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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.

WTO head confirms 2012 slowdown in world trade
AFP

Paris, August 30, 2012: Pascal Lamy, head of the World Trade Organization, confirmed on Thursday that growth in global trade would remain below four percent this year and urged governments against protectionism.

Annual growth in world trade has averaged six percent over the past 15 years, but this year "we will be below four percent," Lamy told France's BFM radio, blaming the slowdown on a sluggish world economy.

"The world has crossed this crisis without a protectionist tsunami, but there are preoccupying signs that the WTO is watching over closely," Lamy said.

In April, the WTO warned that world trade growth, which slowed in 2011 after a big rebound in 2010, would weaken again this year and grow by 5.6 percent in 2013.

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Euro crisis pulls down India's export growth to 35-month low
Business Standard

New Delhi, September 4, 2012, 00:20 IST Severe sluggishness in demand in Europe hit India's merchandise exports, which fell for the third consecutive month this financial year. Compared with $26.3 billion in the corresponding period last year, exports fell 14.8 per cent to $22.4 billion in July.

This was the steepest fall in 35 months (exports had declined 23.59 per cent in August 2009).

Imports, too, contracted for the third consecutive month, falling 7.78 per cent to $37.9 billion, against $41.1 billion in July last year.

Crude oil imports fell 5.52 per cent to $12.22 billion, while non-oil imports declined 8.57 per cent to $25.70 billion, indicating a sluggish industrial scenario in the domestic economy.

"Contraction in this segment (imports) points to a slowdown in industrial activity, as it indicates a fall in consumption expenditure, as well as imports that are export-linked," said D K Joshi, chief economist, CRISIL.

As the fall in exports was more than that in imports, the trade deficit widened to $15.5 billion in July, against $11.08 billion in the corresponding month last year, prompting Moody's Analytics senior economist Glenn Levine to term it a "monster trade deficit".

For the April-July period, exports declined 5.05 per cent to $97.6 billion, compared with $102.8 billion in the corresponding period last year, while cumulative imports fell 6.47 per cent to $153.2 billion, compared with $163.8 billion in the year-ago period.

The trade deficit for the April-July period stood at $55.5 billion, against $60.9 in the year-ago period. Last month, Commerce Secretary S R Rao had said the crisis in Europe was affecting India's external trade, and the current global outlook was contributing to woes.

Joshi said it would be difficult to meet the Commerce Department's target of $360 billion of exports this financial year. Rao, too, had said meeting the target would be difficult, though not impossible.

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Euro zone troubles impact India Inc, says Ficci survey
Business Standard

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

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

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

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

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

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

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

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

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

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

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Centre readies plan to revive exports, says secy
Sidhartha, Times of India

New Delhi, September 12, 2012: The government is asking exporters to fill the gap created by the exit of Chinese players from the lower-end of the manufacturing space, while readying measures, including an end to the "stop-and-go" policy on export of value-added farm commodities and minerals and a more flexible regime for special economic zones to reverse the trend of falling shipments from the country.

"We are telling exporters to look at areas that China is vacating at the lower-end of the manufacturing chain and move in there. Industry needs to quickly move into these areas, which may also includes chemicals," commerce secretary S R Rao told TOI.

At the same time he indicated that the government was gearing up for competition from China, especially in the Asean region, to capture a bigger share of the construction and project exports pie and may offer lines of credit to push the cause of the local industry. Asean and China, along with Africa and Latin America, have been identified as key focus areas for development of new markets and reduce the reliance on traditional areas such as Europe and the US, which are in a prolonged period of economic downturn.

Rao identified pharmaceuticals, auto, leather gems and jewellery and agriculture as "clear winners" and said the government would look to boost exports by positioning them in a more attractive manner. He also indicated that engineering goods and project exports could be among sectors that are in line to get cheaper credit on the lines of textiles and handicrafts, which are getting 2% interest subsidy.

"Interest rate is a matter of concern and the regulator has taken the right call in view of the persistent inflation, which has come down significantly. It is important that we lift investor mood and reduce the cost of credit. My minister (Anand Sharma) has taken up the issue of interest subsidy with the finance minister," the soft-spoken officer said. Acknowledging that it was a bad time for trade, the secretary said he expected the situation to improve towards the end of next month. "If that does not happen, then we are in for a major worry on current account deficit. There is no other option but to boost exports. I still wish that the growth is 20% but that seems to be a very uphill task."

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India to push exports via trade diplomacy
Amiti Sen,Economic Times

13 September, 2012, New Delhi: The government plans to step up trade diplomacy to push exports, a senior official told ET, adding that Commerce Secretary SR Rao will brief Indian heads of missions accordingly when they arrive in Delhi later this week. Prime Minister Manmohan Singh has called a meeting of heads of India's missions across the globe from September 14-16 and September 16 to discuss how the country is to be projected to the world.

"We have to sell the India story abroad to retain our chunk in the shrinking world trade in goods. The strategy has to be different for different countries," said the official, who requested not to be named.

India's exports dropped by 5.06% to $ 97.6 billion in the first four months of the current fiscal largely because of the dip in demand from the crisis-ridden European Union and the US, which is yet to recover from the economic downturn. The agenda for the prime minister's meeting is still being finalised, an MEA spokesperson said. However, the official quoted earlier, said the commerce and industry ministry has decided to use the opportunity to push the country's trade agenda.

Ambassadors from Latin American countries, such as Brazil, Chile, Argentina, Paraguay and Uruguay, are likely to be engaged by Rao since the commerce department has identified these nations as potential markets for diversifying India's trade.

Similarly, ambassadors of African countries such as South Africa, Angola, Ghana, Uganda, Mauritius, Nigeria, Tunisia and Zimbabwe, are likely to get to discuss their strategies to promote Indian goods in their respective countries.

The commerce department is already in touch with a number of foreign missions to sort out specific issues.

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CII's ideas on export boosting
T N C Rajagopalan, Business Standard

September 10, 2012: The Confederation of Indian Industry (CII), in its latest 'CII Policy Watch' edition, has taken a closer look at export performance and the initiatives needed to reverse the declining trend. It is difficult to see something new in these suggestions but they are still worth saying. Also, as usual, quite a few of the suggestions relate to infrastructure and fiscal measures, beyond the commerce ministry's purview.

CII gives interesting figures to celebrate diversification of our export markets. About 22.6 per cent of our exports go to West Asia and Northern Africa (Wana) and 16.8 per cent to Northeast Asia. Those to North America (10.7 per cent) and the European Union together account for less than 30 per cent.

CII advocates stronger focus to realise full potential for exports to the Saarc (2.85 per cent) and Asean (10.9 per cent) regions. Exports to the rest of Africa and Latin America account for an impressive 11.5 per cent, says CII. Although something seems amiss in these figures (as the same report shows exports to the US at 11.9 per cent and to North America at a lower 10.7 per cent), broadly CII seems to have got it right.

It quotes many luminaries on what needs to be done. Past president Sunil Kant Munjal, of the Hero Group, seems more pointed in calling for focus on raising product and project exports to markets with a socio-economic profile similar to India's and on moving up the value chain.

The stress on value addition seems timely, with export of petroleum products and gems & jewellery accounting for more than a third of our exports, making Gujarat (24.6 per cent) the top exporting state. Creating a fiscal and regulatory policy environment conducive for export, facilitating this by reducing transaction costs and creating an industry-government strategy to penetrate global markets are priorities CII advocates. Sanjay Budhia, chairman of the its committee on exports, sees poor port infrastructure as the prime impediment. He wants an industry-friendly regulatory regime, overhauling of regulations on documentation, land acquisition, environmental clearance and taxation. To revive the Special Economic Zone scheme, he champions for benefits of Chapter 3 of the Foreign Trade Policy, abolition of Minimum Alternate Tax, a full income tax holiday over 10 years for units in operation and simpler procedures for procurement from Domestic Tariff Areas.

CII never tires of preaching to the government the virtues of cutting subsidies. However, for exports it wants an interest subsidy, freight subsidy, market development fund, special assistance to improve innovation, fiscal benefits for investment in new and more efficient plant and technology to reduce costs and to improve the quality. It also wants a stable export policy for farm produce, simpler laws and easier availability of finance and so on.

CII is silent on how states can do more to leverage the export opportunities. Maharashtra and Gujarat together contribute to 46 per cent of exports. With Tamil Nadu (9.3 per cent), Karnataka (5.4 per cent) and Andhra Pradesh (five per cent) together contributing another 19.7 per cent, all the other states contribute to less than a third of the total. CII is also careful not to talk of costs and delays that exporters incur in dealing with government officials in seeing their consignments through or getting their incentives, and ways to avoid these. True to its tradition, CII refrains from saying anything that might annoy the bureaucracy.

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Make 51% exports from SEZs compulsory: FinMin
Asit Ranjan Mishra, Mint

New Delhi, August 30, 2012: The finance ministry has proposed that companies located in special economic zones (SEZs) mandatorily export at least 51% of their production of goods and services. Since SEZs enjoy "considerable tax benefits", they must be "export-oriented to further economic growth", the finance ministry said before the public accounts committee (PAC), headed by Bharatiya Janata Party leader Murli Manohar Joshi, which has also supported the view. The existing rules, which only require SEZ companies to have a positive net foreign exchange earnings over a period of five years, are insufficient and have diluted the primary objective of the SEZ Act.

"There is no mandatory requirement of undertaking exports in the SEZ legislation. For example, a unit which does not import any raw material or capital goods will be under no obligation to export," according to the finance ministry.

The PAC report on action taken by the commerce and finance ministries on observations made in its 24 February 2011 report on SEZs was presented in the Parliament on Thursday.

The committee had in an earlier report observed that out of overall exports of Rs. 7,149.23 crore made by 22 SEZ units, actual exports to countries outside India was only Rs. 1,999.27 crore, or 28%, and the remaining 72% were related to earnings domestic tariff area (DTA), or area within India. The committee had recommended restricting sale of goods by SEZs in domestic tariff area by an appropriate scale for the purpose of calculating net foreign exchange earnings in order to reduce the misuse of the scheme. Vikram Bapat, executive director at PricewaterhouseCoopers, India, said it is difficult to fathom the unnecessary focus on exports from SEZ units. "SEZ policy is not an export-oriented policy, it is an infrastructure augmenting policy," he said.

In its submission before the PAC, the finance ministry said the value of inputs and services provided to SEZs from the domestic tariff area against export obligations under export promotion schemes be also considered as imports into SEZs.

The commerce ministry opposed the view, saying such a change will result in SEZ units importing goods from outside India.

Since DTA units are eligible to import goods for the purpose of exports from outside India, sourcing supplies from within India will save foreign exchange outgo, the commerce ministry said.

The commerce ministry also contested the finance ministry's argument that SEZ units are put at a substantial advantage over their DTA counterparts, saying that SEZ units do not enjoy many schemes meant for DTA units such as Export Promotion Capital Goods and Duty Entitlement Passbook scheme, among others.

The PAC, however, rejected the commerce ministry's view that the present mechanism is sufficient for monitoring the proper implementation of the SEZ policy.

It said that the government needs to establish an effective and reliable oversight mechanism for monitoring net foreign exchange earnings achievements for prompt recovery of duty foregone and also to provide deterrent penal provision for wilful default. At present, the SEZ scheme relies mainly on self-certification of the SEZ units for net foreign exchange earnings.

So far, 589 formal approvals have been granted for setting up of SEZs, out of which 389 have been notified, according to the commerce ministry. As on 31 March, more than Rs. 2,01,874.76 crore has been invested in the SEZs directly employing 844,916 people.

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Trading up the value chain
T S Vishwanath, Business Standard

August 30, 2012: At a recent conference organised by the Confederation of Indian Industry (CII), the emphasis was on the need to position Indian exports in the emerging global value chain. The underlying objective was to understand and plan as to how India could increase its presence in global markets.

Several ideas were debated but some of the issues that were highlighted and discussed need some attention and deliberation.

An important issue that was raised was the fact that industry needs to look beyond subsidies to sustain and grow exports. The focus has to move from incentivising exports to supporting exports. This means that industry has to shift its focus to demands in terms of better infrastructure, better connectivity to large markets, single-window clearances and greater coordination among departments that handle exports rather than focus on increasing the incentives provided to exports.

The second point was whether India should look at new markets or concentrate on existing markets that still contribute to the lion's share of global imports to provide a substantial boost to export performance. It was pointed out that a study by the Federation of Indian Export Organisation shows that large importing countries across the globe need not be the emerging markets where India is now seeking to focus. To sustain a 30-40 per cent growth in exports, it will be important to continue building strength in conventional markets of the developed world, while at the same time identifying and tapping new markets. Both these strategies have to coexist.

A significant argument that was forcefully driven home was the fact that Africa needs special focus. Africa, it was pointed out, is not emerging as a potential market but is already a large market that needs greater attention. The need is not to open lines of credit alone to tap the African continent but to build business-to-business contacts and also build Brand India in most African countries.

The third point that came across was the fact that Indian companies are lagging most counterparts across the globe in investing in research and development (R&D) to introduce innovative products in the market. Chairman and Managing Director of Exim Bank T C A Ranganathan made a noteworthy point that without R&D, it may be difficult to make progress for companies to become part of an emerging global value chain.

India, today, accounts for 1.6 per cent of global merchandise export and ranks 19th in the world among leading exporters. New Delhi hopes to improve its position by touching $500 billion of exports and four per cent of global trade over the next year or two. Till now, India has not been part of the important traded sectors in the global trade basket but has concentrated on products in which it may have a more competitive edge. But to increase exports significantly and become part of a global value chain, it was felt that there is a need for greater emphasis on innovation and R&D by industry. That is why it was pointed out that India has not been a major exporter of high-technology products.

Another important issue that emerged was whether India, like China, should use the policy of increasing exports through foreign-owned enterprises or focus on developing the strengths of domestic companies to tap global markets. China had in its initial years of export opened up to foreign direct investment for exports and foreign-invested enterprises accounted for as much as 80 per cent of exports out of China.

This has come down over the years but foreign enterprises located in some key export zones account for well over 50 per cent of total exports from China. The domestic private sector in China accounts for over 33 per cent of exports, while state-owned enterprises account for over 14 per cent of exports.

Given the current need to increase exports to balance growing imports, we have to build on the existing export policy and steer clear of long-term incentives and focus on building competitiveness of various sectors. There is an urgent need for industry to move in that direction.

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India mulls new reform to lure supermarkets
AFP

New Delhi, September 11,2012:India’s government will propose legislation to further open the retail sector to foreign markets, including Wal-Mart and French giant Carrefour. The government views foreign supermarkets as a way to combat food shortages; opposition parties believe it would destroy the livelihoods of shopkeepers.

India's government is to propose watered down legislation later this month to open up the retail sector to foreign supermarkets, news reports said on Tuesday.

The Mail Today tabloid and Hindustan Times reported that the government would propose allowing groups such as US giant Wal-Mart or French multinational Carrefour to own up to 49 percent of local subsidiaries.

The legislation would also include provisions for state governments to set local conditions for the groups, a move designed to head off opposition to the highly controversial legislation.

Last December, the left-leaning national government, which has struggled to pass reforms, was forced to withdraw a proposal to allow foreign supermarkets to own up to 51 percent of their local subsidiaries.

Shopkeepers, opposition parties and even an ally in the national coalition came together to oppose the change in the law, saying it would destroy the livelihoods of small business owners.

The government sees foreign supermarkets as a way to improve the food supply chain and bring down prices, but the proposed legislation as reported on Tuesday might not be enough to attract them.

Allowing state governments to set conditions locally would increase the complexity of the regulatory environment and the 49-percent ownership cap would mean the groups would not have control over their Indian operations.

Any proposed legislation would also need to pass the parliament, which was disrupted almost every day of the last session which ended last Friday.

Foreign retail groups are already allowed in India, but they must run single-brand shops

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E-payment of customs duty is now a must
The Hindu

New Delhi, 8 September, 2012: The government has decided to make e-payment mandatory for importers registered under 'Accredited Clients Programme' and those paying customs duty of Rs.1 lakh or more per bill of entry. The trade facilitation measure, aimed at further reducing the transaction cost of importers, will come into effect from September 17 this year.

According to a Finance Ministry statement here on Friday, the Central Board of Excise & Customs (CBEC) has already instructed all Chief Commissioners of Customs to give wide publicity to this measure to enable trade and industry to be ready for the switch-over in duty payment mode in case any change in their software or any internal procedure for effecting e-payment is required. "As a large number of taxpayers would be required to pay the taxes electronically, it is requested that importers, trade and industry may be provided all assistance so as to help them in adopting the new procedure," the statement said.

While e-payment is advantageous to both the trade as well as the government, it affords taxpayers the facility of making payments from their own offices on a 24x7 basis and also facilitates quicker release of cargo. As for the government, it ensures immediate collection of taxes and error-free data relating to tax payments.

E-payment facility at customs locations was introduced in 2007, and is available through more than one authorised bank at all major customs locations having ICES (Indian Customs EDI System) facility. The ICES facility, designed to exchange/transact customs clearance related information electronically using EDI (Electronic Data Interchange) is now operational at 103 major customs locations handling nearly 98 per cent of the country's international trade.

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India generics giant wins cancer drug patent case
AFP

September 9, 2012: Indian generics giant Cipla says it has scored a "landmark" court win in a patent challenge launched by Switzerland's Roche Holding over the Mumbai firm's version of a lung-cancer drug.

Delhi High Court Justice Manmohan Singh on Friday ruled that Cipla's drug, Erlocip, did not violate the Roche patent on its anti-lung cancer medication Tarceva due to its different molecular make-up.

"It's a landmark judgment in a patent case," Pratibha Singh, a patent lawyer who represented Cipla, told Mint newspaper. "The court has taken all efforts to analyse claims of both parties in terms of legality and scientific evidence."

No further details of the judgment were available.

The Cipla court case was being watched worldwide as it involved interpretation of stricter drug patent protection rules introduced by India in 2005 to comply with World Trade Organization regulations.

India is the world's leading exporter and manufacturer of non-branded medicines and medical charities have expressed concern that compliance with WTO trade rules could reduce the country's role as a supplier of cheap medicines.

Roche's Tarceva is priced at 140,000 rupees ($2,533) for a month's supply, though it has discount schemes to make the drug more affordable for poorer people, the newspaper said, while Cipla's version is priced at 25,000 rupees.

It was not immediately known whether Roche would appeal the ruling.

The decision could act as a precedent for a string of other Indian generic firms also facing patent challenges from Roche over their versions of Tarceva.

The Delhi ruling came ahead of a high-profile battle expected to start Tuesday in India's Supreme Court over a bid from Swiss firm Novartis for patent protection for its top-selling cancer treatment drug Glivec.

The Novartis case could have significant implications for multinational drug firms, determining how much protection they will receive under India's patent law from cheaper generic rivals.

Novartis filed in 2006 a patent application in India for Glivec, used to treat blood and gastrointestinal cancer but a lower court rejected the request, saying the drug was a new formulation of an existing product.

The Novartis' challenge goes to the heart of India's patent act, which says a patent cannot be granted for an old drug unless changes make it significantly more effective.

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Will India keep Novartis at bay?
Sushmi Dey, Business Standard

New Delhi September 6, 2012: The outcome of the case will have huge ramifications.Much of the world — from patients to pharmaceutical companies to health activists and even governments — is watching an intense battle currently being fought by Swiss pharma giant Novartis in India's Supreme Court. The company wants to patent and sell its anti-cancer drug, imatinib mesylate, known as Glivec, in India but, so far, its efforts have failed. This is a high-stake contest, with serious implications for many of the above constituents. At the heart of the dispute is the Indian government's contention that Glivec, which treats myeloid leukaemia and some gastrointestinal cancers, is simply a retooled avatar of a pre-existing version patented in the US in 1993, and, therefore, doesn't deserve one here. The core issue, then, is over the degree of innovation required to obtain a patent in India. Section 3(d) of the Indian Patent Law prevents what the industry calls 'evergreening' — a process of churning out a version of the medicine with incremental modification and no innovation, simply in order to prolong the life of the patent.

The case has an acrimonious history. Novartis had filed for a patent in 2006, which was denied. Then, in 2007, the Madras High Court rejected Novartis' plea. The company also lost the case at the Intellectual Property Appellate Board, which rejected the company's appeal in 2009. Novartis, then, decided to take the case to the highest court in the country.

Is Novartis 'evergreening'?

Novartis describes the case as a crucible for the future of pharma investment. "Novartis is seeking clarity on the patent law in India," says Novartis India Vice-Chairman & Managing Director Ranjit Shahani.

"Knowing we can rely on patents in India benefits the government, industry and patients, because research-based organisations will know if investing in the development of better medicines for India is a viable long-term option."

Besides, Novartis cannot be accused of evergreening, says Shahani. According to the company, imatinib mesylate is the salt form of an older medicine, imatinib, and the new version represents a 30 per cent increase in the bioavailability of the medicine. "Scientists at Novartis developed the mesylate salt of imatinib and then the beta crystal form of imatinib mesylate to make it suitable for patients to take in a pill form, which would deliver consistent, safe and effective levels of medicine. This process resulted in a viable drug which revolutionised cancer treatment," says Shahani.

However, health activists argue that granting a patent on such incremental innovations would be violating the basic principles of inventive science. "The selection of a salt of the active ingredient with the purpose of improving bioavailability is well known in pharmaceutical art, and is an often-used form of what is known as 'evergreening'," says Leena Menghaney of Medecins Sans Frontieres, which campaigns for access to essential medicines.

The drug has been granted a patent in 40 countries, including China, Russia, Mexico and Taiwan. The Supreme Court will hear final arguments in the case on September 11.

Pharmacy to the world

India provides half the world with AIDS medication, most of it in the generic form. Various developing countries, and now even developed ones, depend on India for low-cost, quality drugs, hence the country's nickname, ‘pharmacy to the world.’ If Novartis wins its case, this spigot of cheap drugs to those who cannot afford them could be turned off.

One reason India has become such a big drugstore: Until 2005, India did not grant patents on medicines, which allowed drug makers to manufacture and sell generic versions at a much lower price. Eventually, India’s stance on patents changed after it joined the World Trade Organization (WTO) and signed the trade-related aspects of intellectual property rights (TRIPs) agreement. From then on, patents would be applied in India as well. However, the Doha round gave a large degree of flexibility to governments to decide what kind of innovation was patentable, what should be the criteria included in ‘novelty’, what constituted an ‘inventive step’, and so on. There was another important clause from the Doha Declaration: “Each member has the right to grant compulsory licence and the freedom to determine the grounds upon which such licences are granted.”

The government was, thus, able to legitimately award Natco Pharma a compulsory licensing deal that made it possible for the company to sell Bayer’s anti-cancer drug, Nexavar, used in the treatment of liver and kidney cancer, for Rs 8,880, versus Rs 2.8 lakh under Bayer.

Arm-twisting

It is widely understood that the US and Europe are both petrified that Glivec and Nexavar are just the tip of the iceberg, and that if the patent suit was rejected, an avalanche of drugs that cost a fortune at home would continue to be sold to half the world in the form of cheap generics. Consequently, they have been exerting substantial pressure on India to stop these kind of decisions, calling them a violation of a global standard in intellectual property rights.

Pharmaceutical and biotechnology companies say that the enormous amount spent on researching and developing these drugs necessitate a rigorous policing of patents.

But, do they? Yusuf Hamied, the outspoken chairman of Cipla, says that over 50 per cent of blockbuster drugs sold by big pharma companies are actually developed by third-party researchers and then sold to the industry, allowing companies to make “super-profits,” simply because of their comparatively low R&D spend on that drug. Industry sources say that Novartis collaborated with scientist Brian Drucker and the Oregon Health Science University for Cancer, where Drucker was a researcher, for the development of Glivec.

Nevertheless, health groups are worried that the US and Europe are trying to influence the matter through free-trade agreements (FTAs) like the one proposed between India and the European Union (EU).

According to Amit Sengupta of Jan Swasthya Abhiyan, most of the free-trade agreements have actually incorporated provisions that go beyond the TRIPs agreement signed at the WTO. Experts say that the India-EU FTA negotiation agenda, which is being discussed since 2007, includes medicine data exclusivity, intellectual property enforcement measures and patent term extension, among others, and, if it is enacted, it may enforce changes in the Indian patent law. “Once data exclusivity is granted, it would not be possible to make generic drugs, or even ensure the public use of patent rights, like compulsory licensing,” Sengupta said.

Fallout

Health activists and patients say that secondary patenting is not only a threat to affordable medicines but also to innovation of meaningful drugs. “There is no bar on granting patents on new molecules, but by giving patents to ‘me-too’ versions of older molecules, one can actually abuse the patent system. Why should a company go for new R&D if the threshold for the incentive is so low?’ says Menghaney.

Then, there’s the issue of what would happen to existing drugs that are made here on the cheap. “If the court decides in favour of Novartis then there is a possibility that various old cases where patents were denied on the basis of Section 3 (d) would be reopened. Besides, there are many drug patent applications from companies across the world, for drugs which are not made in India so far and generics for which are available here. It is possible that a large number of new patent applications can be made here then,” Sengupta said.

That’s not the best news for patients in India or in other developing countries who depend on cheap medicines to stay alive.

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Pharma exports: India asks Japan to remove non-tariff barriers
Press Trust of India

New Delhi, September 2, 2012: India has asked Japan to remove all non-tariff barriers to help the domestic industry take advantage of the comprehensive free-trade agreement and increase share in the Japanese market.

The issue was flagged by Commerce and Industry Minister Anand Sharma in his meeting with Japanese minister of economy, trade and industry Yukio Edano last week in Cambodia. Both the ministers met on the sidelines of the 44th ASEAN Economic Ministers meeting.

"The Indian minister has strongly urged the Japanese side to remove all non-tariff barriers so that real benefits envisaged under the Comprehensive Economic Partnership Agreement (CEPA)," an official said. The CEPA between India and Japan came into effect from August 1, 2011. Both the sides expects that it would boost bilateral trade to $25 billion by 2014.

The official said though there is a considerable increase of drugs exports to Japan, but India's share is still less than 1 per cent of total Japanese pharmaceutical market.

"The demand of generic medicines in the Japanese market and the capability of India to meet this demand will prove a win-win situation for both the countries," the official said.

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

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

An industry expert said that Indian companies are still facing non-tariff barriers like tedious registration process and language in Japanese market.

India has also asked Japan to soon start negotiations on nursing and healthcare professional services.

During the meeting, the Japanese side raised concern over delay in signing of a pact for setting up of a solar power project in Neemrana, Rajasthan.

"On this, the Indian minister assured Japan that the matter has been taken up with the concerned authorities for expeditious finalisation," the official added.The two-way trade between the countries has increased to $18.31 billion in 2011-12 from $13.82 billion in 2010-11.

India's exports to Japan mainly include petroleum, gems and jewellery, transport equipment and machinery, while imports include iron and steel, electronic goods, chemicals and metals

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Commerce ministry to move cabinet note to check export ban on processed food
Amiti Sen, Economic Times

New Delhi, September 6, 2012The commerce ministry will soon move a Cabinet note seeking to allow unrestricted exports of processed food, as it tries to skirt frequent squabbles between ministries over export of farm products.

"We have just started working on the note following discussions on the issue with key ministries, including that of food processing," an official told ET. The note will be circulated to all ministries concerned for their comments, the official added. The government imposes a ban on export of food items to prevent shortage in the domestic market.

The proposal is part of the commerce department's strategy to check frequent bans on export of food and agricultural items, a subject over which the ministries of agriculture, food and commerce are divided and one that has been criticised at international forums such as the WTO and the G-20 for fuelling food prices.

The country's processed foods industry has attracted foreign investments in items such as casein and dried milk, which are being produced mainly for export. The official said that frequent bans on export of such items harms business and discourages investors.

The commerce department is also working on a proposal to allow exporters of farm products to meet their export obligations even during domestic shortage, provided they import an agreed quantity of the same within a stipulated timeframe.

"While the plan on checking export ban on all agricultural products is at a discussion stage, we are hoping that we could soon place the proposal for exempting the processed food sector from export ban before the Union Cabinet," the official said.

The commerce department's proposals have the backing of the food processing ministry. "Our ministry is of the opinion that frequent bans on export of processed food hampers the growth of the industry. It is positive that the industry would grow much faster if there are no bans," a ministry official said.

Export earnings from processed food, including fruits, vegetables, meat and poultry products, more than doubled to Rs 38,950 crore in 2011-12, from Rs 15,816 crore in the previous year, as per provisional figures released by the Agricultural and Processed Food Products Export Development Authority of India.

Exporters of dehydrated onions, casein and milk powder have suffered the most from the government's recent ban on exports. Although casein can now be exported against licences, and the government has also lifted the ban on export of skimmed powder milk in June this year, exporters claim that they lose orders because of policy uncertainty.

Exporters of dehydrated onion say the product accounts for just a fifth of the country's total onion consumption and that exempting it from an export ban will not substantially impact domestic prices.

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Sharp fall in output hits Indian pepper exports
PK Krishnakumar, Economic Times

Kochi ,September 6, 2012: A sharp fall in output and the resultant high prices have hit Indian pepper exports. Exports are down by around 45% in the first quarter as Indian pepper is selling at a price higher compared to Vietnam and Indonesia varieties.

Exporters say India will struggle to reach the export target of 20,000 tonne for pepper set by the Spices Board in the current year. Pepper exports for the three months ended June 30 are around 3,000 tonne.

"Though Indian pepper price has now dropped to around $7,800 per tonne from a level of $8,300, it is still higher than the prices of other pepper producing countries," said Kishor Shamji, a leading exporter and former president of India Pepper and Spice Trade Association.

Indian pepper production was earlier pegged at 43,000 tonne but growers now say it is below 40,000 tonne. Initial reports say the next crop will be good. "But supply will still be short as there is hardly any carryover stock," he said.

India exported 26,700 tonne of pepper valued at Rs 878 crore in 2011-12. Pepper production in Vietnam, the largest producer, is estimated to be in the range of 1.20-1.30 lakh tonne, most of which have been exported. Currently, Indonesia is ruling the market. "Indonesian pepper is the cheapest in the world market at $6,600 per tonne while Vietnam is selling at $7,200 per tonne," said Jojan Malayil, CEO of Bafna Enterprises.

The International Pepper Community (IPC), an organisation of pepper producing countries, says world production will be higher this year, particularly in Indonesia. "Around 50,000-55,000 tonne are expected to be harvested in Indonesia as against 41,000 tonne estimated earlier," pointed out S Kannan, executive director of IPC.

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US, EU oppose India's proposed quality regulations for imported toys
Amiti Sen, Economic Times

New Delhi, September 8, 2012: The US and EU have opposed India's proposed quality regulations for imported toys, saying the legislation requires disclosure of extensive information by manufacturers.

The draft legislation, called Toys and Toy Products Compulsory Registration order, makes it mandatory forimported toys to be tested for toxic chemicals and registered in India before being sold to consumers.

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

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

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

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

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

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

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

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

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WTO panel to look into US duties on Indian steel
Sheila Mathrani, Financial Express

Geneva, September 1, 2012**:** The Dispute Settlement Body (DSB) of the WTO has set up a panel at India’s request over the US imposition of countervailing duties on certain hot-rolled carbon steel flat products from India. New Delhi argues that the measure is inconsistent with several provisions of the agreement on subsidies and countervailing measures and the GATT, 1994.

Members which reserved their third-party rights were the EU, Saudi Arabia, Canada, Turkey and Australia.

India acknowledged at the meeting that every WTO member has a right to levy countervailing duties, but this right can be exercised only within the framework of the Agreement on Subsidies and Countervailing Measures and the GATT, 1994.

Steel exports by leading Indian manufacturers (Jindal and Tata) have been rendered uncompetitive in the US because of the CVD imposed there. According to India, provisional CVD measures imposed by the US on 20 April 2001 were made final after the US conducted a sunset review, with effect from December 3, 2001. The US extended these measures for a further five years.

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Steel giant sparks trade row with allegations of dumping
Robin Pagnamenta, The Times

Mumbai, 31 August 2012: India's biggest privately owned steelmaker has triggered a trade row after it accused South Korean rivals of dumping steel.

Seshagiri Rao, the managing director and chief financial officer of JSW Steel, told The Times that Korean companies, including Hyundai and Posco, were abusing the terms of a free trade agreement and that he had appealed to Delhi to clamp down on the practice.

Mr Rao said: "An FTA should be of mutual benefit, not put one side at an advantage. That needs to be examined." An agreement signed in 2009 by Japan, India and South Korea cut Delhi's import duties on steel from 7.5 to 3.15 per cent. The duty is due to fall to zero by 2014.

Mr Rao said that because of the global downturn, Japan and Korea had been saddled with huge surpluses of steel. India's low import tariffs had created a situation where Korean and Japanese steelmakers were being encouraged to import raw iron ore from India, turn it into steel in their own mills and then re-export it back to India.

"It's dumping," said an executive at another Indian steelmaker, who warned that some manufacturers were being put out of business. "The scenario is very bad. They export at a marginal cost and sell at whatever price they can get — as low as $500 (£315) per tonne, which is below our cost of production. Small producers are really struggling. If it continues this way, we will have to shut down our operations."

In the three months to July, Indian steel imports surged to 2.99 million tonnes compared with 1.92 million tonnes during the same period last year. Almost all of the extra imports came from South Korea and Japan, which have about 196 million tonnes of installed steelmaking capacity between them but only 120 million tonnes of domestic demand.

The executive said that he believed foreign steelmakers were allowing imports to fall one in every six months to avoid violating WTO rules designed to curb dumping. A spokesman at Posco's Indian headquarters in Delhi declined to comment on the allegations.

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India makes rare earthy pitch to rival China
Aditya Kaul, DNA

New Delhi, September 7, 2012: India may be emerging as a significant contributor to a global effort to challenge China's stranglehold on Rare Earths – a group of 17 elements that are key to modern technology.

Their absencecould, literally, bring to a halt global production of precision guided missiles, satellite and communication systems, smart phones, hybrid cars, energy efficient lighting, wind turbines and petroleum.

They are not really rare, but are seldom found in high enough concentrations for mining to be commercially profitable.

China commands 97% global monopoly on various stages of RE production, but has only 37% of global RE reserves (US Geological Survey, however, estimates China has half of the world's reserves — 55 million tonnes).

World consumption, currently estimated to be 136,000 tonnes/year, is expected to reach 185,000 tonnes by 2015. According to USGS 'Mineral Commodity Summaries, January 2012', US is estimated to have close to 12% of global reserves — 13 MTs, Australia (1.6 MTs), Commonwealth of Independent States (19 Mts).

India has, so far, regularly attributed RE reserve figures of 2-3%. Latest Indian government statistics, however, show India may well have 9% of global RE reserves — 10.7 MTs.

In 2004, cheap Chinese RE supply had forced India to suspend production.

"We were producing oxide of RE Cerium at a price of Rs 600/kg. China was providing the same for $1.5/kg," Dr RN Patra, CMD of Indian Rare Earths Limited – a government enterprise under the Department of Atomic Energy (DAE) — told *DNA*.

Two years prior to that, cheap Chinese RE's had forced another closure — that of one of world's largest rare earth mine: Mountain Pass, in California. Incidentally, India was world's leading RE producer in the 1950s, followed by the US through the 1960s and 1980s.

By 2010, India was importing over 370 tonnes of RE compounds, which is not its actual consumption figure since most REs are imported as finished or semi-finished products.

The global frenzy on RE followed China's decision in September 2009 to reduce its RE exports (2010-15), citing "environmental concerns" and "preservation of scarce natural resources". From 65,580 tonnes in 2005 it came down to 30,246 tons in 2011.

China's decision angered the world as RE prices shot through the roof creating a huge gap between China's export and domestic prices. Cheap availability of RE in China has compelled a number of RE firms to move base to China.

It was, however, in September 2010 — when China temporarily suspended its RE exports to Japan over a maritime dispute — that the world began to realise the implications of Beijing's monopoly in this vital sector.

This March, US, European Union and Japan took China to WTO over its RE export policies.

US energy policy specialist Marc Humphries, in a report to the US Congressional Research Service in September 2011, said China's economic growth and increased demand has prompted it to ramp up for increased production of wind turbines, consumer electronics, and other sectors, which would require more of its domestic RE elements. China is already estimated to be consuming almost 65-70% of the global output of RE.

"In 2007 we had pointed out to the government that we should restart RE production," said Patra. But DAE then wasn't interested beyond the Thorium it was getting from Monazite's.

That's likely to change. US based Molycorp is reviving the Mountain Pass mine. Lynas Corporation is doing the same with Mount Weld mine in Australia.

By December India will have a Monazite mineral processing plant in Odisha. Monazite is found in beach sand, and is the chief source of RE in India. The government is also making a concerted effort to identify potential RE reserves in India. India is exploring joint development of REs with Japan and other countries.

Summing up the mood in New Delhi, a top strategic expert told *DNA*, “Whatever China did, it did... But it’s an opportunity for India.”

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Pakistan may soon free up trade via land route with India
Asit Ranjan Mishra, Mint

New Delhi, September 4, 2012: In an effort that could give a boost to Indian exports to Pakistan, the latter may soon allow more goods to be imported through the Wagah border. It now allows only 137 items to be imported from India through the land route out of around 6,000 tradable items.

This is part of the agenda of the forthcoming commerce secretary-level talks between the two countries expected to be held in mid-September in Islamabad after the foreign ministers of both sides meet from 7-9 September, said a commerce ministry official speaking on condition of anonymity.

The official said the Indian side had learnt informally that Pakistan’s commerce ministry has taken the proposal to its cabinet for approval. “We are even hoping that they will do it even before the commerce secretary-level talks,” he said.

India expects Pakistan to substantially increase the list of tradable items through the land route, the official said. “We are urging them to make it the same as the Indian one, where there are no restrictions. We expect it to be at least what the current infrastructure can handle.”

The official further said that the Pakistan side had agreed to free up trade through the land route much earlier.

Trade has been expanding rapidly through Wagah even though only a small number of items are allowed to be traded through the land route, said Nisha Taneja, a professor at the Indian Council for Research on International Economic Relations.

“Allowing more items to be traded through the land route will lead to some trade shifting from the Attari rail route to the Wagah land route,” she said.

Asked whether any progress has been made on the proposal of linking the two capitals of the neighbouring countries by air, the official said the commerce ministry was waiting for a response from Pakistan. “If they agree on it, we will take a representative from the aviation ministry in our delegation,” he said.

At an interaction with the visiting Pakistani parliamentary delegation, organized by lobby group Federation of Indian Chambers of Commerce and Industry, Indian trade minister Anand Sharma said both countries will sign three agreements to facilitate trade during the commerce secretary-level talks. These include an agreement for customs cooperation, trade redressal, and mutual recognition and certification.

The commerce ministry official cited earlier said the finance ministry was trying to get cabinet approval on the three issues before the commerce secretary leaves for Islamabad.

“The mutual recognition agreement will help them (the Pakistani business community) to become more aware of procedures. An institutional mechanism will be built under which if the Pakistan exporter has any issue, it will be heard by a particular committee on the Indian side,” he said.

Earlier this month, India’s cabinet reduced the South Asian Free Trade Area (Safta) sensitive list for Pakistan by 30% to 614 items. The list of the reduced items includes 155 agricultural items, 106 textile items and three petroleum products, including aviation turbine fuel. India is expected to reduce peak tariff rates to 5% within three years as per the agreed Safta process of tariff liberalization.

Meanwhile, foreign minister S.M. Krishna, speaking about his forthcoming visit to Pakistan said he was going there this time with “greater optimism” given the progress made in the past year since official-level talks were resumed last February.

“India is of the view that normalization of ties with Pakistan should be a step by step process. My visit to Pakistan is one more step in that direction,” he said, adding that it would not be “fair to prejudge the outcome”.

Krishna’s visit to Pakistan from 7-9 September will be his second—the first being in July 2010. Besides talks with his Pakistani counterpart Hina Rabbani Khar on 8 September, Krishna will also be going to Pakistan’s cultural capital Lahore before returning home on 9 September.

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India, Pakistan ink visa agreement
Anita Joshua, The Hindu

September 8, 2012: In what was described by Pakistan Foreign Minister Hina Rabbani Khar as the first step towards normalisation of relations with India, the long-pending visa agreement to ease travel was inked here on Saturday.

The agreement was signed by External Affairs Minister S.M. Krishna and Interior Minister Rehman Malik after the conclusion of the Foreign Minister-level engagement at the end of the second round of the resumed dialogue process. The new visa regime — the first major overhaul since 1974 — in particular eases travel restrictions for businessmen and introduces a new category of group tourism. Besides, persons aged above 65 will be issued visa on arrival.

The regime also mandates a time frame for issuing visas. From the earlier indefinite time taken to issue a visa, the two missions have now been tied down to a 45-day period for deciding on an application. Visas will continue to be city-specific, but now in place of three cities, applicants can hope to visit five in one visit. And now visitors can enter and exit the country from different checkpoints and change the mode of travel. Earlier, the port of entry and exit had to be the same, and the mode of transport could not be changed.

The agreement had been initialled in May during the Home/Interior Secretaries talks here, but the signing had been delayed as Pakistan wanted it to be done at the political level. This being the first ministerial engagement in either country since May, Mr. Krishna came authorised by the Cabinet Committee on Security to sign the agreement which, in effect, is the domain of the Home Minister.

Another significant decision taken by the Foreign Ministers pertained to the cross-Line of Control (LoC) confidence-building measures (CBMs). The cross-LoC travel will be expanded to include visits for tourism and pilgrimage. Such visits to designated sites will initially be from the Chakoti-Uri and Rawalakot-Poonch crossing points.

Both sides also agreed to extend assistance to valid entry permit-holders to cross the LoC in emergency situations on crossing as well as non-crossing days.

Like the visa agreement, the decisions on the cross-LoC travel are aimed at ensuring that people remain at the heart of the bilateral relationship, said the joint statement issued after the meeting.

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Asia edges towards giant free trade zone: ASEAN
Agence France Presse

31 August 2012: Sixteen nations home to roughly half the world's population have agreed "in principle" to create a free trade area spanning Asia, the secretary-general of ASEAN said Friday.

Trade ministers from the 10-member Association of Southeast Asian Nations (ASEAN) and their counterparts from China, Japan, South Korea, India, Australia and New Zealand will press their leaders to start talks on the trade zone at a regional summit in November, Surin Pitsuwan told AFP.

The move towards establishing the Regional Comprehensive Economic Partnership (RCEP), made during a meeting in the Cambodian tourist town of Siem Reap on Thursday, was hailed by Surin as "a big achievement".

The proposal could transform the region -- containing around 3.5 billion people -- into an integrated market with a combined Gross Domestic Product (GDP) of $23 trillion, a third of the world's current annual GDP, he said.

ASEAN -- which groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam -- already has five separate free trade agreements (FTAs) governing economic cooperation with the six partner countries.

"This idea of trying to string together all these FTAs in existence into one, in principle now it's been agreed," Surin said on the final day of a week-long gathering of ASEAN economic ministers.
The pact will aim to eliminate trade barriers, create a liberal investment environment and protect intellectual property rights, according to the negotiation guidelines.

"This is a bold move to deepen integration in the most dynamic region in the world," New Zealand Trade Minister Tim Groser said in a statement on his government's website.

"It shows that despite the economic difficulties in other parts of the world, Asia is actively pursuing trade liberalisation."

Progress on the proposed RCEP trade deal, where China will be a dominant power, comes as the United States is leading a push to create a vast trans-Pacific pact with at least 10 other economies, including four ASEAN members.

The Trans-Pacific Partnership (TPP) has emerged as a trade priority for US President Barack Obama, who has cast the mooted pact as a way to boost US exports and jobs while preserving labor and environmental standards.

US Trade Representative Ron Kirk, who attended this week's trade talks in Cambodia, said there was room for both trade initiatives.

"We seem them as complementary, not necessarily competition," he told reporters.

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Interest in global trade talks wane in Asia: Survey
AFP

Vladivostok, September 5, 2012,: Interest in global trade talks in Asia, especially among the business community, has waned as focus shifts to regional agreements, a survey of Asian powerbrokers said on Wednesday.

Only 17.5 percent of respondents in the survey by the Pacific Economic Cooperation Council (PECC) think tank believe the stalled Doha World Trade Organisation (WTO) talks should be discussed at an annual Asia Pacific summit.

This was down from 52.1 percent in 2007, according to the survey released ahead of the Asia Pacific Economic Cooperation (APEC) leaders' meeting this weekend in Vladivostok, a port city on Russia's Pacific coast.

"Since 2007, the annual survey of opinion leaders has asked for respondents' views on the top 5 priorities for APEC summit discussions, and without fail the WTO Doha Development Round has been a priority until this year," PECC said.

The decline was "most pronounced among the business community", said the PECC, which polled more than 500 corporate executives, senior government officials, central bankers and academics.

Only 10.5 percent of the business executives listed the stalled Doha round of the global trade negotiations as a key agenda for APEC leaders, compared with 25 percent for government officials and 19.7 percent for non-government respondents.

"This finding, while disturbing, should not come of any surprise. For some years, the regional business community has been pushing the idea of a free trade area of the Asia Pacific," it said.

PECC said the declining interest in the Doha round should spur APEC leaders in Vladivostok to discuss ways to link various proposed regional free trade agreements into a wider zone encompassing both sides of the Pacific Rim, from China to China via the United States.

Among the free-trade initiatives is the Trans-Pacific Partnership (TPP) spearheaded by the United States. Washington has been negotiating details of the potential pact with Australia, Brunei, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, Canada and Vietnam. However China and Russia are not involved.

Another initiative is the proposed East Asia free trade zone that would cover the 10 members of the Association of Southeast Asia Nations (ASEAN) plus China, Japan and South Korea.

There are proposals to further expand East Asia talks to include India, Australia and New Zealand under a Regional Comprehensive Economic Parntership.

Launched a decade ago in the Qatari capital, the Doha round of negotiations faltered because developing and developed countries failed to bridge entrenched positions on cutting farm subsidies and lowering industrial tariffs.

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Goodbye Doha, hello Bali
Economist

September 8, 2012: Trade and growth go hand in hand. When the economic crisis first hit in 2008, world trade and growth collapsed together. In 2009 both recovered, and did reasonably well until this year, when both slipped again (see article). Cutting tariffs and red tape would boost trade, and support the faltering recovery. This should spur efforts to replace the failed Doha trade talks with a new effort to do a multilateral deal.

The aims of the Doha round, launched by the World Trade Organisation (WTO) in 2001, were laudable. It deliberately put poor countries first, placing particular priority on improving the access of their farmers to rich-country markets. It was ambitious too, covering not only trade in manufactured goods, agriculture and services, but also a host of things more indirectly related to trade (antitrust, intellectual property and foreign-investment rules, for example). According to the Peterson Institute, a think-tank, the potential gains were around $280 billion a year. Its failure is a tragedy.

The villains are powerful lobbies, notably in agriculture, such as America's cotton and sugar industries and Japan's rice farmers and fishermen. But there were also two structural problems with Doha. One was the number of countries. At the end of the first world-trade talks in 1947, 23 countries were involved. When Doha started, 155 were. Second, the idea was to achieve a grand bargain in which agriculture, manufacturing and services would all be liberalised. But reaching agreement on some areas was so difficult that the WTO's mantra— "Nothing is agreed until everything is agreed"—proved fatal.

Less ambition, more achievement

After many missed chances to conclude a deal, an "absolute deadline" was set for December 31st 2011. That too, was missed. Since then, protectionism has been intensifying. In the past two weeks Argentina has lodged complaints against America over lemons and beef and against Spain over biofuels. Altogether, tit-for-tat actions mean that new restrictions cover 4% of global trade, more than Africa's exports. On the plus side, disputes over these are being adjudicated by the WTO system.

With Doha paralysed, regional alternatives to a multilateral deal are springing up. They are not all bad, but regional deals tend to benefit insiders at the expense of outsiders, so that global gains will be achieved only if they can be fitted together. And the small deals often enshrine rules—such as electrical and emissions standards—which vary from region to region, so they make global deals harder to forge.

Instead of allowing the Doha round to be replaced with a patchwork of regional deals, the WTO's boss, Pascal Lamy, should close it and resurrect the best bits in a "Global Recovery Round". He should drop the all-or-nothing “single undertaking” rule that helped kill Doha. Instead, talks would be broken up into small chunks and allowed to progress independently of one another. Negotiations would be open, so that any member could leave or join. Some deals, therefore, would not include everyone. But another of the WTO’s guiding principles—the “most-favoured-nation” clause—must apply. This rule means that any deal between a smaller group must be applied to all WTO members, even if they do not reciprocate. WTO-brokered regionalism would thus lower trade barriers for all.

The Global Recovery Round should focus on manufacturing and services. Manufacturing represents around 55% of total trade. There is much to be gained: tariffs on cars, buses and bicycles are still high. Even low-tariff countries maintain a selection of high ones. In America ski boots attract a zero tariff, but golf shoes can face a 10% rate, and steel-toe-capped boots 37.5%. Services, which account for only 20% of world trade but are more important on a value-added basis, have hardly been liberalised at all.

If progress on agriculture is slower, so be it. Farm protectionism, which this newspaper was founded to oppose, still starves millions. New madnesses appear by the day: Russia has blocked the import of pigs from the EU because of a virus that affects cows and sheep. But an industry that makes up only 7% of world trade cannot hold everything else hostage.

The timing should be as tight as possible. When G20 finance ministers meet in Mexico City in November 2012, they should ask the WTO to launch the Global Recovery Round, and to finish it by the time of the WTO’s next big meeting, in Bali in December 2013. It would be the best thing to happen to the world economy for five years.

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