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25 October to 8 November 2012

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***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
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WTO: Fewer New Trade Restrictions Among G-20 Members, Though Warning Signs Remain
Bridges Weekly Trade News Digest

31st October 2012: The use of new trade restrictions among the Group of 20 leading economies has slowed down over the past five months, the WTO announced earlier today. However, the continued build-up of protectionist measures put in place since the onset of the economic crisis remains a source of concern, given their potential to worsen global problems. The mixed news comes amid warnings this week from French and German national leaders as well as the heads of the world's international finance institutions that the global economic recovery is still far from being assured.

WTO: Slowdown in new G-20 trade restrictions, but more must be done

Despite growing headwinds, G-20 members appear to be issuing fewer trade restrictions than in previous months, the Geneva-based WTO said today, in a report issued under the responsibility of Director-General Pascal Lamy. The pace of removal of trade restrictions, 21 percent over the past five months, is also faster than the 18 percent noted in May, the global trade body said. The report comes four months after G-20 leaders, meeting in Los Cabos, Mexico at their annual heads of state summit, extended until 2014 their earlier pledge to refrain from issuing new protectionist policies and to rollback those instituted since the start of the crisis, after months of heightened concern that economies were relying excessively on trade restrictions in an effort to stimulate recovery on a national level.

However, the long-term build-up of trade restrictions since the start of the crisis as well as increasing trade frictions "at a time of continuous economic difficulties" still warrants further action from the world's major developed and emerging economies, the WTO report said.

"G-20 governments need to redouble their efforts to keep their markets open, and to advance trade opening as a way to counter slowing economic growth," the WTO urged in its report. Furthermore, "the outlook for the global economy is worse than at the time of release of the previous G-20 monitoring report due, among other things, to budget developments and the persistent debt crises in major economies."

The report found that 71 new trade restrictive measures have been imposed since mid-May 2012, when the WTO issued its last report on G-20 trade measures. The previous report had recorded 124 new restrictive measures during the seven months between October 2011 and May 2012.

The new policies outlined in Wednesday's report cover 0.4 percent of G-20 merchandise imports, or 0.3 percent of world imports. The initiation of anti-dumping investigations and increasingly stringent customs procedures were the most prevalent among the new restrictions, the WTO said.

Notably, the WTO found that fewer export restrictions had been introduced over the past five months than during previous periods, which is a topic watched closely by trade observers due to the effects on price levels that such restrictions have. Moreover, trade facilitation measures account for approximately 55 percent of the new measures recorded among G-20 members, the organisation said outnumbering trade restricting measures, and greater than the 45 percent noted in the May 2012 report.

The WTO also urged G-20 economies, among others, to show "a stronger and renewed commitment" to reinvigorate the multilateral trading system. Even with the Doha Round of trade talks unlikely to come to a full conclusion in the short-term, the report urged that the organisation's 157 members continue to work toward negotiating progress in small steps. "This possibility should not be lost," the report stressed.

The report is part of a joint exercise by the WTO, the Organisation for Economic Co-operation and Development (OECD), and the UN Conference on Trade and Development (UNCTAD) on G-20 countries' adherence to their pledges to resist implementing trade and investment restrictions during the ongoing financial crisis.

Calls for increased competitiveness, reforms as Merkel and Hollande meet with international organisation chiefs

The WTO report comes following weeks of growing attention to how the world's advanced economies particularly the EU, US, and Japan, will stave off further problems that many fear will prompt a renewed global economic slowdown. The eurozone crisis has been at the forefront of these concerns, dominating the recent International Monetary Fund (IMF)-World Bank Annual Meetings that were held in Tokyo, Japan just weeks ago amid scaled back economic and trade growth forecasts.

The recent imposition of new rounds of quantitative easing by the European Central Bank, the US Federal Reserve, and the Bank of Japan have brought the issue further into the limelight, as leaders debate how much additional monetary policy efforts will help and the possibility of adopting fiscal consolidation and structural reforms in the eurozone. Concerns over whether Greece might soon run out of funds have added further urgency to the situation, as have warnings that protectionist pressures remain strong. In this context, leaders from five of the world's major international organisations - the IMF, World Bank, International Labour Organisation (ILO), the OECD, and the WTO - met with French President François Hollande on Monday and German Chancellor Angela Merkel on Tuesday to assess ways to boost growth and competitiveness within the eurozone.

"The prospective for economic growth is not as big as we would wish," German Chancellor Angela Merkel said yesterday. "Because of modest growth prospects and considerable uncertainty, financial markets, investor, and household confidence has not yet returned to pre-crisis levels," the chancellor said in a joint statement with the heads of the IMF and the OECD on Tuesday.

The international organisation leaders stressed that reforms are necessary for the eurozone to boost growth and become more competitive, while noting that increased trade liberalisation is another key component in stimulating such economic growth.

While Merkel has held regular gatherings with leaders from these five organisations since 2007, this was the first such meeting for France. Hollande said on Monday that he aims for these meetings to become an annual tradition.

"Today's meeting was an opportunity, first of all, to realise that the world economy is slowing down, even in emerging countries," Hollande said at a joint press conference following Monday's meeting. "It's sluggish in the United States and very weak, if not negative, in Europe," he continued, noting also the rise in "protectionist temptations."

Along with calling for changes on the currencies front, and noting the "collective responsibility" of international organisations to spark a reform of the international monetary system, Hollande warned that the crisis could continue for some time should financial markets be left to resolve the crisis on their own.
"We need to put in place regulatory mechanisms; we also need to take a certain number of resolute steps," the French President said. Despite recent signs that the eurozone could be showing some signs of recovery, "We're not out of the woods yet," Hollande told reporters.

“The idea isn’t to make one more splashy announcement, to unveil yet another reform - no. Our task is to give substance to a competitiveness path,… a growth path, and a fiscal path,” Hollande said. France is expected to outline a series of competitiveness measures that it plans to take in early November.

“Competitiveness requires structural reform, which touches upon every aspect of the economy,” the French President continued. “Indeed, as Pascal Lamy was saying earlier, those countries who decided to bet on competitiveness are those countries which have experienced the strongest growth and who have the best employment figures.”

At the same press conference, Lamy stressed the link between growth, competitiveness, and jobs. “We… understand that unemployment rates are way too high and also, in order to create jobs, there needs to be demand. Ninety percent of the demand will come from outside of Europe - so, let’s be clear about that,” the trade chief said.

“This means that, in the next five years, the way to go out and create jobs is to actually seek out growth where it exists. That means in the developing countries, and in the emerging countries more specifically. This also means that markets remain open, or open up more,” Lamy continued. The comments come a week after a public back-and-forth in the international press between Lamy and French Industry Minister Arnaud Montebourg over the latter’s push to promote a “Buy France” campaign in an effort to regenerate industry in his country, which the WTO chief warned could lead to “patriotric protectionism.”

The French minister, in turn, argued that France cannot compete with emerging industrial powers such as China, though Lamy has said that France’s competitiveness problem is not limited to Beijing but extends to its relationship with the rest of Europe.

ICTSD reporting; “G20 to urge members to act against economic uncertainty,” Reuters, 26 October 2012; “IMF chief Lagarde urges further consolidation in major economies despite ‘tepid growth’,” The Washington Post, 30 October 2012; “Minister defends ‘Buy French’ push from critical WTO,” Reuters, 22 October 2012; “France Can’t Compete With Rest of Europe: WTO Chief,” CNBC, 31 October 2012.

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Commerce ministry likely to incentivize key export sectors

Asit Ranjan Mishra, Mint

29 October 2012, New Delhi: The commerce ministry will start reviewing the performance of key export sectors on Tuesday to evaluate whether they need additional incentives to stem sagging overseas sales. India's merchandise exports have contracted 6.8% to $143.7 billion in the six months since April on waning demand from the traditional markets such as the US and Europe. Exports have been shrinking for five consecutive months.

Although the finance ministry may not be able to provide additional support for exporters given the difficult fiscal situation, the commerce ministry hopes to provide some incentives through its budget allocation of Rs.1,673 crore for the fiscal to March.

"We will take the view of the finance ministry on the matter after we complete the sectoral review," a commerce ministry official said, requesting anonymity. "We will try to give some incentives to exporters within our own budget."

The review will begin on 30 October in consultation with the Federation of Indian Export Organizations

(FIEO) and will continue till 29 November. This is the first such review after trade minister Anand Sharma announced a host of measures in June to boost exports.

No country can sustain its exports only on the basis of incentives, said Abhijit Das, head of Centre for World Trade Organization (WTO) studies at the Indian Institute of Foreign Trade, and such incentives should be given to neutralize the disadvantages that erode export competitiveness such as state-level input taxes.Das said WTO rules allow a country to provide export subsidies to a particular sector if the country does not have more than 3.25% share in global trade in that sector. "We have to be careful while giving export subsidies," he said, adding that India has already crossed that threshold in textiles.

India has often been criticized by developed countries for its allegedly non-transparent subsidy regime. On 23 October, in the committee on subsidies and countervailing measures, the US and Turkey urged India to start phasing out its export subsidies to its textile and clothing industry, which the WTO secretariat had found to be export competitive from 2007, a WTO notification said.

FIEO will demand expanding the interest subsidy scheme to sectors like engineering, leather, gems and jewellery and some textiles products, as these sectors have seen sharp fall in exports, director general Ajay Sahai said. Under the scheme, credit is made available to labour-intensive sectors at a discount of two percentage points. The scope of the scheme was expanded to include more sectors in June this year. Incentives could be helpful in current circumstances to boost exports, Sahai said, giving China's example. "China has been able to achieve positive exports growth over a high base," he said. "It had recently increased rebate on exports and has stopped frequent inspections which increases delay in exports." China's exports grew 9.9% to $186.35 billion in September and by 7.4% in the January-September period to $1.5 trillion.

However, Sahai said the commerce ministry's target of $360 billion exports cannot be achieved under current circumstances. "My personal view is we should be happy if we achieve $325-330 billion exports this (financial) year," he said. India's exports stood at $300 billion in 2011-12.

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Commerce Ministry to move Cabinet on SEZs
Special Correspondent, Hindu

26 October 2012, New Delhi: With the Finance Ministry cold-shouldering the proposals for giving incentives to special economic zones (SEZs) to revive investor interest in them, the Commerce Ministry is likely to approach the Cabinet on the issue in a last-ditch effort to revive the sagging fortunes of these SEZs.

The Finance Ministry and the Commerce Ministry officials have met a number of times on the issue but without any concrete solution emerging. “There has been no word from the Finance Ministry on the issue despite repeated reminders. Keeping in mind the importance of the issue, we are now contemplating going to the Cabinet directly. It is the Cabinet that will take a final call on the issue,” a senior Commerce Ministry official said.

The issue of granting concessions to SEZs is also likely to see strong opposition from the Rural Development Ministry which is against acquisition of land for such ventures that often leads to displacement of people and tardy relief and rehabilitation process. Of late, the SEZs have lost their attraction for the investors following the decision taken by the Finance Ministry to gradually withdraw tax incentives and impose levies such as Minimum Alternate Tax (MAT). The Finance Ministry is learnt to

have strongly objected to reducing the minimum area for SEZs and other proposed incentives being contemplated by the Commerce Ministry.

Exports from SEZs touched Rs.3.65 lakh crore in 2011-12 against Rs.2.20 lakh crore in 2009-10. With an investment of Rs.2.02 lakh crore, over 8.45 lakh people have been employed in these zones, according to official figures. The Commerce Ministry has proposed relaxing minimum land area requirement for different categories of SEZs, besides extending the benefits of export schemes to these units. The initial phase of the SEZ scheme, launched in 2006, saw developers lining up in big numbers for projects. But soon after imposition of Minimum Alternate Tax and Dividend Distribution Tax on SEZs in 2010-11, investors started developing cold feet as tax incentives were the major attraction for setting up these enclaves. Also, the Direct Taxes Codes, being considered by Parliament, proposes to do away with the income tax exemption given to them and instead link tax sops to investments made in them. Profit-linked benefits were the main attraction of the SEZ scheme.

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US moves WTO accusing India of giving fresh export subsidies to textile industry
Amiti Sen, Economic Times

30 October 2012, New Delhi: The US has accused India of wrongfully giving fresh export subsidies to its textile industry instead of phasing them out as mandated by the World Trade Organisation. It has also complained to the multilateral body about the country ignoring its requests for bilateral discussions on the issue. Turkey, too, has expressed its unhappiness at the alleged rise in textile exports from India and its industry being pitted against subsidised Indian products.

New Delhi, however, has rejected the allegations.

"India has not flouted any norms in textiles and is yet to have clarity on its obligations to phase out subsidies," a government official told ET. "However, it has no problems with bilateral discussions with any country and has made this clear at a recent meeting of the WTO committee on subsidies and countervailing measures in Geneva."

The subsidies and countervailing measures agreement of the WTO allows countries with per capita income below $1,000 (about 50,000) to give export subsidies until exports are lower than 3.25% of world trade in that particular commodity. India's share in the global market for textiles crossed the limit in 2007 and is almost 4% now. Since countries are given eight years to remove the subsidies, India has time until 2015 to do so.

The US is concerned about the additional sops that have been given to the textile sector recently as part of the government's efforts to help exporters fight the global slowdown. This includes incentives for exporting textiles under the focus product and focus market schemes where cash subsidies of 2%-3% of the export value is given for exports to particular destinations and for exporting identified products.

A special market-linked focus products scheme for the readymade garments sector for exporting to the EU and the US announced last year has also been extended till the end of the current fiscal. "Our textile exports, especially to the EU, have been hit hard due to the ongoing slowdown. We understand that we have to dismantle our export subsidies for the textile sector by 2015, but till that time we cannot ignore it as it employs million of workers," the official said.

The Indian textile industry is certainly not ready for withdrawal of support.

"The weak recovery in the EU and the US has reduced the purchasing power of the people in these markets leading to the shortfall in the overall demand. Moreover, exports were also getting hit due to inflation and high cost of fuel," said A Sakthivel, chairman of Apparel Export Promotion Council. Sakthivel added that the government needs to act to reduce the industry's vulnerability to external shocks. Exports of garments, the country's eighth largest exported item, fell 19.46% year-on-year to $3.41 billion in the first five months of the fiscal. Exports of cotton yarn, fabrics and made-ups declined 3% to $ 2.8 billion over the same period.

The export target for textile products, however, is at $40.50 billion for 2012-13, which is about 22% higher than the previous year.

Commerce department officials said India has to first reach a common understanding on issues related to its obligations under the WTO agreement. "We are open to discussions with WTO officials and interested members. But we do not want to be forced into taking hurried action," the official said.

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

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

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

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

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

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

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

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

India initiated 275 anti-dumping investigations between 1992 and March, 2012, involving 42 countries. The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods.

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Surge in India's steel imports is no cause for sinophobia
Kunal Bose, Business Standard

6 November 2012: That there will be quite a bit of hoo-hah when steel imports by India, the world's fourth largest producer of the metal and one of the few fast-growing markets for it, surge, is expected. The appetite for imports is whetted by depressed world steel prices, low local capacity use, often caused by raw material supply issues, delays in capacity commissioning and rupee gaining strength till recently. In the first five months of the current fiscal to August, India's steel imports leapt 39 per cent year-on-year (YoY) to 3.34 million tonnes (mt). September imports at 530,000 tonnes grew at nine per cent over the same month in 2011, the lowest in the past 11 months. During this period, our steel exports rose by only four per cent, thanks to the world negotiating weak demand.

For the reasons for high imports stated earlier, a trade official told Reuters that "India will be a forced net importer for at least the next two years." The country has been in that way for some time. The agency has also quoted JSW Steel Chairman Sajjan Jindal saying India's imports of the metal will rise 18 per cent to eight mt in 2012-13. Imports of this order will keep India a net importer of steel by some margin. It is to be said that had not land acquisition been such a long gestation issue, a good chunk of new capacity, maybe including that of Tata Steel's three-mt first phase of the six-mt Orissa project, would have come on stream by now. This no doubt would have made some imports redundant. Imports of certain grades of specialty steel, like grain-oriented flat rolled electrical steel requiring use of technology held closely by some offshore groups, will still be unavoidable. At the same time, once Tata Steel's three-mt Jamshedpur mill expansion is over, much of our auto grade flat steel imports will be substituted.

Indian steel import spurt is, however, no cause for sinophobia. For, it is mostly Japan and South Korea, which, taking advantage of the low import duty of three per cent because of their free trade agreements with us, are sending steel products here. Imports from China and other countries face the deterrence of 7.5 per cent duty. Some steel, however, continues to come from China. But that should be no cause of concern, at least for now. Not that everyone agrees. Uneasiness about Chinese surplus capacity and the pains it could inflict on another country's steel industry, haunt many of our steelmakers. Otherwise, why should Jindal be telling the Financial Times that "everybody knows that China has huge capacity and they can immediately crush the industry in another country." According to him, our neighbour could spell the doom for the Indian steel industry by sending here 10 mt a year. Prashant Ruia of Essar Steel believes surplus Chinese capacity "can... affect global pricing (of steel), and it can certainly affect raw materials pricing".

No precise figures of surplus Chinese capacity are available, but it could well be around 200 mt. China, the world's largest producer and user of steel, made 683.265 mt last year and 542.340 mt in the first nine months of 2012, a 1.7 per cent YoY rise. The World Steel Association (WSA) saying in its short range outlook, that China's steel use will be rising only 2.5 per cent in 2012 to 639.5 mt after recording consumption growth of 6.2 per cent last year to 623.9 mt is symptomatic of the headwinds the broader economy of that country is facing. The combination of Beijing's attempt to contain inflation and flagging exports, thanks to poor demand mainly from Europe and also the US, saw China's gross domestic product growth slipping to 7.4 per cent in the third quarter of 2012 marking a decline for seven quarters in a row. China could end the year doing marginally better than 7.5 per cent growth forecast earlier by Beijing. So, it is more than likely that WSA will prove right in its steel use forecast for China.

As this comes true, pressure will be growing on the Chinese steel industry to look at offshore markets, maybe including India in order to harness some idle capacity. Striking a balanced note SAIL Chairman Chandra Sekhar Verma says, "Chinese steel industry is basically domestic needs based. But we have to be watchful when it is beset with huge surplus capacity and becomes a large net exporter."

It cannot be music to the ears of steel producing countries smarting under demand recession that China's export of the metal in the first nine months of 2012 rose 10.2 per cent to 41 mt. During this period, Chinese steel imports were down 12 per cent to 10.5 mt in yet another proof of lacklustre local demand. Chinese steel capacity grew at a breakneck speed in the past two decades to support urbanisation and infrastructure development without giving attention to production costs. An official of China Iron and Steel Association says ruefully, "The industry has grown rapidly but with a drawback – severe overcapacity." Steel making in China being a high-cost operation, exports are seen as the last possible act. That should be of some reassurance for us.

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India against trade pact on electronics

Surabhi Agarwal / Asit Ranjan Mishra, Livemint

30 October 2012, New Delhi: India plans to oppose the second instalment of the World Trade Organization's (WTO) information-technology agreement that proposes to do away with import tariffs on consumer durables and electronics items.

Signing the pact could result in a further disadvantage to the domestic electronics manufacturing industry, which lags because the country signed the first version of the agreement in 1996 and companies had little incentive to manufacture in India, officials of the department of electronics and IT and commerce said. The new pact intends to include more consumer durable products such as air conditioners, refrigerators and washing machines under the label of IT products.

"India is resisting such moves,' a government official said, requesting anonymity. "We will not be part of any such agreement."

The cabinet had just cleared the country's electronic policy that provides incentives for promoting indigenous manufacturing.

"If we bring down customs duty on such items to zero at this stage, we will only be shooting ourselves in our foot," the official said.

India's electronics manufacturing industry is suffering today because it signed the first instalment of the international agreement, another government official said, also declining to be named.

The argument in favour of pact is that it reduces prices due to economies of scale besides enabling developing countries to reap the benefits of cheaper technology. However, it also leads to concentration of technology in the hands of a few companies and, therefore, countries, the second official said. "It's an agenda driven by a few companies and we have taken a position to not join it this time."

India's electronics manufacturing industry is projected to grow at an annual pace of 22% to $125 billion (Rs.6.8 trillion) by 2014 and $400 billion by 2020, according to official estimates. However, if local manufacturing is not provided incentives, India's cost of importing electronics may exceed its crude import bill—$300 billion by 2020.

Participants to the agreement have grown to 70, representing about 97% of world trade in information technology products, according to information available on the world trade body's website.

The talks for second instalment began earlier this year.

Each country will propose a set of items that should be included in the pact before a final list is drawn up. An official with a lobby group, who is aware of the country's anti-pact stand, said it could invite pressure from large multinational technology companies, especially from the US, which see India as a huge market. He too requested anonymity.

Developed countries are trying to achieve some of their non-agricultural market access aspirations in the guise of the latest proposal, said Biswajit Dhar, director general at Research and Information System for Developing Countries, a New delhi-based think tank.

While developed countries have been pushing developing countries such as India and China to accept heavy tariff cuts in some of the industrial sectors under the languishing Doha round of trade talks, India has been maintaining that any such tariff reduction has to be voluntary and cannot be forced upon developing countries.

The government last week approved a national electronics policy, which includes incentives for semiconductor fabrication units and industrial clusters for manufacturing electronics. The cabinet had in July also approved a Rs.10,000 crore package of incentives for makers of electronics products and components under the so-called modified special incentive package scheme.

The policy also specifies standards for electronics imports to stop spurious goods from entering the country. A proposal for electronics clusters has also been approved. The government will offer incentives of Rs.50 crore each to 200 clusters set up by manufacturers.

Moreover, the government has also reserved 30% of all its electronic procurement for companies that can add at least 25% of domestic value to products in the first year of the policy being implemented.

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Engineering exports decline by 10%
Financial Express

1 November 2012, New Delhi: Engineering exports declined by about 10% to $ 27.81 billion in the first half of the current fiscal due to slowdown in major western economies.

The exports had totalled $ 30.89 billion in April- September period of the last fiscal. The decline was 8.2% in September. "The countries which are the principal trade partners of India, such as Germany and other EU countries are under economic slowdown, and this has affected our exports severely," EEPC India chairman Aman Chadha said. Joint secretary in the commerce ministry, Sumanta Chaudhuri, stressed upon diversification of destinations to deal with the ongoing slowdown in major markets. India exports engineering items such as transport equipment, capital goods, other machinery/equipment and light engineering products like castings, forgings and fasteners.

To promote engineering exports, EEPC India in association with Ministry of Commerce and Industry organises India Show in different parts of the world. The last India show was organised at Brno, Czech Republic in September.Ambassador of Czech Republic Miloslav Stasek, who was also present at the press conference, said his country attaches highest importance to economic engagements with India.

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India pips Thailand as world's largest rice exporter
Financial Express

30 October 2012, New Delhi: India has the emerged as the world's largest rice exporter in 2012 beating its Asian counterpart Thailand with shipment of 9.75 million tonne, according to USDA's latest report.

Thailand was the top rice exporter with exports of 10.65 million tonne in 2011. However, its volume slipped to 6.5 million tonne in 2012.

"On the export side, India's exports were raised 1.75 million tonne to a record 9.75 million tonne based on a record pace of shipments to date and larger supplies. This makes India the largest rice exporter in 2012, a first for India," the USDA report said.

India is followed by Vietnam, which shipped 7 million tonne of rice, Thailand (6.5 million tonne), Pakistan (3.75million tonne) and the US (3.5 million tonne), it added.

India moved to the top slot from the third place in 2011 buoyed by record production of 104.32 million tonne on the back of good monsoon rains.

The US agency said with India's shipments rising this year it had to revise its global trade estimates upwards by 1.85 million tonnes.

"Global trade for 2012 was raised 1.85 million tonnes to a record 37.7 million tonnes, with India accounting for the bulk of the upward revision in exports," it said. The global rice production in 2012 is estimated at 464.87 million tonne in 2012. India is the world's largest grower.

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Steady export demand may keep basmati prices firm
Madhvi Sally, Economic Times

29 October 2012, Ahmedabad: Steady export demand and increased buying by domestic traders are expected to keep basmati prices bullish. Production of both traditional and evolved varieties is likely to be 7 million tonne, similar to the previous year's output.

Paddy prices being quoted across markets were higher by 25%-30% compared to last October's, according to Mohender Pal Jindal, president, All India Rice Exporters Association (AIREA). The Pusa 1 variety paddy was being quoted at Rs 2,300 a quintal whereas the Pusa 1121 paddy was quoted at Rs 2,350 a quintal.

"Prices are expected to remain firm in the coming months," he said adding that with a negligible carryover stock of 2-3 lakh tonne, traders and exporters were on a buying spree. Basmati supplies have begun across Amritsar, Batala and Gurdaspur markets in Punjab and Kurukshetra and Taraori markets in Haryana. Supplies will pick up in a fortnight.

"Over 500- 600 quintal of paddy is arriving in all the markets across Punjab and Haryana. Prices have not dropped as the arrival is less," said Om Prakash Arora, a basmati broker, in Karnal.

Unlike the previous year, international merchant Olam International is expected to purchase basmati paddy this year. "It is a very volatile business and the company will be purchasing basmati rice this year," said a trader in Taraori.

Till Oct 1, over 1.7 million tonne basmati has been exported. The AIREA targets to export over 4 mt basmati rice this year, compared to 3.2 mt last year. Basmati is quoted at $950 a tonne CNF for November-December shipment, compared to $850 last year.

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Cotton exports come to a halt
Sharleen D`Souza, Business Standard

3 November 2012, Mumbai: Cotton exports from India have come to a halt, as prices in the global markets are lower than in India. Earlier, the textile commissioner had said this year, Cotton exports would stand at seven million bales, compared with 12 million bales last year, as China, which accounts for about 65 per cent of India's cotton exports, was cutting its imports by half. However, considering the current trends in India and global markets, exporting even seven million bales would be difficult.

Though some traders who had received orders earlier have exported the commodity, no new orders are being recorded. Prices of Indian cotton are higher than those of international cotton by Rs 2,000-3,000 a candy, and this has led to the commodity being imported in the past few months. Cotton prices in the Gujarat market currently stand at about Rs 32,500 a candy for the Shankar 6 variety, the benchmark quality.

Cotton exports haven't been affected in India alone. According to Rabo Bank's agri-commodity report for November, "US export commitments for the 2012-13 cotton year are trailing the five-year average. The International Cotton Advisory Committee has said global cotton trade is expected to shrink significantly this year. "After an unexpected jump in 2011-12, global cotton trade is expected to fall 21 per cent to 7.7 million tonnes this season due to lower demand from China," it said.

However, imports by the rest of the world could rebound 18 per cent. Exports from most large exporting countries would decline, particularly those from in India, owing to increased domestic consumption. "Global cotton production and mill use are estimated at 25.9 million tonnes and 23.4 million tonnes, respectively, resulting in an oversupply of 2.4 million tonnes," it said.

Rabo Bank expects China's stock-to-use ratio for 2012-13 at 103, the highest since 1998-99, and this would curtail demand for cotton.

"There is no export demand from major markets, and this may continue for a while," said Shirish Bhai Shah, a Mumbai-based cotton trader.

So far, cotton arrivals across the country stand at 1-1.2 million bales, compared with 1.6 million bales last year. The average arrivals of cotton in this period are 2-2.5 million bales.

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Coffee exports decline 7% to 0.28 mt
Business Standard

3 November 2012, New Delhi: India's coffee exports declined seven per cent to 0.28 million tonnes (mt) in the first 10 months of the current calendar year on account of a drop in shipments of the robusta variety, latest Coffee Board data said.

The country had exported 3.04 lakh tonnes of the brew in the January-October period of 2011.

Arabica exports rose eight per cent to 54,048 tonnes in January-October 2012 as against 50,028 tonnes in the same period of 2011, while that of robusta fell 15 per cent to 1,48,869 tonnes from 1,74,371 tonnes during the same period.

In terms of rupee, earnings from coffee exports rose marginally to Rs 4,255.85 crore in January-October this year as against Rs 4,248.06 crore in the year-ago period. In dollar terms, the earnings fell by 9.47 per cent to $839.69 million from $927.60 million in the same period.

In the April-October period of this fiscal, exports of the brew were down at about 1.81 lakh tonnes as against 2.06 lakh tonnes in the same period of fiscal 2011-12. Coffee exports in the first month of the current coffee year (October-September) were higher at 18,990 tonnes as compared to 18,220 tonnes in the previous corresponding period.

India, the world's sixth largest coffee exporter, ships the beverage mainly to Italy, Russia, Germany, Belgium, Slovenia and Spain, among others.

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Trade questions IPC's estimates on pepper fall
George Joseph, Business Standard

6 November 2012, Kochi: The International Pepper Community (IPC) has said next season (2013), global black pepper production is likely to stand at about 3,16,832 tonnes. Last season, production stood at 3,27,090 tonnes, while in 2011, the output was 3,17,750 tonnes.

Traders and exporters from IPC member countries, however, disagree with IPC's estimate, saying next season, production would be about 3,59,832 tonnes.

At its meeting in Colombo last week, IPC had finalised the estimate for this year and stated its projection for the next. It said with production of 90,000 tonnes, including 10,000 tonnes of white pepper, Vietnam would top the table again. Vietnamese agriculture ministry officials, however, said this time, production would be lower. In 2011, production in that country stood at 1,10,000 tonnes and this year, production was 1,00,000 tonnes. Exporters and traders in Vietnam said next season, production was likely to be 1,20,000-1,22,000 tonnes.

India and Vietnam have adopted a cautious stand on production estimates to maintain high prices next season. Exporters said next season, production in India would stand at 60,000 tonnes, an estimate the Spices Board also agreed to.

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India's reliance on pulses import to go up
Dilip Kumar Jha , Business Standard

30 October 2012, Mumbai: India's reliance on imported pulses may increase this year due to around 10 per cent decline in tur production in the current kharif harvesting season on pest and worm attack.

Total imports of pulses of all varieties stand between 2.5 – 3.5 million tonnes which constitutes around 15 per cent of overall annual demand. Assocham estimates India's pulses demand at 21 million tonnes in 2012-13 which may go up to 21.42 million tonnes in 2013-14 and 21.91 million tonnes in 2014-15.

Out of that, however, India's total pulses production constitutes at around 18 million tonnes of which tur, a premium variety in the entire segment, constitutes 15 per cent. Tur, a kharif grown pulses, is sown with the onset of the monsoon in June for harvesting in October. But, two months delay in the monsoon rainfalls has extended the season proportionately and the tur crop is set for harvesting towards the end of November.

"Ahead of this harvesting season, however, the crop has been damaged due to pest attack in major growing areas. Although, the assessment of the actual loss is yet to be done yet not less than 10 per cent crop must have damaged. Consequently, similarly hit on production cannot be ruled out," said K C Bharatiya, a veteran in the pulses trade and an ex-president of the Pulses Exporters' Association.

Popularly known as "pod borer" a common pest which attacks all pulses including tur, urad, gram etc has reported in major producing regions including Gujarat and Maharasthra during the flowering stage of tur. Germinated with the vagaries of nature and climatic condition, "pod borer" affects the crop between 30-50 per cent resulting into a continuous decline in acreage under pulses.

Pradeep Jindal, Director of Jindal Overseas Corporation, a Mumbai-based pulses trader, said, "The deficit from local production can safely bridged through imports as has been in the past. Hence, the pest attack in tur crop is not a cause of worry as of now."

The Ministry of Agriculture data showed that 99.81 lakh hectare (ha) area has been planted under kharif pulses as on September 21 this year compared to 108.28 lakh ha same period last year. Improved rains towards the end of monsoon season have raised prospects of sowing. Planting beyond this time was a bit late for obtaining any remunerative output.

Tur acreage area was reported a marginal decline of 1.6 per cent this year despite delay in rainfalls at 36.17 lakh ha as compared to 37.53 lakh ha last year.

According to the first advance estimates of 2012-13 season, kharif pulses output is estimated lower by 14.6 per cent at 5.26 million tonnes compared with 6.16 mn tn last year. The Fourth advance estimates of 2011-12 season, however, puts pulses output at pegged at 17.21 million tonnes in 2011-12 compared with 18.24 million tonnes produced in the year 2010-11. While Chana output in 2011-12 is estimated at 7.58 million tonnes, tur is estimated at 2.65 million tones, urad is estimated at 1.83 million tonnes and moong at 1.71 million tonnes.

"Tur price has been down by Rs 200 a quintal in the last two weeks due to excessive availability of imported varieties. The trend is likely to continue in near future as well being a favourable climatic condition for rabi sowing," Himat Chandra, Partner of Trimurthi International, a Vashi – based pulses dealer said.

Amidst weak festive demand, tur was quoted on Tuesday at Rs 3800 a quintal in Vashi wholesale market while urad was hovering around Rs 3200 a quintal. Now, traders eye sowing of chana and masoor, the 100 per cent rabi crops.

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Avian Flu in Karnataka hits poultry exports
PK Krishnakumar & Madhvi Sally, Economic Times

1 November 2012, Kochi / Ahmedabad: As the poultry industry is rocked by yet another avian flu attack in Karnataka, major companies and states are taking precautionary measures fearing a ban on sales and exports.

Kerala has imposed a ban on poultry products from Karnataka. The disease has occurred when the industry is gearing up for peak winter consumption in India and overseas.

The birds have been culled in the Central Poultry Development Organisation, near Bangalore, where the avian flu was detected among turkeys, ducks and emus. "Our egg exports are just recovering from a ban imposed by the Middle East when the last incident of avian flu occurred over a year ago. From 300 containers a month, it had hit a low of 50," said PV Senthil, Secretary of Livestock and Agri Farmers Trade Association.

The annual egg export from India is worth Rs 250 crore and the winter months are usually the peak season. According to Senthil, almost the entire lot of shipments is going from Tamil Nadu and each shipment is being certified by the Animal Quarantine Department.

"But since most of the foreign countries consider India as one region, we have asked the Central government to pass on the information that the incident has occurred in a small region in Karnataka, which has been cordoned off," he said.

The poultry prices have not been affected in general except in some regions close to Karnataka. "In border areas, the wholesale rates have dropped by Rs 5 to Rs 45 per kg," said Ram Reddy, president of Andhra Pradesh Poultry Breeders Association.

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India revokes Roche hepatitis patent
Penny MacRae, Agence France Presse

2 November 2012: An Indian panel Friday revoked a patent granted to Swiss giant Roche for a hepatitis C drug, marking the latest setback for global pharmaceutical firms in the country's $12 billion medicine market.

The Intellectual Property Appellate Board overturned the patent awarded by the Indian Patent Office to Hoffmann-La Roche's drug Pegasys, citing a lack of evidence that it was a "new class" of drug.

The ruling represents another blow to western drug firms in India that have been looking to the country of 1.2 billion people to boost sales but are worried about patent protection and fear competition from its generic knockoffs.

While Roche can still challenge the decision in India's courts, patients' advocacy groups called the ruling a significant victory.

"If we get the manufacture of lower-costing generic drugs, millions suffering from hepatitis C, both in India and globally, will benefit," said patients' rights lawyer Anand Grover.
"This is a big win for hepatitis C patients," Grover told AFP.

India is the world's leading exporter and manufacturer of cheap, non-branded medicines, mainly to other poor, developing countries.

Earlier this year, the same board allowed a local firm to produce a vastly cheaper copy of Bayer's patented drug Nexavar for liver and kidney cancer, saying the $5,300 price charged by the German company was "exorbitant".

The decisions involve interpretation of new patent protection rules introduced by India in 2005 to comply with World Trade Organization regulations.

The patent appeal board said on Friday it had found no proof that Pegasys was a "new class" of drug. "In the end, the invention is held to be obvious," the board said, ordering the patent to be "set aside".
The ruling was in response to an appeal against the patent filed by a Mumbai non-profit group, The Sankal Rehabilitation Trust, which helps drug users who frequently contract hepatitis C through use of dirty needles.

Hepatitis C, a viral disease transmitted largely through infected blood that can lead to liver cirrhosis and cancer, represents a huge public health problem in India and globally.

Patients with chronic Hepatitis C had to purchase Pegasys at a market price of up to 436,000 rupees ($8,750) for a course of treatment, a price that is beyond the means of most poor patients, the Sankal trust said.

Some 10 million to 12 million Indians, including 50 percent of injecting drug users, are infected with the virus, but many receive no treatment because of the high cost, according to the trust. "People are dying due to hepatitis C because they cannot afford to buy the medicine," said trust director Eldred Tellis.

There was no immediate reaction available from Roche, which was granted a patent to market Pegasys in 2006.

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Drug exports under brand name to stay
Rupali Mukherjee, Times Business

6 November 2012, Mumbai: Pharma companies can breathe a tad easier. It is learnt that the government has dropped plans to enforce a ban on use of brand names while exporting medicines. Recently, the health ministry had directed the industry to use generic names for medicines instead of brands while applying for manufacturing licences. The government was planning a similar ban in export licences as well.

Though this was yet another move by the government to make drugs cheaply available to patients, it threatened to snowball into a major problem for the industry, which mops up over $12 billion through exports. The move would have resulted in confusion, delays and loss of export turnover for companies. The government is expected to clarify the issue of export licences by issuing a notification over the next few days. "Based on our discussions with officials, the government has agreed that it will not ban the use of brand names in export licences. We have sought a clarification (on the issue) from the health ministry, and this is expected soon," an official from the Indian Drug Manufacturers' Association said.

The industry was apprehensive that the certificate of pharmaceutical product (CoPP) issued by the government for exports will also be issued in the generic name. The certificate is mandatory for exports in many countries.

Significantly, the government may agree to drop its controversial ban on the use of brands in the domestic market as well, the official added. For instance, if a company manufacturing Crocin applies for a renewal of licence, then it will be issued in the name of 'Paracetamol', its generic name, and not the brand name 'Crocin'. For those applying for a fresh licence of a new medicine, it would be issued in the generic name. This would become an even bigger problem and lead to confusion and loss of revenue for companies when many players export the same molecule. Several companies have already earned a huge recall value in overseas markets through their brands.

The issue proved to be another dampener for the industry, which is already reeling under anxiety over impending price controls and recent policy flip-flops.

However, experts point out that in certain cases prices shoot up due to the marketing efforts undertaken by the company in building and promoting its brand.

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India's patent fix
Sushmi Dey, Business Standard

4 November 2012: While the government has been battling patents on traditional Indian remedies abroad, the Patent Office back home has granted a handful of such patents, causing an embarrassment of sorts. The Department of Industrial Policy and Promotion in the Union Commerce Ministry recently revoked a patent granted by the Indian Patent Office to Avesthagen, the Bangalore-headquartered life sciences company, for a diabetes medicine made from extracts of jamun, lavanpatti and chandan (sandalwood) because these indigenous plants are an integral part of the traditional medicinal systems (Ayurveda, Unani and Siddha) and have been used from time immemorial for diabetes management. The government used a "rarest of rare" provision in the Patents Act to quash the patent because it was "mischievous to the state and generally prejudicial to the public". The company had argued, The Times of India reported, that the three plants were chosen from a long list of 100 plants and a short list of 10 plants, there was considerable research and innovation in the invention, the patent validates the traditional medicinal systems and farmers would benefit from it. But that didn't cut much ice with the department.

That's because the patent was turning out to be quite an embarrassment for the department. The government has for long been resisting attempts globally to patent traditional Indian knowledge. It has successfully fought attempts to patent haldi and neem, which have for centuries been used by Indians to cure wounds and diseases. For instance, in 1997, the Council of Scientific and Industrial Research had challenged and won a case against a US patent on turmeric given to a research group from University of Mississippi Medical Center. In fact, the government had got the European patent authorities to turn down a similar request by Avesthagen two years ago. A patent to Avesthagen on its home turf would have weakened India's case in international forums. That's why it had become essential to revoke the Avesthagen patent. After this case, the government has realised, there might be four of five such patents granted by the Patents Office using indigenous plants and fruit like amla, methi, karela (bitter gourd) and ashwagandha. It is not difficult to imagine what will be the fate of these patents.

India has argued that traditional knowledge cannot be patented because that will interfere with the lives of ordinary people. Those who use traditional medicine are often farmers and workers in villages, tribes or forest dwellers — poor people who cannot pay for patented cure. It is also a politically sensitive matter. Any government that allows such patents will in no time be accused of selling out to unscrupulous drug makers. Still, drug makers and life-sciences companies are always on the lookout for traditional knowledge. This is perhaps because the efficacy of these herbs and plants is already proven, and that cuts

the go-to-market time as well as research costs. With the pipeline for new drugs almost dry, this helps in a big way. The Indian pharmaceutical market is pegged at almost 60,000 crore — it would be considerably bigger if the traditional medicines are included. Civil society activists call it bio-piracy.

India ventured pretty late into the world of intellectual property protection when compared to other countries. The country signed the World Trade Organisation's agreement on Trade Related Aspects of Intellectual Property Rights in 1994 and changed its patent law only in 2005, a cushion of over 10 years. Till then, only process patents were valid in the country; thus, you could make any product in the world so long as you used a different method. From January 1, 2005, product patents also began to be recognised. Since then, India has been granting patents merrily: as many as 3,488 drug patents have been registered with the Patent Office between 2005 and 2010. The figure is huge as compared to other emerging economies like Brazil, Argentina, and Columbia. A research paper, Pharmaceutical Innovation, Incremental patenting and Compulsory Licensing, by Carlos M Correa, a professor at the University of Buenos Aires, points out that just 278 patents were granted in Brazil between 2003 and 2008, 951 in Argentina between 2000 and 2007, and 439 in Colombia between 2004 and 2008. However, in South Africa, where patents are simply registered without much verifications and patentability requirements, 1,426 were registered in 2008 alone.

The numbers suggest that India has become quite popular amongst patent seekers, though it may not always be for the right reasons. Balancing the two objectives of promoting innovation and improving availability and affordability, India has in recent years granted a number of patents for products whose novelty can be questioned: a broom, a wound dressing, a permanent calendar, a toilet seat cover, a belt buckle and a sanitary napkin. The charge is that patents are often granted to known substances with minor modifications or a mixture of such substances, which is not really innovation. The Avesthagen case has brought the spotlight on the issue. In the past also, patent was granted to an edible herbal composition comprising mixtures of at least two Indian herbs selected from a group comprising jamun, karela, baingan (eggplant) and gurmar for their efficacy in reducing sugar levels. Strictly speaking, the Patent Office ought to consider each patent application on merit and need not pander to the whims and fancies of the Commerce Ministry. The issue is if the patent law explicitly lays down that traditional knowledge cannot be patented and if that condition is being flouted.

"The Indian patent law does not allow patents on traditional and combination medicines but the patent examiners are influenced by jurisprudence of other countries and do not interpret the law in Indian public interest in the Indian context," says KM Gopakumar of Third World Network. Gopakumar points to Section 3 (j) of the Indian Patent Act which says that a plant or animal, in whole or any part of it including seeds, other than micro-organisms, is not patentable. "Even though there is no explicit exclusion of genes or DNAs under this section, it is clear that this exclusion includes gene, cell lines, DNA et cetera," he says. However, gene patents continue to exist in India, mainly because the patent examiners are of the view that a genetically modified gene sequence or amino acid sequence is novel when it involves an inventive step and has industrial application. This anomaly, or leniency, could be the source of the government's current embarrassment.

What could be termed another abnormality in the system is that through patents are examined and granted by the Patent Office, they cannot be revoked by the same. A patent in India can be revoked only by the government. According to intellectual property rights experts, there are various gaps — technical and legal, in the patenting system that permit such irregularities. "Even if a patent is granted by the Patent Office, there is no set mechanism to rectify it," says an expert. Earlier, there was a provision under the law which allowed the Patent Office to suo motu revoke a patent if within one year of the grant evidence against the patent is cited. However, this was deleted in the law which came into place in 2005. Besides, experts also complain that the training programme of patent examiners itself is flawed. "Our patent officers are being trained by officials from the US and Europe, then how can you expect them to look at

things from Indian perspective?" says Gopakumar.

All of this has not gone down well with drug makers. Their genuine innovations, they allege, are unnecessarily being called into question by vested interests. Meanwhile, it seems this fight over patents will only get worse. The Intellectual Property Appellate Board, on Friday, struck down the patent given in 2006 to Roche's hepatitis C drug, Pegasys. The board cited lack of evidence that the drug was any better than existing treatments and its high cost as the reasons for its decision. This was the first product patent granted in the country. Sankalp Rehabilitation Trust, an advocacy group for inexpensive medicine, has had challenged the patent, saying the drug was costly and gave the Swiss drug maker monopoly in the market. Earlier, in March, India had given homegrown drug maker Natco the "compulsory licence" to make cheaper copies of Bayer's cancer drug Nexavar. Novartis is battling in the Supreme Court an earlier decision to refuse it a patent on cancer drug Glivec.
It could get worse.

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India gets China jitters at Asean
Sidhartha, Times Of India

31 October 2012, New Delhi: India is caught in a bind over a new trade grouping, Regional Comprehensive Economic Partnership (RCEP), that Asean is trying to create with countries that have bilateral agreements with the trading bloc. Although New Delhi is keen to join the group, the proposed alliance will have China as one of the members, which has raised the worry levels in the government over the possibility of cheap imports flooding the domestic market.

For several years, India has resisted efforts to sign a free trade agreement with its neighbour as it fears that the trade deficit will widen further. The government is worried over the rising gap, which touched a record $39 billion in 2011-12 and accounted for over a fifth of the country's trade deficit of $183 billion. In fact, the commerce department had started work on a strategy to lower the burden by checking imports and pushing exports. But RCEP could force it to alter this as it will result in the 11 Asean members, along with India, China, South Korea, Japan, Australia and New Zealand agree to lower import duties on a majority of the goods.

Officials within the government are also worried as RCEP may require India to increase its commitment on intellectual property rights, a move that could hurt access to medicine and the local drug manufacturers, who have come to acquire a reputation of specializing in developing low-cost generics of patented medicines.

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India digs in heels on free trade pact with Asean
Neeraj Thakur, Daily News & Analysis

3 November 2012: New Delhi mulls suspending negotiations on services and investment after row with Philippines, Indonesia

Ahead of the Indo-Asean summit on free trade agreement on November 19, India is considering the proposal of suspending negotiations on both services and investment. The move is being considered against the backdrop of disappointing response from countries such as Philippines and Indonesia in the services sector.

A note prepared by the ministry of commerce on the issue has floated three options that include suspending negotiations on both services and investments and resume these at a later date. The second options in consideration is concluding the services agreement on the basis of existing offers and conclude separate agreements with AMS (Asean member states) and separate ones with the Philippines and Indonesia. The third option being considered by India says 'restrict the investment agreement to only an Investment Promotion Agreement given the wide divergence in positions on investments.'

The note clearly expresses India's disappointment with Indonesia and Philippines saying, "While India would have expected a better services offer from all Asean members it is clear that Philippines and Indonesia are not inclined."

Under the services sector, India wants greater opening in the Mode IV category to ensure that professionals like doctors, nurses, accountants, chefs, get more job opportunities in the Asean member states that include Brunei, Cambodia, Laos, Indonesia, Malaysia, Myanmar, Singapore, Philippines,Vietnam and Thailand.

Prime Minister Manmohan Singh would be travelling to Cambodia on November 19 to attend the Asean summit this year.

India had signed the 'Trade in Goods' agreement with a focus on tariff liberalisation with Asean in 2009. The agreement on goods targeted elimination of tariffs on 80% of the tariff lines accounting for 75% of the trade in a gradual manner starting from 1st January, 2010.

India's trade with Asean countries has grown at a rate of 42% in the past two years.

Exports to Asean countries have touched $36 billion in 2011-12 while imports have touched $25.7 billion in the same period. The government expects that the full tariff reduction on 64% of the lines will be completed only by December 2013 and it would be too early to gauge full impact of the FTA.

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Official: Pakistan on Track to Normalise Trade with India by Year's End
Bridges Weekly Trade News Digest

31 October 2012: Pakistan is on track for granting its neighbour and often political rival - India most favoured nation (MFN) status by year's end, Pakistan's commerce secretary confirmed last week. The two sides also recently outlined a timeline for reducing their sensitive lists for each others' imports under the South Asia Free Trade Area (SAFTA) Agreement, as part of their ongoing efforts to boost bilateral trade ties.

According to comments made by Pakistani Commerce Secretary Munir Qureshi on Thursday, Islamabad is well on its way to removing its 'negative list' for products from New Delhi. In other words, those items that India cannot export to Pakistan by the end of December and give India MFN status. Back in March, Pakistani officials announced that this negative list would be replacing Islamabad's long-standing 'positive list', which had allowed imports of fewer than 2,000 items from India.

Required of all WTO members, MFN status mandates that each nation must treat trade with all members equally. Although India granted MFN status to Pakistan in 1996, Islamabad had previously refused to reciprocate due to ongoing disagreements between the two neighbours over the Kashmir region. Last November, however, Pakistan's cabinet unanimously agreed to begin the process of granting India MFN treatment.

Qureshi also confirmed last week that Islamabad plans to reduce its sensitive list under SAFTA, which specifies which items a country can exclude from tariff concessions, from approximately 1000 products from India to 100 by 2017, in line with statements made by officials from both sides last month.

India, in turn, plans to bring its sensitive list of products from Pakistan down to 100 items by 2013. Along with India and Pakistan, SAFTA also includes Bangladesh, Bhutan, the Maldives, Nepal, and Sri Lanka.

Ongoing efforts to boost bilateral trade spark scepticism among some industries

The Pakistani commerce minister's remarks last Thursday come just weeks after the two sides inked three new agreements at removing trade barriers. However, some industry officials have lately expressed concern over the possible adverse effects of boosting the currently limited trade between the two neighbours.

The Pakistan Association of Automotive Parts and Accessories Manufacturers (PAAPAM), for instance, has argued that unless India reduces its own non-tariff barriers the removal of the negative list and reduction in the sensitive list will lead to disastrous results for the country's auto industry. Islamabad "has not prepared itself for phasing out the negative list," PAAPAM Chairman Munir Bana told Pakistani newspaper The Nation last week. Furthermore, the government is not ready "to face the onslaught of Indian products" that could result from the proposed reduction to Pakistan's sensitive list, the official continued.

According to Qureshi, however, the timeline of the sensitive list reduction is meant to give Pakistani businesses five years to prepare to compete against Indian imports.

ICTSD reporting; "Trade under SAFTA: Sensitive list to have 100 items by 2017," Dawn, 26 October 2012; "Industry asks govt to maintain sensitive list for at least 10 years," The Nation, 23 October 2012; "Pak to reduce sensitive list to 100 items by 2017," Daily Times, 26 October 2012; "India, Pakistan frame long-term plan to boost ties," Livemint, 2 September 2012.

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India, Canada see free trade deal by 2013
Agence France Presse

Nov 5, 2012, New Delhi: Negotiations on a free trade pact between India and Canada are "proceeding smoothly" and the two countries are on track to clinch a deal by next year, an Indian minister said on Monday.

Progress on the proposed Comprehensive Economic Partnership Agreement (CEPA), was reviewed at a meeting in New Delhi between Indian trade minister Anand Sharma and Canada's international trade minister Edward Fast.

The two countries launched the talks in 2010 to boost investments and forecast bilateral trade to triple to $15 billion by 2015.

"Negotiations on CEPA are proceeding smoothly and we hope it would be finalised by 2013," Sharma said in a statement after meeting Fast who is accompanying Canadian Prime Minister Stephen Harper on a six-day official visit.

Progress on the free trade pact came as Canadian and Indian negotiators struggled to clear a diplomatic logjam over resuming trade in nuclear materials and technology, according to media reports.

The countries agreed two years ago on a nuclear co-operation deal that was supposed to open doors to new exports of Canadian uranium and reactors.

But India is resisting calls that Canada be allowed to scrutinise the use of its nuclear material.

New Delhi already reports to the International Atomic Energy Agency (IAEA) and believes its actions should not have to be vetted by Canada as well, Toronto's Globe and Mail newspaper said.

"We are concerned about where Canadian nuclear material goes," the newspaper quoted Stewart Beck, Canada's High Commissioner to India, as saying.

Last month, visiting Australian Prime Minister Julia Gillard agreed to open negotiations to export uranium nuclear fuel to energy-hungry India but it also is demanding the same monitoring safeguards as Canada, the paper said.

New Delhi, backed by the United States, won an exemption in 2008 from the Nuclear Suppliers Group, which governs global nuclear trade, to allow it to buy reactors and fuel from overseas.

India, which has tense relations with nuclear-armed rival Pakistan, had been subject to a global embargo since 1974 when it first staged an atomic weapons test.

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India, EU to speed up pending trade accord
Asit Ranjan Mishra, Livemint

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

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

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

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

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

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

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

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

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

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

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

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

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

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India fails to reap potential of FTAs
Kiritika Suneja, Financial Express

2 November 2012, New Delhi: Thanks to complex procedures and compliance along with the global slowdown woes, India is yet to realise the full potential of the free-trade agreements (FTAs) it signed in the last three years.

More than 20% of the trade with FTA partners still happens through the general or most-favoured nation (MFN) route instead of FTA route. Of course, since 2011, bilateral trade with Asean has increased by 43% to reach $79.8 billion, making India the sixth largest trading partner of Asean. But trade experts reckon that the potential for growth is even greater. According to Bipul Chatterjee, deputy executive director at CUTS International, despite the FTA (signed in 2009), India has been unable to fully realise

the trade potential with Asean while competitors like China have made major headway. “These bilateral agreements have a geopolitical significance which delays the economic gains expected from them. The general economic conditions have also slowed down trade with our FTA partner countries,” says Chatterjee.

In case of Korea, the India - South Korea Comprehensive Economic Partnership Agreement (CEPA) was signed in 2009 but India's imports from and exports to the country sharply declined in 2011-12 vis-a-vis 2010-11. On the other hand, post the 2011 bilateral pact with Japan, India's imports from Japan increase at a faster rate than exports from India to that country.

Interestingly, despite the various bilateral trade agreements, experts opine that most of the trade still happens through the general route though there is no official data on the FTA and non FTA trade. “There is a trade lacuna because of a lack of clarity in preferential and non-preferential rules of origin sometimes which increases the cost of compliance to exporters who then prefer to send their goods via the normal route,” explained Manab Majumdar, Assistant Secretary General, FICCI.

Rules of origin refer to the criteria needed to determine the source of a product and are relevant because duties and restrictions in several cases depend upon the source of imports.

Besides, a small duty differential in the FTA and normal trade also discourages traders from taking the former route as it increases business cost. According to Head, Centre for WTO Studies, Indian Institute of Foreign Trade: "In many FTAs, we end up giving more market access to the partner countries and hence, the advantage is much less for us. This is the reason why the imports from our partner countries are increasing faster than our exports to them.”

Chatterjee added that the present customs procedures are not well equipped for a multiple tariff regime and ports too have to develop additional capacity to bridge that gap.

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Whither the Next WTO DG?
Washington Trade Daily

29 October 2012, Geneva: Developing countries – among them India, China, Brazil, Argentina and South Africa, on Friday stated that the next World Trade Organization Director General should come from a developing country, WTD has learned (WTD, 10/17/12).

Current Director General Pascal Lamy is slated to step down next year.

Raising the issue under “other business” at a special General Council meeting on Friday, convened to approve the accession package of Laos (see related report this issue), India stated that since the present Director General is from a developed country and his predecessor was from a developing country in Asia, the membership should consider rotating the post in favor of a candidate from either Africa or Latin America.

The debate among members arose over comments by Mr. Lamy made at last month’s joint World Bank/International Monetary Fund meeting in Tokyo that there is no rotation policy to select his successor. “There is nothing in the rules of the WTO that say that if somebody came from this country, then the next one should come from this country……. I think what really matters is that it’s not a diplomatic game… It’s a headhunting game,” he told Reuter’s news service.

But India envoy Jayant Dasgupta on Friday said that "though there are no written agreements or guidelines in some areas relating to appointments to important positions in the WTO, we have a few unwritten understandings among the members, which have been working exceedingly well."

Other Bodies

The ambassador mentioned as examples selection of chairpersons for the General Council, the Dispute Settlement Body and the Trade Policy Review Body and how they are rotated annually between developed and developing country members. Merit and acceptability among all regions and a consensus-based decision form the bedrock of the selection process, he emphasized.

New Delhi underscored the need to develop an understanding among members that a policy of rotation should be followed for appointment to the post of Director General who also is the chair of the Trade Negotiations Committee.

Last month, US trade envoy Michael Punke told journalists that the main consideration for the United States in deciding its support will depend on whom is the most qualified candidate. "I think one of the most important considerations would be – is the candidate someone who can be an honest broker and can help members to build consensus in different areas."

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