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Exports contract for 8th month in Dec
Business Standard

New Delhi, 12 January 2013: Contraction in global demand hit Indian exports for the eighth consecutive month, with outbound shipments falling 1.9 per cent to $24.9 billion in December against $25.4 billion in the corresponding period of FY12.

Imports, however, increased 6.3 per cent to $42.5 billion last month, widening the trade deficit by 20 per cent to $17.7 billion in December 2012, compared to $14.7 billion in the year-ago period.

While oil imports rose 23.5 per cent to $14.4 billion, non-oil imports declined marginally by 0.9 per cent to $28.1 billion, indicating industrial production still remained low in December after a 0.1 per cent contraction in November.

Cumulatively, exports declined 5.5 per cent to $214 billion in the April-December period, compared to $226.5 billion in the corresponding period in the last financial year.

Imports contracted 0.7 per cent to $361 billion, compared to $364 billion over the period. As such, trade deficit rose seven per cent to $147 billion against $137 billion.

The growing trade deficit has put pressure on India's current account deficit (CAD), which increased to an all-time high of 5.4 per cent of gross domestic product (GDP) in the July-September quarter. Rafeeque Ahmed, president of the Federation of Indian Export Organisations (FIEO), said, "The trade deficit has already touched $147 billion and may cross $200 billion in FY13. Such a high deficit will put pressure on the current account and add to volatility of the rupee."

However, the silver lining is that import of gold, one of the main contributors to the rise in trade deficit, declined 15 per cent in the first nine months of the financial year.

However, oil imports, another key factor in the rising CAD, rose 12.1 per cent to $125 billion in April-December, constituting 35 per cent of India's total imports.

"While imports of four of the top five import commodities declined in the first nine months of the financial year, import of crude and petroleum products increased," said Director-General of Foreign Trade Anup Pujari.

However, the pace of contraction of exports has slowed down, raising hopes that these would pick up in the last quarter of this financial year.

Commerce Secretary S R Rao said, "All sectors have slightly improved except for textiles in December. With the incentive package coming into effect from January this year, we are hopeful that the exports' performance would improve."

Rao conceded that it would be difficult to achieve the target of $360 billion in exports with just three months to go in the current financial year.

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India gets the wrong end of trade deals
Purna Chandra Jena, Business Standard

8 January 2013: India's trade competitiveness has declined in recent years, especially with those countries or regional entities with which it engages through preferential trade agreements (PTAs). Export and import data till September 2012 show that the country has not been able to reap optimal benefits from such arrangements. In fact, PTAs have facilitated more imports than exports for India – especially owing to low-tariff rates of partner countries – and show no signs of reduction. Given that most countries are moving towards bilateral or plurilateral agreements, India cannot afford to remain oblivious to this trend. Therefore, India needs to be more cautious in analysing its costs and benefits when signing such trade agreements in the future.

For instance, India signed comprehensive economic cooperation agreements with Japan, South Korea and Malaysia recently. Statistics reveal that the growth of Indian imports is substantially higher than its export growth. The commerce ministry's export-import databank shows that India's exports to Japan in 2011-12 increased 24 per cent over the previous year, whereas imports from Japan grew 40 per cent. Again, India's exports to South Korea grew 17 per cent in 2011-12 over the previous year, while Indian imports from South Korea increased 25 per cent in the same period. Overall, India's exports to the world grew 22 per cent in 2011-12, while imports increased substantially by 32 per cent.

The trade figure for 2011-12 essentially reveals that one unit of Indian export can buy 0.63 units of imports in value terms, which is less than the previous year's figure of 0.68 units. Interestingly, in 2003-04, India's export-to-import ratio was 0.82. Given such weak performance of India's global exports as well as exports to its PTA partners, the government should revisit these trade agreements and make a better cost-benefit analysis, so that a balanced approach can be taken while negotiating such agreements.

While signing new agreements, particularly, with developed countries, India needs to set its benefits clearly, given the existence of factors like low average tariff rate and exchange rate. For example, in the Indo-Japan comprehensive economic partnership agreement, the exchange rate and low average tariff rate of Japan have played significant damage to Indian export interest.

India and the Association of Southeast Asian Nations (Asean) jointly celebrated their 20 years of mutual association in New Delhi from December 20 to 22, and the Indo-Asean service and investment free trade agreement (FTA) talk was finalised. Both parties are expected to sign the pact in August 2013. It is a hard fought diplomatic gain and it supplements India's Look East policy. The new arrangement between India and Asean will open many avenues for India in terms of free flow of services and investment to the region, and Asean member countries will simultaneously get the benefit of the vast Indian market for investment and services. That also helps the signing of a similar bilateral deal with Thailand, which was stuck owing to the non-conclusion of the Indo-Asean service and investment FTA. It is believed that India and Thailand may sign an agreement soon to open up respective markets for professional workers. India is a labour-surplus country; and if this agreement is finalised, our professionals may earn some foreign exchange to partially balance the trade deficit — which was estimated at $129.5 billion between April and November, 2012-13.

India is facing challenges in its exports to Asean, primarily owing to vast trade complementarities in goods that exist between them. India has revealed comparative advantages and competitiveness in services like computer and information technology, and financial services and education. Hence, opening up services trade with Asean will be beneficial.

Also, in the long run, India needs to diversify its trade portfolio, which will increase its competitiveness by broadening the productive base, particularly, in the manufacturing sector that has a lot of untapped potential. To become competitive in exporting goods to world markets, India should put all exports under

a special focus market scheme. Given all the concerns, an additional institutional mechanism should be created to supplement this scheme. Dedicated research needs to be conducted to provide initial inputs to the industry for exploiting these markets. Many additional incentives, such as road shows and exhibitions, have to be undertaken in those markets in which India is facing competitive pressures from other nations. In addition, a special export task force should be created by the commerce ministry.

Also, Market Development Assistant and Market Development Initiative (MDI) schemes, which are run by the commerce ministry, should be considered business as usual. Small exporters with certain export capacity (in value terms) should be involved into the schemes. It will help them get first-hand experience by visiting foreign markets with Indian delegates. To improve exports instantly, incentives should be given to exporters under MDI or some new schemes. Adequate and timely credit should be provided to exporters on a priority basis, as and when necessary. Trade deals work best when domestic markets are adequately supported.

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Trade talks come to a halt
Nayanima Basu, Business Standard

New Delhi, 13 January 2013: The so-called trade normalisation process between India and Pakistan has come to a screeching halt, it seems. With recent tensions between the nuclear-armed neighbours due to the killing of two Indian soldiers on the Line of Control (LoC), the ongoing talks for liberalising trade have stopped. The Indian side has clearly told Pakistan it would not proceed any further on the matter.

Officials have told Business Standard "all is not well". The Indian side has already cancelled all technical level meetings relating to trade in power and petroleum. A high-powered Pakistan business delegation, supposed to take part in an upcoming business conference organised by the Confederation of Indian Industry in Agra, has cancelled the visit. Officials have also indicated the much-awaited visit by Pakistan commerce minister Makhdoom Amin Fahim might not take place.

The government today also delayed the issuance of visa on arrival to senior citizens of Pakistan coming to India through the Attari-Wagah border. A senior government official involved in the talks said the government might put the entire visa agreement of last September on hold — it had sought to offer a liberal visa regime for Pakistan business people.

While Pakistan has been dithering on granting Most Favoured Nation (MFN) trade status to India, it has also not expanded cross-border trade through the Attari-Wagah border. During the last meeting between India's commerce secretary, S R Rao, and his Pakistan counterpart, Munir Qureshi, in September last year, it was decided that once Pakistan expanded trade on the Attari-Wagah border, the Indian side would bring down its sensitive list of items by 30 per cent, that Pakistan will not be allowed to export under the South Asia Free Trade Agreement (Safta).

But failure to adhere to the deadline of December 2012 to grant MFN or non-discriminatory status to India by Pakistan have soured business sentiments further.

In a recent interview to Business Standard before the beheading on the LoC took place, Pakistan high commissioner Salman Bashir had said that normalising of trading relations with India was in Pakistan's interest and their government would not break any commitment made.

While addressing the Army Day event today, Prime Minister Manmohan Singh said it cannot be "business as usual" with Pakistan." And, External Affairs Minister Salman Khurshid today questioned the

seriousness of Pakistan in pursuing normal relations. “It should not be felt that the brazen denial and a lack of proper response from the government of Pakistan to our repeated demarches on this incident will be ignored and that bilateral relations could be unaffected or that there will be business as usual. Such actions by the Pakistan army not only constitute a grave provocation but lead us to draw appropriate conclusions about Pakistan’s seriousness in pursuing normalisation of relations with India,” Khurshid said.

The two countries had decided to normalise trading relations on April 28, 2011, with India’s then commerce secretary, Rahul Khullar, and his then Pakistan counterpart, Zafar Mahmood, preparing an ambitious list for enhancing bilateral trade. The talks were spearheaded by commerce and industry and textiles minister Anand Sharma and Pakistan commerce minister Makhdoom Amin Fahim, with the foundation laid earlier by the two PMs, Singh and his then counterpart, Yousuf Raza Gilani.

Both sides were even contemplating having a free trade agreement once trade normalisation took place in its true spirit. However, with tensions now soaring on both sides of the border, trade normalisation remains a dream.

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Peace key to boosting trade ties, India tells Pak
Business Line (The Hindu)

New Delhi, 16 January 2013: Asserting that economic engagement can be enhanced in an environment of peace and stability, India today said it was for Pakistan to realise where the well being of its economy lies.

The remarks by Commerce and Industry Minister Anand Sharma came a day after Prime Minister Manmohan Singh’s tough message to Pakistan that it cannot be “business as usual” in the aftermath of the beheading of an Indian soldier on the Line of Control last week.

“As of now, we have not given any consideration to this matter in a negative sense. (But) yes, what has happened is horrific, its unacceptable, highly provocative. And this is for Pakistan to realise that where the well being of the economy of the country lies,” Sharma told reporters here.

The minister was asked whether he believes that the recent development along the Line of Control (LoC) in Jammu and Kashmir could impact bilateral trade ties.

The economic engagement can be enhanced only in an environment of peace and stability and there was no other way forward for this region, he said and asserted that “anything which undermines that environment is not conducive”.

Demanding that Islamabad should take action against those who are responsible for brutal killing of Indian soldiers, he said,”...that would be in Pakistan’s own interest, not only for bilateral relations but its global image as a responsible nation state.”

Meanwhile, official sources have indicated that the 10— member Pakistan business delegation, which was supposed to participate in the Annual Partnership Summit in Agra, has cancelled its visit. This comes in the backdrop of increasing tensions between the two countries.

However, Pakistan Commerce Minister Makhdoom Amin Fahim and Secretary Munir Qureshi have confirmed their participation in the three-day summit, beginning January 27.

In Islamabad, Amjad Baloch, Staff Officer to the Commerce Minister, denied that Fahim has called off the visit.

He told PTI that a formal proposal regarding the visit of the Minister and Commerce Secretary has been sent to the Prime Minister's Office.

The bilateral trade between the countries stood at about $2 billion in 2011-12.

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MFN talks with Pak to take backseat in Agra summit
Kirtika Suneja, Financial Express

New Delhi, 15 January 2013: With a Pakistani delegation leaving the Vibrant Gujarat summit midway and doubts being cast on Pakistan sending a high-level delegation for the investment summit in Agra, talks between the two nations on the MFN (most favoured nation) issue may take a hit. While New Delhi is unhappy with Islamabad not granting India MFN status by the 31 December deadline, Pakistan commerce ministry officials say that delayed internal consultations have led to missing the deadline. Moreover, MFN talks may take a backseat in the wake of the recent tensions along the LoC due to killing of two Indian soldiers by Pakistani troops.

"Nothing is known officially on whether the delegation will come or not, but till now a ministerial visit is on schedule. As for the delayed MFN status, Pakistan is still in the process of internal consultations," said a commerce ministry official.

The commerce ministry, along with the Uttar Pradesh government and Confederation of Indian Industry (CII), is jointly organising the 19th edition of the Partnership Summit in Agra with the theme 'Global Partnerships for Enduring Growth'.

Pakistan was supposed to grant MFN status to India by the end of 2012. However, with tension mounting, this seems unlikely.

Over the April-December 2012 period, Pakistan's exports to India rose more than 50% while those from India to Pakistan declined by 10%. The number of cargo trucks from Pakistan to India increased by 101%.

India had granted Pakistan the MFN status under the World Trade Organisation (WTO) rules way back in 1996, which means that in terms of trade matters it would be treated like any other country. MFN status doesn't imply any additional benefits, but merely that the country concerned will not be discriminated against in terms of trade.

Commerce ministry officials also attributed the delay to Pakistan's agriculture department's demand that, like India, their agriculture should be protected and the government should provide central agricultural subsidies.

"It is a known fact that India gives agricultural subsidies and if Pakistan has similar needs, they should not link it with an international agreement," the official added.

Ministry officials also added that Islamabad has made slow progress on other commitments. During secretary-level talks in November last year, Pakistan had offered its high-capacity wagons to be accepted in India and, despite India's request for specifications, Pakistan did not send them.

In February last year, Pakistan eased curbs on imports from India by shifting from a positive list of imports that allowed less than 2,000 goods to be imported from India to a negative list.

The transition towards full normalisation of trade relations with India was initiated by moving from a ‘positive list’ regime to a ‘negative list’ regime.

Pakistan had earlier moved its Cabinet for removal of restrictions on trade through land route and notified the removal of all restrictions on trade by the Wagah-Attari land route, after which India would bring down its SAFTA sensitive list by 30% before December, 2012, keeping in view Pakistan’s export interests.

Thus, before the end of 2017, both India and Pakistan would have no more than 100 tariff lines in their respective SAFTA sensitive lists. Before the end of 2020, except for this small number of tariff lines under respective SAFTA sensitive lists, the peak tariff rate for all other tariff lines would not be more than 5%.

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India-Mauritius trade pact put on hold
Nayanima Basu, Business Standard

New Delhi, 14 January 2013: India has decided to formally suspend negotiations to finalise a trade liberalisation pact with Mauritius. It has cautioned Mauritius the negotiations will not resume till the island nation expedites revision of its double-taxation avoidance agreement (DTAA) with India.

The two sides have failed to amend DTAA due to differences over capital gains tax, especially the definition of ‘enterprise’ and the treatment of ‘shell companies’.

However, Mauritius has been insisting on separating the two issues — of trade liberalisation through the comprehensive economic cooperation and partnership agreement (CECPA); and revision in DTAA. Mauritius is also keen to act to position itself as a preferred route for channeling outward Indian FDI to Africa.

At a meeting in New Delhi recently, Arvin Boolell, Mauritius’ Minister for foreign affairs, regional integration and international trade, had urged Commerce Minister Anand Sharma to separate the talks on CECPA and DTAA revision.

However, the Department of Revenue (DoR) under the finance ministry, is of the view conclusion of the trade deal would entail monetary concessions to Mauritius, impacting the talks of modifying DTAA. Also, the definition of enterprise and treatment to shell companies cannot be different in DTAA and CECPA.

So it has been decided the trade deal, which Mauritius is extremely eager to sign, will not be concluded till Mauritius speeds up revisiting the India-Mauritius DTAA.

Though it has been decided the joint working group on DTAA between the two sides would hold the much-awaited meeting next month in India, the decision to put off all talks on a trade deal has been taken by DoR. It has asked the external affairs ministry to communicate the decision to Mauritius.

“Till now, ten rounds of negotiations on the India-Mauritius CECPA have been held. On account of divergence in perception between DoR and Mauritius on the definition of ‘enterprise’ and the treatment to

‘shell companies’, it has not been possible to finalise the chapters on trade in services and trade in investment (under CECPA),” a senior official involved in the negotiations told Business Standard.

The revision of India-Mauritius DTAA is a long-pending issue between the two countries. Article 13 on ‘capital gains’ of the India-Mauritius DTAA provides for taxation of capital gains only in the country of residence of the investor. The Indian side proposed to amend the treaty to provide the source-based taxation of such capital gains (in this case India) to plug the misuse of the treaty by shell companies formed by third countries’ corporate entities.

The Mauritius government issues tax residency certificate (TRC) to companies investing from that country into India and those companies could take the benefit of the treaty — by not paying capital gains tax in India. But, India alleges shell companies or post-box companies in Mauritius have mushroomed because of leniency in issuing these TRCs.

Earlier, India’s draft guidelines on the General Anti-Avoidance Rules (GAAR) had said these norms could override even DTAAs. Mauritius had strongly objected to this, but had agreed to have a clause of Limitation of Benefit (LoB) under DTAA to allow only genuine companies to take benefit of the agreement.

Later, the Prime Minister’s Office appointed the Parthasarathi Shome committee to review GAAR. The committee, in its draft report, recommended the GAAR provisions would not override the treaty if anti-avoidance rules were provided in a tax treaty in the form of LoB.

The committee’s final report is with the PMO. According to commerce department officials, the Mauritian government and the offshore financial services industry are awaiting the results of the examination of the Shome panel recommendations.

According external affairs ministry officials, the last two meetings of the joint working group on DTAA had shown “some movement” towards commercial substance. GAAR is applied where there is no commercial substance between an arrangement and it is mainly done to avoid tax.

“Mauritius has, to a certain extent, understood our genuine concerns on the matter and is willing to act to address those,” said a ministry official. However, he also added the issues concerning Article 13 remained. Mauritius also indicated in its recent Budget pronouncements that it intended to sign the finalised tax information exchange agreement with India by June 2013.

Foreign direct investment from Mauritius to India from April 2000 to October 2012 stood at $71 billion, the most from any country. In 2011-12, FDI from Mauritius stood at $9.942 billion, 27.25 per cent of the total FDI into the country, according to data provided by the Department of Industrial Policy and Promotion.

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India, Australia discussing free trade agreement
Press Trust of India

Chennai, 11 January 2013: India and Australia are currently discussing a free trade agreement between the two countries, a senior Australian diplomat said here today.

“Discussion on FTA has been happening over the last couple of years. That is still continuing...”, Australian Trade Commissioner and Consul Commercial, Michael Carter said.

He said the trade relations between the two countries have been growing steadily and in the last five years trade has "doubled" to reach Australian 20 billion dollars.

"The forecast for the next couple of years is we are planning to double that figure to Australian 40 billion dollars...", he told PTI here.

Noting that Mahindra and Mahindra and IT giant Infosys were some of the major investors in his country, Australian Consul General David Holly said, "the total Indian investments made in Australia till last year was Australian 11 billion dollars".

"We have seen quite a significant number of (Indian) investments in Australia".

The Australian government representatives were here to announce the "Aussie Beach Day" which is being conducted as part of ongoing "OZFest" cultural festival between India and Australia, kickstarted by Australian Prime Minister, Julia Gillard in New Delhi last year.

The OZ FEST Cricket Cup, a yoga session, a display of '29er class' yachts from Tamil Nadu Sailing Association along with Australian members in Bay of Bengal will be held in Marina beach on January 19.

Describing Australian coastline as 3.5 times bigger than Indian coast line, David Holly said Aussie Beach Day is a wonderful platform to promote activities and initiatives that are common to both countries.

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India stands to gain in the Asian integration process
Elizabeth Roche, Livemint

New Delhi, 8 January 2013: India stands to gain more if it takes its South Asian neighbours along in its plans to integrate with Southeast Asia through processes such as the Regional Comprehensive Economic Partnership (RCEP), said an official of the Asian Development Bank Institute or ADBI.

Noting that Asian regionalism is taking shape now than in the decades before, Ganeshan Wignaraja, Director Research at the Asian Development Bank Institute, said the process would be different from the European integration process of the 1990s that resulted in greater centralization of decision making and implementation of laws.

"It (Asian integration that includes free trade agreements or FTAs and the regional comprehensive economic partnership or RCEP) will be a much lighter process...it will be more market led with national governments playing an important role in regional agendas," Wignaraja said, adding that many Asian projects would be set and led by national governments in the region rather than a big overarching pan-Asian architecture like in the European Union.

India's participation in the Asian integration process "will bring big gains to both parties" but "if India takes the rest of South Asia with it everybody gains more...the neighbours are very important in this regard," said Wignaraja.

India, the largest country in South Asia and Asia's third-largest economy, introduced its Look East policy in the early 1990s seeking to forge closer links with the high-growth Southeast Asian economies. Last year, India said it was joining talks for the creation of the RCEP that aims to open more opportunities for increased trade in goods and services, eliminate trade barriers, and gradually liberalize services and provide for greater foreign direct investment in ASEAN and its external trading partners.

The GDP of the ASEAN and non-ASEAN countries hoping to join the RCEP is an estimated $17 trillion.

India’s hostile ties with Pakistan have held up the integration of the South Asian region.
Many other countries in the region have expressed apprehension about India’s big geographical and economic size and has sought more concessions from the largest country in the region.

According to Wignaraja, Asian countries that are classed as developing countries, will prefer an arrangement like the RCEP than the US-led Trans Pacific Partnership (TPP) that aims to establish a regional FTA which will further liberalize trade in the Asia Pacific.

In 2011, the total GDP of TPP countries was an estimated $20 trillion, according to the Australian foreign ministry website.

The countries supporting the TPP include New Zealand, Chile, Brunei Darussalam, Singapore, the US, Canada, Australia, Peru, Vietnam, Mexico and Malaysia.

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India-China trade: working groups to meet next month
The Hindu

New Delhi, 10 January 2013: The three working groups on trade, services sector co-operation and enhancing investments by Chinese firms in special economic zones (SEZs), set up between India and China, will meet in February to negotiate various issues affecting bilateral trade and investments, Joint Secretary in the Commerce Ministry Asit Tripathy said here on Thursday. The launch of the first China-South Asia Exposition at Kunming where India was invited to take part was also announced at an event organised here by the India China Economic and Cultural Council. Among these working groups, one is on trade statistics anomalies. For instance, as per Indian data, the trade deficit between India and China was about $40 billion in 2011-12, while the Chinese side estimated it at $27 billion for the same period, he said. “So what is the modality employed by us for trade estimates and what is by them, we need to work on it,’’ he added.

The other two groups are related to services sector co-operation and five-year co-operation between India and China across sectors such as encouraging investments, participation of Chinese firms in SEZs. “We are looking at China, Korea and Japan not only for trade in goods, but also in services and investments sectors,” he said.

Economic Counsellor of Chinese Embassy said the upcoming event in Kunming was an excellent opportunity to extend the business co-operation between Yunnan province and India. Ajay Sahai, Director-General, Federation of Indian Export Organisations, said industry was focusing on China as an emerging market, particularly in sectors absorbing large labour force. The shift was taking place from commodity exports to manufactured goods but India had to move to value-added segment of exports. This would be the only way to reduce the widening trade deficit, he said.

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South Africa, India want trade talks to be finalised soon
Business Line (The Hindu)

New Delhi, 14 January 2013: India and South Africa are pushing for an early finalisation of the country’s preferential trading agreement with Southern African Customs Union (SACU) that could result in two-third duty cuts for select items traded between the partners.

Commerce and Industry Minister Anand Sharma requested his South African counterpart Rob Davies to expedite response of other SACU members to India's proposal on the margin of preference in the PTA, an official release said. Other members of SACU include Botswana, Lesotho, Namibia and Swaziland.

Sharma and Davies met in South Africa on Monday to review the India-SACU PTA negotiations. PTA is a limited free trade agreement that includes select products.

"India has proposed that duties on select products be slashed on an average by 70 per cent as part of the PTA," a Government official told *Business Line*.

Sharma expressed India's concerns at the temporary suspension placed by South Africa on frozen boneless buffalo meat imports from India. The Minister said that the matter may be looked into as Indian meat conforms to the highest international norms and standards.

Both ministers also decided to meet before the next BRICS trade ministers' summit and also agreed to coordinate stances on World Trade Organisation (WTO) issues.

Sharma expressed satisfaction at the steps taken towards having a long-term arrangement for bilateral trade in gold, diamonds and minerals between India and South Africa.

South African officials have agreed to assist public sector sourcing agency MMTC in meeting relevant officers for enabling it to import various minerals directly from the small and medium mine owners and producers of coal and other minerals.

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S. Africa to host 5th BRICS Summit in March
Xinhua

Pretoria, 15 January 2013: South Africa is ready to host the 5th BRICS Summit scheduled for March 26-27 this year at Inkosi Albert Luthuli International Convention Center in Durban, a government official said on Tuesday.

BRICS is an acronym for a grouping of the world's leading emerging market economies, namely Brazil, Russia, India, China and South Africa.

Speaking at a media workshop on the upcoming BRICS Summit in Pretoria, South Africa, Jerry Matjila, the Director General of the Department of International Relations and Cooperation and BRICS Sherpa, said the summit will be critical for South Africa since the country will be taking over the BRICS chair. "As South Africa within the BRICS family we have a threefold approach. First we want to advance our nationals interest. Secondly we want to advance the African agenda and thirdly we want to work with our BRICS colleagues in terms of the realignment of the global architecture, politically, economically, financially and improving the world trade systems," said Matjila. He noted that BRICS is a contributor to the global growth, peace and stability not a threat to established bodies.

Also present at the workshop was Anil Sooklal, Deputy Director General for Asia and Middle East Affairs and BRICS Sous-Sherpa. He emphasized that South Africa has no doubt that the summit will provide a clear road map towards the establishment of the BRICS Development Bank. He said, "The discussions on the establishment of a BRICS Development Banks are now at an advanced level. There is a political will from all the BRICS countries to establish this bank. "

Sooklal also reported that the work being done by the technical team tasked with ironing out the technical details around the establishment of this bank is going well so far. The technical team is expected to table their final report to the finance ministers of the BRICS countries who are expected to deliver a detailed report to the summit.

"We hope that the report that will be tabled to the finance ministers will make some very positive recommendations in terms of the establishment of this bank," said Sooklal.

He pointed out that the BRICS development Bank will play a big role in the economies of the member states since funding from the traditional finance institutions like the International Monetary Fund and the World Bank is drying out.

"Funding is drying up. Europe is in crisis they have no money for themselves. The US has its fiscal crisis; they have no money to give out. The BRICS bank will play a very critical role in covering all these gaps," he said.

Although a substantial amount is required to establish the bank, Sooklal said the summit will make the final decision on the starting capital although some have suggested 50 billion U.S. dollars. The summit will also decide how much each member state will contribute towards the starting capital of the bank. South Africa has previously expressed its willingness to host the BRICS bank, but Sooklal told Xinhua that the final decision on the matter will come from the summit.

The BRICS summit is also expected to endorse the establishment of the BRICS think tank, said Sooklal. "There is a convergence of views on the establishment of the BRICS think tank. This would comprise of consortium of experts from different member states who would research and advise governments on BRICS matters. The think tank will assist member states to share ideas, experience and technology," Sooklal added.

The establishment of a BRICS business council, made up of representatives from the member countries, will also emerge from the summit, he said.

Fourteen African heads of states would attend the summit including the chairperson of the African Union. This will give the BRICS heads of states an opportunity to strengthen bilateral relations with African countries, according to Sooklal.

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India seeks market access for mangoes in South Africa
PTI

New Delhi, 14 January 2013: Seeking market access for mangoes, India has asked South Africa to fast track the process of pest analysis for the fruit.

The issue was raised by Commerce and Industry Minister Anand Sharma during his meeting with South African counterpart Rob Davies at Johannesburg, an official in the Commerce Ministry said. Sharma was there for a two-day visit.

"India has requested that the concerned South African Authorities, who are in the process of conducting Pest Risk Analysis for import of mangoes from India, may expedite the process and consider granting market access to Indian mangoes as our request of market access is pending for a long time now," the official said.

In September 2010, the country had forwarded technical information for market access of mangoes to the South African National Plant Protection Organisation, the official said, adding India has again sent an additional information in October 2011 which was sought by South African authorities. "Thereafter there has been no response from the South African side," the official added.

According to agri-export promotion body APEDA, India's mango exports are expected to rise marginally to 70,000 tonnes this year on expectation of better availability of the export-quality fruit.

The country is estimated to have exported 65,000 tonnes of mangoes in 2010 season (March-July). The country's total mango production was at 15-16 lakh tonnes during 2011.

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Export ban on processed food to go
Sandip Das, Financial Express

New Delhi, 17 January 2013: In a major fillip to India's processed food exports, the Cabinet is set to clear a policy under which processed foods from agricultural commodities such as wheat, rice, onion and milk would not be subject to any export ban or restrictions.

The Cabinet Committee on Economic Affairs (CCEA) is set to clear the proposal on Thursday to exempt 14 types of processed food from the purview of export restrictions including oats, milk products, dehydrated onions, wheat and rice products.

The move was first reported in FE in July. Sources told FE because of frequent bans on the exports of grains and milk in last few years, India has been unable to tap the global market for improving its agricultural and processed food exports. "This policy would now allow exporters to enter into a long-term contact with importing parties," a senior official said.

India had banned exports of onions, wheat, non-basmati rice and milk in the last few years to boost domestic stocks. Since there is no policy distinction between raw and processed items, this has hit exports of dehydrated onions, casein milk protein extracts and rice and flour-based products. Now, even if export of a farm commodity is banned, the specified processed foods from them would continue to be exported.

"Many foreign buyers were reluctant to enter into deals with Indian exporters due to the government's power to suspend exports of a particular commodity at short notice," a dehydrated onion exporter said. India imposed a ban on onion export in December 2010 when the domestic prices rose sharply leading to stoppage of shipment of dried onion. The ban hit the Rs.500-crore domestic onion dehydration industry, which has a 50% global share.

Similarly, the government had banned exports of casein and milk powder in February 2011. The agriculture minister Sharad Pawar then wrote to Prime Minister Manmohan Singh that the Centre's policy on milk and milk products has been 'ambivalent' and demanded opening of exports of skimmed milk powder and casein, which the government announced last month.

India exported dairy products worth Rs.608 crore last fiscal.

India removed exports restrictions on non-Basmati rice last fiscal leading to the country emerging as biggest rice exporter in the world.

Last year, the government lifted a four-year ban on wheat exports leading to more than 2.5 million tonnes of wheat exports from the government's stocks till now.

The country's 'agriculture and processed foods' exports (including basmati rice, fresh fruit, and dairy and meat products, among others) is expected to cross Rs.1 lakh crore in the current fiscal against Rs.82,480 crore in 2011-12.

However, India's share in global market is still small compared to its production of agricultural items. Fifteen countries including Saudi Arabia, UAE, UK, Bangladesh and South Africa account for more than 63% of India's exports of fruits, vegetables and other agri-products.

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Export norms for grapes, groundnuts tightened
Financial Express

New Delhi, 15 January 2013: Export of grapes to the European Union (EU) and shipping of groundnuts to world markets will now require registration from the Agricultural and Processed Food Products Export Development Authority (APEDA), the commerce ministry has said.

However, export of groundnuts and its products to Russia will not require such registration. "Export of groundnuts and its products to all countries except Russia would require registration from APEDA, along with a controlled Aflatoxin level certificate by recognised laboratories," Directorate General Of Foreign Trade (DGFT) said in a notification.

So far, compulsory registration of contracts with APEDA, along with a controlled Aflatoxin level certificate, was required only for exports to the EU.

The notification said that export of groundnuts and its products to Russia would continue to be on the basis of a pre-shipment certificate by notified laboratories.

Besides, DGFT said: "Export of grapes to the EU would require registration from APEDA." Several consignments of grapes were rejected by European authorities due to the presence of a chemical residue. Grape exporters were facing losses due to this.

Maharashtra, Andhra Pradesh and Karnataka are the major exporters of grapes and, in order to keep the fruit fresh, the chemical chloromacvat was used as a preservative. Grapes are harvested during February-April.

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Plantation sector seeks tax break on export profits
Business Line (The Hindu)

New Delhi, 3 January 2013: The plantation sector has made a case for restoration of tax breaks for export profits. To boost exports, the sector also wants the Government to extend duty concessions on machinery imports.

In its pre-Budget memorandum submitted to Finance Minister P. Chidambaram, the United Planters Association of Southern India (Upasi) wants import duty concessions on equipment and machinery for the tea sector.

“Since modernisation of the plantation sector is dependent on the latest technology and machinery, it is requested that the concession import tariff be introduced along with full excise and countervailing duty exemption,” Upasi said.

Duty concession has been sought for import of equipment such as automatic and semi-automatic fresh brew vending and dispensing machines, chain saws, versatile hedge trimmers, earth augers/soil augers and telescopic pruners.

The benefits provided to encourage exports and to earn foreign exchange by way of deduction in respect of profits retained for exports need to be reintroduced, it said.

Upasi further wants the Government to share the social costs being incurred by the sector. Such a move would help bring down the production costs and make the industry competitive, it said.

Further, Upasi urged the Government to include the provisions under the Income-Tax Act relating to the plantation sector, such as the replanting subsidy and deductions for funds earmarked for development of plantations under the Direct Taxes Code (DTC).

It said the subsidy given to tea growers for producing high quality orthodox tea should be excluded from total income like in the case of re-plantation and rejuvenation subsidy.

About 16 lakh growers and 23.5 lakh labourers are involved in raising plantations in the country.

The total area under the plantation crops is estimated at around 17.2 lakh hectares, marginally less than one per cent of the total cropped area in the country.

The value of plantation commodities in 2011-12 was estimated at Rs 41,442 crore, while the export realisation was pegged at Rs 9,532 crore.

Plantation commodity exports accounted for nearly 6.5 per cent of the total agricultural and allied product exports, Upasi said.

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Cotton exports to dip 60% this year
Economic Times

New Delhi, 8 January 2013: India's cotton exports are likely to tumble by 60 per cent to 5.7 million bales in the marketing year ending July compared to last year level, a USDA report said.

India, the world's second-largest exporter, is estimated to have shipped a record 14.7 million bales in the last marketing year, it said. One bale has 170 kg of cotton.

"The 2012-13 export estimate is unchanged at 5.7 million bales (of 170 kg)," the US Department of Agriculture (USDA) said in the report.

China, the world's biggest cotton consumer, continues to be the major export market for Indian cotton. Indian cotton prices are trading slightly lower to world prices. Exports have also been aided by a weak rupee, it added.

The USDA did not give any specific reasons for a decline in cotton exports. The domestic traders and experts said shipments could slow down due to lower Chinese purchases in the wake of huge inventories.

According to the USDA report, cotton exports in the country have reached an estimated 2 million bales during August-December period of the ongoing marketing year.

"Preliminary data suggest that exports surged during November and December at nearly 1.65 million bales. Cotton exports during December were an estimated 950,000 bales, the highest monthly level since April," the report said.

Other major markets for Indian cotton exports include Bangladesh, Vietnam and Pakistan.

The USDA maintained its estimate on cotton production at 32.5 million bales and domestic consumption at 26.4 million bales for the current year.

Domestic demand for cotton has been weak of late, but is expected to improve over the next few months as mills work off their supplies of imported cotton and the domestic cotton they had in place to cover their pre-harvest needs, it added.

At present, harvesting is underway and the pace of cotton arrival continues to lag from over last year period.

Weak domestic prices have prompted the Cotton Corporation of India to begin procurement under minimum support price (MSP) operations, mainly in Andhra Pradesh where the crop was affected by a cyclone a few weeks ago, the report said.

The government has fixed the MSP at Rs 3,850 per quintal for the long staple shankar 6 variety.

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Turkey withdraws safeguard duty on Indian cotton yarn
Domain-B

4 January 2013: Turkey has done away with the safeguard duty imposed on India cotton yarn following an agreement between the two countries. The safeguard duty, effective for a 3-year period beginning 4 August 2011, was lifted on 31 December 2012.

India had, in March last year, held consultations with Turkey and impressed upon them the serious breach of safeguard provisions of GATT and WTO Agreement on Safeguard Measures by illegally extending the duties after the original period for which the safeguard measure was put in place had expired.

Manikam Ramaswami, chairman of Texprocil, complimented the government for its proactive efforts in ensuring that Turkey withdrew the unjustified measures well before their official expiry by August 2014. It may be recalled that these measures were an extension of an earlier safeguard measure imposed by Turkey against the import of cotton yarn for a period of 3 years from 14 July 2008.

The withdrawal of the safeguard measures on imports of cotton yarn into Turkey augurs well for exports of cotton yarn from India, which had declined from $198 million in 2007 (prior to imposition of safeguard measures) to $94.57 million in 2011.

During January-October 2012 imports declined to $20.77 million from $85.30 million, a decline of 75 per cent. In quantitative terms, imports declined to 4.20 million kg from 14.85 million kg during this period. India also slipped to the fourth position in terms of supplier in 2012 from being the largest supplier in 2008.

Turkey being the gateway to Europe, removal of safeguard duties would enable India restore its exports to earlier levels and also increase its market share. Texprocil plans to participate in the Istanbul Yarn Fair in Turkey being organised from 29 May 2013 to 1 June 2013.

The Turkish government on 31 December 2012 decided to repeal the safeguard duty on Indian cotton yarn after India withdrew a case filed at the World Trade Organisation (WTO) against the "illegal" duties. "India withdrew the case at the WTO after Turkey promised it would remove the safeguard duties by the year-end. We are happy that they have honoured the commitment," official sources said.

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20% safeguard duty on stainless steel import from China
PTI

New Delhi, 7 January 2013: The government has imposed safeguard duty at a rate of 20 per cent on imports of a certain variety of stainless steel from China to protect domestic players. The duty has been imposed on hot rolled flat products of stainless steel-304 grade (up to a maximum width of 1605 mm), the Finance Ministry said in a notification.

"... the central government after considering the said findings of Director General (Safeguards), hereby, imposes on hot rolled flat products of stainless steel-304 grade (Upton a maximum width of 1605 mm) and encompassing all austenitic grades ... when imported into India from China, a provisional guard duty at the rate of 20 per cent ad valorem," it added.

It further said that the safeguard duty will be effective for a period of 200 days from the date of the notification, unless revoked, superseded or amended earlier.

Safeguard duty is a WTO-compatible temporary measure that is brought in for a certain time-frame to avert any damage to domestic industry from cheap imports.

The government currently levies 5 per cent import duty on imports of stainless steel.

"It is a positive move and sentiments will definitely become better as it will discourage cheaper imports from China," Jindal Stainless President and Executive Director Ramesh Nair said.

India has a surplus stainless steel production capacity at about 3.5 million tonnes per annum (MTPA). Of this, about 0.8 MTPA gets exported.

Despite this, the industry estimates that imports from China, amounting to about 2.5-3 lakh tonnes in a year, are taking place largely due to cheaper rates offered by the Chinese manufacturers.

As per the industry estimates, China currently produces about 12-13 MTPA, which is much more than their consumption at about 9 MTPA. The Chinese production is expected to rise to 20-25 MTPA in two-three years.

Among the domestic producers, Jindal Stainless, with a capacity of 1.8 MTPA, accounts for about 50 per cent of total domestic production. Other major players include Salem Plant of SAIL, Viraj Steel and Mukand Ltd.

In November 2011, government had imposed anti-dumping duty on certain categories of flat stainless

steel from European Union, South Africa, the US and Taiwan to protect the domestic industry from cheap imports from abroad. The level of duty on the product varied from country-to-country.

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Seafood exporters to oppose US countervailing levy on shrimps
Business Line (The Hindu)

Kochi, 4 January 2013: The Seafood Exporters Association of India will be sending a professional team to the US to discuss the issue on the imposition of countervailing duties on frozen warm water shrimps from India.

“We will be engaging US-based lawyers to represent the Indian industry to appear before the United States Department of Commerce (DoC) to sort out the issue of countervailing duties, Norbert Karikkassery, President of SEAI, Kerala region, said.

Addressing a press conference here on Friday, he said that the US-based Coalition of Gulf Shrimp Industries filed a petition before the International Trade Administration, DoC, and US International Trade Commission for imposing such duties from China, Ecuador, India, Indonesia, Malaysia, Thailand and Vietnam. The petition makes several allegations regarding the counter-valiable subsidies provided in India with regard to the manufacture, production and export of certain frozen warm water shrimp.

The petition identifies certain subsidy programmes as counter-valiable to the shrimp industry in India.

It also alleged that the Indian Government is aggressively promoting its shrimp industry through the provision of generous Government subsidies, SEAI officials said.

It also called for the initiation of an investigation into the counter-vailable subsidies and to impose duties through a countervailing duty order in an amount that would offset the benefit conferred by these subsidies.

The SEAI President pointed out that the seafood industry is passing through a tough phase due to unforeseen developments in the international scene that included the recessionary trends in the US and Europe. This coupled with the technical trade barrier by Japan has also affected the sector.

India’s marine exports are unlikely to surpass the $3.5-billion mark achieved last year due to various other issues in the domestic sector as well.

There has been a decline in the marine products exports for the first half year April-September 2012-13 compared to the corresponding period.

The exports have registered a decline of 6.91 per cent in quantity and 16.60 per cent in dollar earnings, he added.

Besides, the increase in reefer base rates by all the shipping lines operating from Indian coasts for freezer container rates, terminal handling charges levied by terminal operator in the Kochi port, revised US anti dumping duty on frozen shrimp imports from India, withdrawal of Status Holder Incentive Scheme for marine industry had also made an impact on marine exports, he said.

The number of Indian companies exporting to the US has come down to 68 as on today from 270 in 2005 on account of various factors, he added.

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Tension with Pak to wound medical tourism industry
Sushmi Dey, Business Standard

New Delhi, 17 January 2013: India's medical tourism industry, pegged at around $2 billion and growing at 20 per cent a year, is set to take a significant hit if the ongoing tensions with Pakistan persist. Hospitals and industry experts fear visa hurdles might restrict the movement of patients from that country, who constitute around 15-20 per cent of the total international travellers coming to India for medical treatment. This could cause a chunky revenue loss for the country.

Hospital chains like Apollo, Medanta, Max and Ganga Ram attract patients from Pakistan. According to top representatives from these hospitals, patients primarily come for organ transplants (such as liver and kidney), oncology-related treatment and cardiac and orthopedic surgeries. The number had already started coming down but the impact on India's medical tourism might show more after around a month if the situation continued, they said.

For instance, at Ganga Ram Hospital, which receives 4-5 patients a day from Pakistan, the number has reduced to 1-2 patients since Sunday. "If such tensions continue, it will definitely impact the inflow of patient. Things might become worse if they stop issuing new visas," a hospital executive said.

Apollo Hospital General Manager (Marketing and Strategic Businesses) Raj Raina said: "There could be trouble… The government may act cautious ahead of the Republic Day." Pointing out the hospital typically had patients lined up 3-4 weeks in advance, he said the exact impact could be assessed in about 10 days, when patients who have just got appointments initiate their visa processes. Apollo is among the hospitals that attract the highest number of patients from Pakistan (50-60 patients a month). Around 90 per cent of them come for liver transplants. According to Raina, the hospital conducted 130 liver transplants on Pakistani patients in 2012.

Medanta received 8-10 patients a month from that country. International patients constituted 18-20 per cent of its total occupancy, its vice-president (international marketing), Navneet Malhotra, said. The hospital currently has 900 beds.

When contacted, a government official said medical tourism was a "special case". "When it comes to giving visas to special cases, we do not discriminate between countries," he claimed. However, doctors and hospital representatives argued there was a gap between "what is" and "what should be". Also, patients from Pakistan might choose not to visit India at this point, given the brewing tensions.

India has been promoting medical tourism for some time. With an average occupancy of 10-20 per cent of the total, international patients are a major revenue churner for many corporate hospitals. For instance, Apollo earns 20-25 per cent of its Rs 600-crore revenue from international patients, while patients from Pakistan contribute 3 per cent of the total.

PricewaterhouseCoopers Executive Director and Leader (Healthcare Practice) Rana Mehta says: "Medical tourism is an important segment because it allows hospitals to charge a premium of 20-25 per cent over fees from local patients. So, the realisation per patient is more."

However, some also believe the tensions would harm Pakistan more than India. "It is more of Pakistan's loss than India's. It is not that they are giving us a lot of revenue, they come here primarily because quality healthcare is unavailable here and India is a cost-effective option with physical proximity," says Deloitte Touche Senior Director (Strategy & Operations Consulting) Charu Sehgal.

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Drug pricing: Govt decides to bypass three patents
Reghu Balakrishnan, Business Standard

Mumbai, 15 January 2013: The government's move to issue compulsory licences (CLs) for three more patented cancer drugs is a jolt to multinational pharmaceutical companies.

The plan is to issue CLs for Trastuzumab (or Herceptin, used for treating breast cancer), Ixabepilone (used for chemotherapy in breast cancer treatment) and Dasatinib (or Sprycel, for leukaemia). These cost an average of $3,000-4,500 (Rs 1.64-2.45 lakh) for a month's treatment.

Last March, the Hyderabad-based Natco Pharma had won the first ever CL, to manufacture its generic version of Bayer's patent-protected anti-cancer drug, Nexavar. With the licence, Natco sold the drug at Rs 8,880 for a pack of 120 tablets, a month's therapy, as against Rs 2.8 lakh, the cost at which Bayer sells Nexavar.

According to section 84 of the Indian Patents Act, a CL can be issued if the patented drug is unavailable, unaffordable or not supplied properly. With CL, domestic companies can manufacture and market generic versions, paying a royalty to the patent holder company.

Natco had, in fact, begun selling the generic version, Dasatinib, of Bristol-Myers Squibb's Sprycel last year, without waiting for any CL. The matter went to court. Now comes the government's decision to legalise the move. Natco is pricing Dasatinib at Rs 9,000 for a month, as compared to BMS' Rs 1 lakh for a month's treatment. BMS also makes Ixabepilone, for which a CL decision is being taken.

The chief executive of an Indian generic company, engaged in a dispute with MNCs, said on condition of anonymity, "Most patented cancer drugs cost $5,000-6,000 a month. How many patients in India, where there is no public insurance facility, can afford these prices?"

Unless MNCs are ready to change the strategy for the 1.2 billion people here, issuing a CL is the only option to make drugs affordable to the population, he added.

The Cancer Patients Aid Association (CPAA) has welcomed the government move. Y K Sapru, its founder-chairman & CEO, said, "Giving a CL for a few more anti cancer drugs is a very good move, especially for Herceptin, which was required by a large number of breast cancer patients, who were dying because the drug was not affordable."

The government should increase the list of drugs for which a CL is granted, as there are several life-saving anti-cancer drugs which are totally unaffordable, he added.

Ranjit Shahani, president of the Organisation of Pharmaceutical Producers of India, the association for MNC pharma companies said, "Issuing CLs is a matter of concern. There are access programmes by MNCs for medicines which, very often, bring down the prices significantly." He said Novartis' cancer drug, Glivec, was given free for 16,000 patients in India, claimed to be about 95 per cent of the patients, through The Glivec International Patient Assistance Program (GIPAP).

In March, Roche had given a manufacturing and marketing license for Herceptin to Pune-based Emcure Pharma. Herceptin is priced between $3,000 and $4,500 for a month's treatment.

"There has to be an interactive dialogue between the government and multinational pharma companies regarding the price difference," said Shahani. Mails to Roche and Bristol-Myers Squibb did not elicit any response.

In March, responding to India's issue of the first CL, to Natco, John Castellani, president and chief executive officer, The Pharmaceutical Research and Manufacturers of America (PhRMA), said, “The research-based pharmaceutical industry fully supports the objective of improving access to innovative medicines. However, CLs cannot solve India’s larger problems regarding access to medicines and healthcare. In the absence of the investment made by our members, and the resulting research and development, there would be no generic medicines for the world’s patients. The responsibility to promote development of new drugs lies with all countries, not solely those in the developed world." PhRMA represents leading pharmaceutical research and biotechnology companies in the US.

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India economy: Cure or overdose?
Economist Intelligence Unit

3 January 2013: In November 2012 the Indian government revamped its drug policy, increasing the number of drugs that are subject to price regulation. Although the government's aim of making drugs more affordable is laudable, foreign drug-makers have expressed concerns that the policy may impact India's ability to attract investment in the pharmaceutical sector. The government will continue to exert a heavy influence on drug prices in India, setting itself up for increasingly frequent clashes with foreign manufacturers in the process.

Under the new policy, the ceiling price of a particular drug will be calculated by taking the arithmetic mean of the prices of all the brands that have more than 1% market share for each category of drug. By doing this, the government hopes to lower the prices of costly brands and make drugs more affordable. The Indian pharmaceutical market is valued at some US$12bn a year and is the fourth-largest in the world in volume terms. According to PricewaterhouseCoopers, a consulting firm, the market is forecast to expand to US$50bn by 2020, making the country a lucrative market for foreign drug manufacturers. However, overseas firms are concerned that the new policy is overly restrictive, arguing that fierce competition already ensures that generic medicines sold in India are among the cheapest in the world.

The government, backed by other advocates of enhanced price controls, argues that market distortions often mean that consumers do not enjoy the benefits of competition. A lack of awareness of cheaper alternatives, and the fact that doctors continue to prescribe expensive branded drugs, means that consumers pay high prices for medicines. The new policy updates the previous regulations, which were introduced in 1995, and increases the number of drugs on the National List of Essential Medicine to 348, from 74 previously. The drugs added to the list include treatments for cancer and HIV.

However, doubts persist over the efficacy of the new policy, as pharmaceutical companies can exploit loopholes to get around price controls. According to an international science journal, Nature, this could actually drive up the prices of existing generic drugs. For example, in India drugs with the same formulations are currently sold at a range of prices. UK-based GlaxoSmithKline sells an antibiotic under the brand name Augmentin for US$4.85, whereas local Indian versions are sold at US$1.20. Nature contends that the new policy will drive down the price of Augmentin, but points out that the revised price may still be higher than that of local versions. However, companies that currently produce low-cost variants could stop promoting and eventually cease producing these drugs if consumers move towards recognisable brands, thereby killing off the low-price end of the market. The policy also applies to specific dosages of drugs, thus creating loopholes according to which companies may adjust their drugs' dose levels in order to evade the price regulations.

A patent war looms

India's pharmaceuticals policy currently does not cover patented drugs. However, a landmark patent case that is currently before India's Supreme Court could alter healthcare regulations significantly. The court heard the final arguments in the case between the Indian government and a Swiss drug-maker, Novartis, towards the end of 2012, marking the final stage of a seven-year legal battle. At the centre of the dispute is India's stringent Patents Act, which prohibits "evergreening"-a practice that allows drug companies to make small changes to molecules and then patent the new forms of their drugs when their patents are close to expiry. This has the effect of preventing the manufacture of generic drugs, as it enables pharmaceutical companies to renew the patents on their products repeatedly. Novartis is challenging a decision by India's patent office that rejected its application for a patent for its highly successful anti-cancer drug, Glivec, in 2006. The company has argued that the denial of the patent contravenes India's obligations under the World Trade Organisation's Agreement on Trade-Related Aspects of Intellectual Property Rights. The Indian government has said that Glivec does not represent a breakthrough in therapeutic treatment and is merely a new form of an old drug.

In 2012 the Indian government invoked a compulsory licensing provision to force a German drug-maker, Bayer, to licence its anti-cancer drug, Nexavar, to an Indian manufacturer despite the fact that the drug was still under patent. The generic version of the drug is now sold at around one-thirtieth of the price at which Bayer markets Nexavar. Ensuring affordability is the main consideration behind the Indian government's approach towards drug pricing. According to Doctors Without Borders, an international non-governmental organisation (NGO), in countries where Novartis has patented Glivec one month's supply of the drug per patient costs around US$2,600, whereas in India generic versions are available for US$200 a month. The Novartis case is also expected to have international ramifications. India is the world's largest exporter of cheap generic drugs, and global aid groups and NGOs have said that a win for Novartis could end the country's role as "the world's pharmacy", leaving millions of people in Asia, Africa and South America without access to affordable life-saving drugs.

Concerns over intellectual property

Foreign firms see the Novartis case as a key test of India's commitment to protecting intellectual property. They have argued that granting a patent acknowledges innovation that could potentially save lives. Overseas drug companies are also concerned about the government's shifting position on foreign investment in the pharmaceutical sector. Until 2012 foreign firms were allowed to make equity investments of up to 100% in their ventures in India. However, the government has recently introduced regulations forcing companies to meet certain norms before investing in India, including selling drugs at low prices. Foreign firms are also required to procure approval from the Foreign Investment Promotion Board before investing in domestic companies.

The changes were partly a reaction to a spate of acquisitions of Indian pharmaceutical firms by global companies in recent years, sparking fears that such takeovers would lead to higher drug prices in the country. India will seek to meet its obligations under various WTO agreements, but the government is keen to ensure that drugs remain affordable. Although this could have a negative impact on foreign firms' investment plans in the country, India's overall demographics and strong growth prospects will mean that it remains an attractive market for multinational pharmaceutical companies.

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Govt to bring in ‘negative list’ for electronics imports
Shruti Srivastava, Indian Express

12 January 2013: The information technology department is in advanced stages of firming up guidelines to make it mandatory for government departments to procure “at least 30 per cent” of their electronic product inputs such as personal computers and dot matrix printers from domestic manufacturers under the recently-approved National Electronics Policy (NEP) 2012.

For the private sector, the government is understood to be working on a ‘negative’ list of items that cannot be imported due to “security concerns”. Once ready, the final list of items is likely to be banned by the Director General Of Foreign Trade (DGFT), a government official told The Indian Express, adding that the guidelines are expected to be made public before April.

The move, if implemented, will be a huge blow to the manufacturers importing items, or simply components, at a time when nearly 90 per cent of electronic hardware products are imported in the country. Global equipment manufacturers and vendors in segments such as telecommunications and electronics have already raised the alarm over the proposed move.

“The department is defining security threat and a clear list of instruments which may entail security concern. Each government department has been asked to prepare a list of items that have security implications for them. After studying the list, a comprehensive final list would be prepared to be sent to the DGFT,” the government official said, adding that the move is WTO-compliant.

According to Article 21 of the General Agreement on Tariffs and Trade (GATT), a country can ban import of items perceived to be security threats.

The mandatory sourcing norm is aimed at giving preferential market access for electronic products manufactured and designed in the domestic market, including mobile devices and SIM cards, to address strategic and security concerns of the government.

The official said that the department is working on the guidelines for the NEP and the “mandatory sourcing norm for government departments” forms a part of the policy. To start with, the department has put personal computers and dot matrix printers under the category of mandatory sourcing from the local manufacturers. As the policy takes shape, more items will be included in the list.

The NEP was approved by the Cabinet in October 2012 with the aim of raising the turnover of the electronic design and manufacturing sector to $400 billion by 2020 and provide employment to around 28 million people at various levels.

The policy envisages the setting up of Semiconductor Wafer Fabs and its eco-system for design and fabrication of chips and chip components, creation of electronic development fund to promote innovations, incentivise setting up of over 200 Electronic Manufacturing Clusters (EMCs) and provide attractive fiscal incentives across the value chain of ESDM sector through a Modified Special Incentive Package Scheme (M-SIPS).

The policy aims at eliminating the “disability costs” in manufacturing on account of infrastructure gaps relating to power and transportation. The policy also entails setting up of a National Electronics Mission with industry participation and promote the country as a electronic hardware manufacturing hub.

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India says no to WTO agreement on IT, environment
PTI

New Delhi, 13 January 2013: India will not accept any agreement on IT and environmental goods which is being proposed by a group of developed nations at WTO, as it would adversely impact the domestic industry, a top official said.

Rich nations, including the US, want India and other emerging economies to be part of the four major sectoral pacts – trade facilitation (TF), information technology (IT), environmental goods and international services agreement.

"On IT and environmental goods agreement, India has clearly showed its reluctance. We are against this approach. On TF, we have not said no, but we are viewing the situation and on international services agreement, we will continue to observe it from a distance and later on take a view," the official said.

On these four matters, developed countries wants to go plurilaterally. In other words, the trade benefits arising out of such an agreement will be shared only by signatories.

The plurilateral agreement on these issues that the US and Europe seem to be eager to ink would exclude the interests of developing and the least developed countries, the official added.

The official also said that the developed economies instead of focusing on the issues of Doha Round, they want to sign agreements which would benefit more to them instead of developing and least developed nations.

"IT is a sectoral agreement, environmental good will be a sectoral agreement. So, effectively what they are doing is they are cherry picking sectors where the developed world is strong and getting you to agree to those elements because if you do not agree today and if you decide to join the agreement tomorrow there will be a cost to be paid," the official added.

Explaining how rich nations are pushing their own agendas on poor and developing economies, he said that under the IT agreement, they want to include 357 products out of which 50 items belong to non-IT category like washing machines, refrigerators and window AC.

Similarly 136 are dual use products in which developed countries have suggested to eliminate duties. There are another 50 items on which domestic industry has expressed serious sensitivities.

"One of the objectives of (developed world) all these four proposals is to cash them and then forget Doha and that is what exactly we do not want to happen. That is one the main reason why we are acting soberly and with so much of caution … once you harvest these agreements, there is nothing left in Doha for countries like the US," he said.

Big differences between developing and developed countries have bedevilled the WTO talks, which were launched in 2001 in the Qatari capital with the goal of helping poor countries prosper through enhanced trade.

India has also rejected the US allegation that developing countries are seeking significant concessions for pushing the global trade deal under WTO. Rich nations are hampering the conclusion of Doha Round, stalled since 2001, the official added.

"The US and other developed nations are again bringing those issues which were agreed earlier and are also pushing new agendas like trade facilitation, international services agreement and information technology," the official said.

The official was responding to the comments made by US Deputy National Security Adviser for International Economic Affairs Michael Froman, who is tipped to be the next US Trade Representative.

Froman is reported to have said that "a small group of middle income countries particularly India is standing in the way (of concluding Doha Round of talks) because they want to be 'paid' by developed countries for agreeing to something that is beneficial to the global trading system, especially poorer countries".

The negotiations have seen numerous deadlines come and go amid basic disagreement over rich-country farm subsidies and access to developing-country markets for manufactured goods.

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India seeks easier norms in trade pact with developed nations
Amiti Sen, Business Line (The Hindu)

New Delhi, 14 January 2013: India has said the trade facilitation agreement proposed by developed members of the World Trade Organisation for infrastructure upgrade at customs and ports cannot be binding and has to be softer on developing nations.

It also needs to be balanced with pacts in areas that favour poorer countries such as elimination of cotton subsidies and extension of compliance deadline for intellectual property agreement for Least Developed Countries (LDCs).

"It is important for developing countries to be given a longer time frame to implement an agreement on trade facilitation as it would require changes in laws and a complete over-haul of port and customs infrastructure," a Government official told Business Line.

A trade facilitation agreement could cut down trade costs by 10 per cent, as per estimates made by the WTO.

Since extension of electronic clearance facilities and e-computing would also entail huge investments, poorer countries need to be given monetary and technical support, New Delhi argued.

With the decade old Doha round of trade talks at the World Trade Organisation not reaping results, some members are looking at carving out pacts in select areas such as trade facilitation and services during the ministerial meet in Bali in December.

In a recent meeting on the issue at the WTO, India's representative spoke against making the pact mandatory.

"If the agreement becomes binding, developing countries will be taken to dispute if there is a lapse in implementation and be penalised. This is not acceptable," the official said.

While the pact is acceptable to India in parts, a number of proposals like providing for advance ruling or a pre-determination of the import tax burden and allowing bank guarantees in lieu of cash duty payments were difficult to implement.

“We have said that there should be a tiered formula which allows developing countries to implement the agreement in parts,” the official said.

As the pact will essentially benefit developed countries as the volumes of their traded goods is much more than the rest of the world, it needs to be balanced off by agreements in areas of interest to developing countries and LDCs.

“We have proposed that a number of other agreements should be signed at the Bali ministerial including one on cotton subsidies, LDC waiver in services and IP extension,” the official said.

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India in a bind over new WTO chief
Sidhartha, Times of India

New Delhi, 14 January 2013: The Indian government is in a bind over who it should support for the top job at the World Trade Organization that is to be decided by the end of May, reflecting the familiar dilemma over crucial assignments at international bodies.

There are nine candidates in the fray, and officials in the commerce ministry seemed unclear over whom to back given that the government will have a tough time choosing between a BRICs representative and a candidate from Asean, apart from a Muslim woman from Africa, who is also in the race for the post of WTO director general's post that falls vacant on August 31 when Pascal Lamy is due to step down.

Brazil has nominated its ambassador to WTO Roberto Carvalho de Azevedo as its candidate for the job, while Indonesia's former trade minister Mari Elka Pangestu is also among the nine who have filed their nominations.

Kenyan diplomat Amina C Mohamed is seen to be ahead in the race although former Ghana minister Alan Kyerematen is the other candidate from Africa. "We are internally discussing the candidates, although it is going to be a tough call. Over the next few weeks we will be in a better position to decide," an official said.

As far as the other candidates are concerned, in the Indian government's scheme of things, former New Zealand trade and climate change minister Tim Groser, Mexico's Herminio Blanco, South Korea's Taeho Bark and Costa Rica's Anabel Gonzalez rank lower.

Officials and trade experts said New Zealand has already sent a DG to WTO in Mike Moore. Similarly, the Koreans are seen to be heading several international organizations, including the World Bank.
With Angel Gurria heading Paris-based OECD, often dubbed as the rich countries' think tank, Blanco too is seen to have a slim chance.

What weakens the case for Pangestu and Jordan's Ahmad Thougan Hindawi is the fact that another Asian, Thailand's Supachai Panitchpakdi, was Lamy's predecessor at the WTO. While nominations for appointing Lamy's successor closed on December 31, a replacement has to be found by May 31. As is the norm, the decision will be taken by consensus, with the US and the European Union expected to play a key role.

This time, the appointment is seen to be even more crucial given that there is going to be renewed thrust from the US to conclude the talks, especially with a narrower agenda.

There are nine candidates in the fray, the government will have a tough time choosing between a BRICs representative and a candidate from Asean, apart from a Muslim woman from Africa.

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Bali – More Than Housekeeping
Washington Trade Daily

Geneva, 16 January 2013: At a closed-door "green room" meeting with World Trade Organization Director General Pascal Lamy, a score of trade envoys came to a broad consensus that the Bali ministerial meeting in December cannot be a mere "housekeeping" exercise like the last ministerial in 2011.

The WTO ambassadors said Bali must deliver on a package of issues that include trade facilitation, special and differential treatment flexibilities for developing and least-developed countries, some aspects of the Doha agriculture package and the market access issues raised by developing countries.

Australia, the United States and Japan called for greater "clarity" and a better understanding of what is "do-able" for the Bali meeting by early spring, WTD was told.

But Mr. Lamy urged against setting such a deadline, based on past experiences. He suggested that members put up their proposals soon and accelerate work on all fronts.

The WTO chief said he will advise trade ministers when they meet in Davos later this month to direct their negotiators to accelerate work on the four issues – trade facilitation, agriculture, special and differential treatment flexibilities and LDC issues. He suggested a "reality check" before August.

A Post-Bali Agenda

The Director General also signaled to envoys in the "green room" meeting that he would hold consultations with members on a post-Bali work program – as suggested by India, Morocco, South Africa, Pakistan and the European Union.

Morocco – which coordinates the African group of countries – said there has to be a clear post-Bali work plan to address all the remaining issues of the Doha Development Agenda negotiations.

Japan, Mexico and Colombia cautioned that it would not be prudent to work on a post-Bali roadmap without first having a clear picture on what could be achieved in December. Australia welcomed the focus on post-Bali, while Pakistan said the "shop" involving all the Doha issues cannot be closed after the Bali meeting. The United States suggested that lots of issues will remain after Bali that will require new ideas and approaches, said one trade envoy who took part in the meeting.

Nepal said the results from Bali would be a litmus test of whether members can deliver on developing-country issues, such as duty-free/quota-free market access, "cotton" and the special LDC services waiver. India said a "give-and-take" approach is imperative for any successful outcome from Bali. South Africa asserted that any outcome should be balanced, but focus on the interests of developing countries.

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