adding that a flight from risk in the international markets had reduced availability of foreign exchange.

Indias exports declined 4.2% in May as demand slowed in the European Union, negating the impact of the moderation in imports on Indias current account deficit that climbed to a post-1991 high of 4.2% of GDP in 2011-12.

The trade deficit, which is a sub-set of the current account, rose to $189.9 billion in 2011-12 from $130.6 billion in 2010-11.

[Back to Top]

Foreign banks face Bharat challenges
Shinjini Kumar, Hindu Business Line

29 June, 2012: Foreign banks have been part of India's financial landscape since late nineteenth century. For the first few decades after independence, they quietly existed as icons of global financial authority, attracting high end clients and employees.

Opening of the economy in the 1990s brought fresh attention to foreign banks for their role in facilitating trade flows, introducing new products and helping capital formation. Many foreign banks expanded and tried to 'localise' products, services and branding, even as new private sector banks offered competition. The latter were able to grow rapidly, aided by an active policy of branch licensing and consolidation. Over time, the relative disadvantage in terms of branch licensing and inorganic growth opportunities became significant hurdle for foreign banks, particularly those whose business plans went beyond serving their multinational clients in one or two locations.

RBI roadmap

In this backdrop, the roadmap for foreign banks released by Reserve Bank of India in 2005 was an important pointer to the policy direction for foreign banks; moderating hopes of rapid expansion on one hand and creating long-term optimism on the other.

The roadmap termed its goals as consolidation of domestic banks and 'synchronised' presence of foreign banks, vaguely promising a wider play during the second phase. But before the first phase of the roadmap expired in 2009, the world as we knew it came to an end, ending with it all certainty of economic relationships.

In the wake of the financial crisis, another noteworthy demise was that of the assumption that the developed world knew all along what it was doing. Also, Indian banks fared well through the crisis. All of this damaged the foundation on which the promise of change was built; thereby delaying the second phase and denying the big opportunity that many were watching out for.

And then, RBI released a 'Discussion paper on the presence of foreign banks in India' in early 2011. Apart from a more assured point of view regarding local incorporation for systemically important foreign banks, the Discussion paper does little to shake up the game for existing foreign banks. It does, however, change the rules of entry for new entrants by defining categories of banks that may not be eligible for the branch mode of presence.

Interestingly, 2009 and 2010 recorded the highest number of branch licences given by the RBI in recent years. Many of these went to new entrants from hitherto under-represented geographies of South East Asia, Australia, Japan and Korea.

It is worth examining the landscape for foreign banks in India as a result of the realignment of global economies and population trends. It is also useful to contextualise this within the rise and interconnectivity of the emerging markets that seems to be here to stay and shape the future of financial services globally.

The theory of shift of economic power to emerging markets is now widely accepted. WTO data show increasing trend of interregional trade flows between countries in Asia, West Asia, Africa and South and Central America.

India's top two trading partners are GCC and China. While Europe and the US grapple with economic and regulatory changes that make incremental capital infusion in India difficult, Indian regulations proposed in the discussion paper target these banks for local incorporation, further exacerbating capital issues. This is already playing out in the case of a few European banks in India and the overall shrinkage in the share of foreign banks.

On the other hand, banks from GCC, South East Asia, Australia, Japan or Africa may be relatively better positioned to bring capital, but in the current branch licensing regime, they cannot hope to overcome the competitive disadvantage vis-à-vis existing foreign banks. Not only is the branch expansion route like the proverbial camel passing through the needle's eye (existing as well as new entrants compete for 12 mandatory and few discretionary branch licenses), but also the proposed WOS route promises no certain growth path, inorganic or organic.

Physical branches

A good question to ask at this stage concerns the relevance of physical branches. After all, in the age of technology and tech savvy young population, physical branches should not matter. The difficulty arises from lack of unambiguous guidance on a bank's ability to create outreach through non-branch presence. Regulations around deposit acceptance, doorstep banking and simple, unspecified fear of God keeps foreign banks from experimenting; and rightly so. If getting a branch licence is so difficult and getting around a branch licence so easy, it is better to be safe and follow district, municipal, state or any other boundaries!

From a business perspective also, physical presence will continue to be relevant even as economic growth leads to changes in social and economic behaviour. The projected 300 million middle class as well as the wide 'emerging middle' in India will not be monolithic but diverse in their language, customs and demands.

Migration patterns

Unlike the past domination of a handful of cities, the future may bring more spread wealth as States take charge of growing their economies and promote local entrepreneurship.

Migration patterns may change as Europe and America lose sheen and the corridors from India to the GCC countries and South East Asia become wider. Futuristic trends like the Marigold Hotel may actually come true, bringing in immigrants from the west for more than hip replacement. However, although physical presence may remain an essential precondition for penetration, there is a double negative response to this situation.

Firstly, foreign banks do not find small ticket retail banking in India commercially attractive and secondly, the predetermined model of financial inclusion (no frills accounts, Priority sector lending with rigid asset buckets) and branch expansion create disincentive for banks to be innovative or import ideas and best practice.

On the whole, scepticism regarding foreign banks may be justified today, given that foreign banks are largely urban, with 302 branches in urban/metropolitan and 14 branches in rural/ semi-urban India. On the other hand, the population pattern in India point to the emergence of large rural and semi-urban population that can fuel growth, given the right access to formal financial system.

For now, this difference seems irreconcilable. But given some ability to innovate, create partnerships and evolve mutually acceptable solutions, maybe the twain shall meet. After all, if foreign foods, beverages, hair colour and mobile phones can reach every village in India, why would foreign banks be such an implausible dream?

(The author is Director, Pricewaterhouse Coopers. Views expressed are personal)

[Back to Top]

How Manila trumped the teacher

Devjyot Ghoshal, Business Standard

In its rise to top of BPO biz, Philippines brought a great deal from India

Manila , July 3, 2012,: The rambling, low-slung vastness of Metro Manila, the National Capital Region of the Philippines, is broken by the steel and glass high-rises of Makati — the country's financial nerve centre. At one end of Ayala Avenue, the main thoroughfare of this central business district, sits Bong Borja, in a roomy corner office.

The story of the Philippine business process outsourcing (BPO) sector is well known, but Borja reveals another facet of this extraordinary tale: how the Philippines learnt to play the outsourcing game from India. It is a tale of consequence because the Philippines has since outplayed the Indians at their own game, and is now the biggest exporter of the voice-based BPO services in the world.

“A lot of our success was because we were operating with India, in hindsight. We were learning from them, taking the best practices but also avoiding the pitfalls. We knew, for example, early on that wage inflation was creeping up and so when we were faced with the same issue, we were steadfast as an industry to not go into that trap,” he says, with a hint of an accent.

Borja can speak of the industry with some authority — he was among the Filipino entrepreneurs who got the country's BPO industry off the ground at the turn of the century. By 2004, PeopleSupport, the company that he founded, was listed on the NASDAQ, and had expanded in the Philippines and even to Costa Rica. Four years later, it was acquired by the Essar Group and became part of Aegis, of which he is now president - strategic initiatives.

“But we learnt good things as well. (For instance) the expansion geographically into other provinces of India, and not just focusing on the main ones in India. We knew that we had to go near where the talent is,” he adds.

Along the way, Borja played a pivotal role in setting the Business Processing Association of the Philippines (BPAP), equivalent to India's National Association of Software and Services Companies (Nasscom), and the Contact Center Association of the Philippines. He has chaired both bodies, once even concurrently.

“We were trying to forge a very strong partnership between Nasscom and BPAP in promoting offshoring,” Borja recalls, though he stutters a little while trying to get former Nasscom president Kiran Karnik's first name right.

The partnership has persisted, insists Gillian Joyce Virata, senior executive director of BPAP. “We always look at India to see what's happening, what you've done right, what we should watch out for, if there are any pitfalls and since India started ahead of us, naturally as a leader, we watch you all the time," she says, "It's nothing to be paranoid about. We do work well with Nasscom.” In fact, according to Virata, the Philippine government looked at Nasscom as a template while setting up BPAP in 2004. “India actually made outsourcing a comfortable and viable proposition to the western world, and so the barrier to offshoring, by the time we came in, was less. They (the client) could only say that since we've outsourced to India, we can also outsource to the Philippines,” adds Borja, “So, we did feed off the success of India.”

There are the usual reasons why the BPO sector has seen strong growth in the Philippines: a substantial English-speaking population, with about 500,000 graduates coming into the job market every year; labour cost arbitrage, as wages remain much lower than other large English-speaking countries; and a cultural affinity to Western countries, particularly the United States, the largest outsourcing client in the world.

However, there are other factors that have helped create favourable conditions— and some of these have a distinctly Indian flavour. “A lot of the fiscal incentives that we’ve got right now have been patterned after India and a couple of other countries. The income tax holidays and things like that,” says Borja. For companies that register with the Philippine Economic Zone Authority, there’s an income tax holiday for up to eight years, followed by 5 per cent tax on gross income, compared to 30 per cent on net income for other corporate entities in the Philippines. Alongside, there’s a complete waiver on value-added tax for any purchases, as well as no tax or duty on imports.

Kiran Karnik, former president of Nasscom, recalls his erstwhile organisation’s support for the then fledgling Philippine BPO sector. “There are many things that they picked up from us,” he admits, when asked about the fiscal incentives, “And they bettered us on that, while our government has stepped back and there are differences on the tax and regulatory front now.”

Industry bodies like BPAP did much more than merely take the Indian paradigm and replicate it in the archipelago. “One of the biggest tweaks that was done was extending the economic zones to buildings,” says Borja.

While the original law looked at developed repressed areas or empty US military bases, the industry lobbied hard to get these extended to buildings as infrastructure in the prescribed locations wasn’t ready and there wasn’t enough human resource available.

“That helped tremendously, because I think today the ratio of companies that are operating with economic zone status but not physically in the economic zones would probably be over 90 per cent. It’s a major, major thing,” he adds.

As a result, while much of India’s IT & ITes sector works out of distant software parks, the booming Philippine BPO sector delights in the comforts of vibrant and well-connected business districts in the heart of its cities.

Yet, the country has had its own ghost to fight on the way to the top.

“We did have a law that said that women could not work at night, and government was supportive in that it would allow companies with women working in night-shifts to apply for waivers,” discloses Virata.

“We only amended the law only last year, I think. All this time, companies have been filing for exemptions from the law. But the government has been open-minded enough to realise that the law really needed to be amended,” she adds, with a smile.

Without its women, it would be next to impossible for the Philippines to grow the industry to 25 billion by 2016, with 1.3 million employees. But even with them, it is unlikely to be an easy target to achieve.

[Back to Top]