INDIA'S TRADE NEWS AND VIEWS

21 November to 6 December 2013

Ninth WTO Ministerial Conference, Bali (3-6 December 2013)

(Updated till 6 December, 6:00 pm IST)

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(For full document click here)

Address by Shri Anand Sharma, Minister of Commerce & Industry at Plenary Session
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Day 1: Bali Conference kicks off with warnings that failure will hurt the poor
WTO website, News Items

3 December 2013: A deal struck at the Bali Ministerial Conference would benefit a wide range of people, particularly the poor, while failure would weaken the multilateral trading system, which could also hurt the poor, speakers said in the conference's opening session.

"We must seize our opportunity. Our success here in Bali will provide the necessary impetus for an expansion of global trade, that in the end, will help reduce poverty around the world," said Indonesian president Susilo Bambang Yudhoyono.

"By failing to deliver this package we would fail businesses around the world. We would fail the unemployed and the underemployed. We would fail the poor, we would fail those who rely on food security schemes, we would fail developing country farmers, we would fail developing country cotton growers, and we would fail the least-developed economies as a whole," said WTO Director-General Roberto Azevêdo.

"I truly believe we can take a great step forward here in Bali. Success breeds success. We have an opportunity to give Geneva a sense of optimism and signal a new can-do attitude in the negotiations. It is up to each and every one of us to display a spirit of unity and collective resolve to set a new course for our Organization — the WTO," said Indonesia's Trade Minister Gita Wirjawan , who chairs the conference.

The formal statements echoed calls from a wide range of members for agreement in Bali, which they described as a "pivotal moment for the future of the negotiating arm of the multilateral trading system."
"We should reject the notion of 'North against South'—a term that exaggerates our differences rather than our complementarities. We should view one another as partners," said President Susilo Bambang Yudhoyon.

"Members want a deal. Well, now it's time to deliver," said Mr Azevêdo.

More than what's on the table: law of the jungle?

The focus of the ministerial conference — the WTO's top decision-making body, which meets approximately every two years — is on a package of issues that have been negotiated particularly intensively over the past few months. They are grouped under three headings:

- trade facilitation: cutting red tape and streamlining customs and port procedures
- agriculture: four issues out of a larger set negotiated in the Doha Round, including export subsidies, food stockpiling for food security in developing countries and a technical issue aimed at improving countries' ability to exports through importing countries' quotas.
- development: particularly least developed countries, monitoring special treatment given to developing countries in general, and cotton

Director-General Azevêdo said “a few, very limited, specific and localised issues” remain unresolved from talks among ambassadors and officials in Geneva. These obstacles “require political calls to overcome — political calls of a nature that we simply cannot make in Geneva”, he told the ministers.

If WTO members fail to agree within the next few days — and “it’s now or never,” he said — the loss would be more than the issues on the table themselves.

“What’s at stake is the cause of multilateralism itself. The multilateral trading system was never the only option for trade negotiations. It always co-existed with, and benefitted from, other initiatives — whether regional or bilateral,” he said, referring to the numerous trade agreements also being negotiated around the world.

“But if these non-multilateral undertakings become the sole negotiating channel, then we have a problem. In such fora the agenda is inevitably limited — issues of importance to developing countries, like agricultural subsidies, are not included.

“And developing countries also lose out [because they are often left out]. The smallest would be marginalised from virtually all trade negotiations. This would be a tragic outcome.”

Speaking at a press conference afterwards, Mr Azevêdo stressed that without the multilateral trading system the world would look like a jungle, and the poor would suffer the most.

He added that although the package will not be perfect for everyone, “no member is being asked to do the impossible.”

Brought from Geneva

This is how Mr Azevêdo reported on the package brought from Geneva, containing 10 draft texts, under the three headings:

Trade Facilitation

“By minimizing unnecessary border delays in this way, it is estimated that we could provide a boost to the global economy worth up to $1 trillion per year — thereby delivering much needed growth and jobs. The text that we brought from Geneva will also ensure the provision of technical assistance to support developing economies and the least developed economies to implement these reforms, and support their better integration into global trade flows.

“Customs modernisation and upgrading alone may not be sufficient to integrate developing countries and [least developed countries] into global patterns of supply. But it is clearly an indispensable and necessary step.

“And, indeed, developing countries would stand to gain the most. It is estimated that we could see an expansion in their exports of up to 10% — compared to a 4.5% expansion in developed countries. It is significant that there is not, in this pillar or in the package as a whole, a developed versus developing divide.”

Agriculture

“Agriculture is a cornerstone of the Doha Development Agenda — these issues are very dear to developing countries.

"And in this area our package also delivers important outcomes. The texts we brought from Geneva would set us on track for a reform of export subsidies and measures of similar effect, and it would provide for better implementation of tariff rate quota commitments. Both of these measures would potentially have very positive effects in boosting agricultural trade, and in setting the stage for future negotiations.

"The agriculture pillar would also provide temporary protection for food security programs under which countries stockpile grain for distribution to the poor.

"In certain developing countries these programs run the risk of legal action where they exceed agreed subsidy limits.

"So the text we brought from Geneva would not only provide this temporary shelter from legal action but, more importantly, it would put in place a work program to find a permanent solution to this issue."

Development

"Here, a monitoring mechanism [meetings and other means to monitor how special treatment for developing countries is being implemented] would provide for the review and strengthening of special and differential treatment provisions, which are contained in all WTO multilateral texts. This is a vital achievement for developing and least-developed countries.

"There are also a series of specific measures here to support the least developed countries.

"This includes reforms that would enable services providers in [least developed countries] to enjoy new export opportunities in developed country markets. There are steps that would simplify rules of origin requirements which would, again, open up new export opportunities for the [least developed countries]. Under this pillar we would also see improvements in trade preference arrangements which extend duty-free-quota-free treatment to [least developed countries'] exports.

"And, finally, we would see a commitment from WTO members to enhance the productive capacity of developing country cotton producers, especially [least developed countries] — and to improve transparency on the barriers that they encounter in major consumer markets."

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India trying to build broad consensus on WTO package
Puja Mehra, Business Line

Nusa Dua (Bali), 3 December 2013: On Day One of the Ninth Ministerial of the World Trade Organization (WTO), India tried to build a broad consensus among developing countries, which are "dissatisfied" with the Bali Package currently on the table.

Brazil and South Africa have conveyed their agreement with India's position that the proposed Bali Package addresses only the concerns of rich countries, according to an official release.

"Nobody is feeling 'I have got something' as far as the developing world is concerned and their views need articulation," a highly placed source told *Business Line*. "If this (Doha) was the Development Round, then how come food security is not the biggest thing in it?"

According to unconfirmed reports, Commerce and Industry Minister Anand Sharma may meet on Wednesday with US Trade Representative Michael Froman, who in his keynote address in October at the WTO Public Forum had said: “The loss of the WTO as a negotiating forum would have the greatest impact on the smallest countries … Big countries will always have options.”

On Monday, India was blamed for the stalemate at the Bali conference.

Host Indonesia and WTO Director-General Roberto Azevedo are trying not to let the Bali Ministerial and, with it, the Doha Round, fail.

India has rejected two proposals in the Package: inadequate safeguards for farm subsidies for food security and the US proposal on trade facilitation.

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Day 2: Consultations on ‘Bali package’ begin as Yemen’s membership accepted
WTO website, News Items

4 December 2013: Director-General Roberto Azevêdo told WTO ministers on 4 December 2013 that he would hold consultations — as urged by a large number of them — in the search for agreement on the set of issues known as the “Bali package”.

He was speaking at the end of an informal meeting of heads of delegations on the second day of the Bali Ministerial Conference, when ministers also agreed to accept Yemen as a new member — it will officially join the WTO 30 days after it has ratified the membership deal.

Many of the 55 speakers had urged Mr Azevêdo to work with those members that have serious concerns about the few remaining points that are unresolved, so that the conference can conclude with a deal on trade facilitation (cutting red tape and streamlining customs and port procedures), four agricultural issues and a set of topics on developing and least developed countries.

Several said a deal has to be struck in Bali for the economic and development benefits of the deal itself and for the credibility of the WTO. Many least-developed and developing countries also said that they would lose if a package is not agreed because of benefits they would gain.

Many members argued that leaving the deal to be concluded in Geneva after the conference would not work since the sticking points could not be resolved in Geneva in the weeks and months before the conference – the remaining issues are political and need ministers’ direct input, they said.

Some members reminded Mr Azevêdo that he had said the conference would not be for negotiation. They said negotiations should be fully transparent, with all members involved and no talks in small groups. If that does not produce agreement then the conference should agree on issues for least developed countries, with the other topics negotiated later.

Some also called the package “imbalanced”, in their view because the proposed trade facilitation deal would require developing countries to make commitments while the proposed agreements on agriculture and development would be promises that countries would do their best, but falling short of legal commitments.

Others called for flexibility so that agreement can be reached. “We can do this job here and now, so let’s do it,” said one. Several said that the work after Bali should focus on concluding the rest of the Doha Round negotiations.

Much of the discussion developed the themes struck on the opening day by Indonesia’s president Susilo Bambang Yudhoyono, Indonesia’s Trade Minister Gita Wirjawan , who chairs the conference, and Mr Azevêdo himself.

Yemen’s membership approved

Immediately after the heads of delegations’ meeting, members formally accepted Yemen as a new WTO member — its “accession” to the WTO.

At a ceremony to celebrate the decision, Mr Azevêdo congratulated the Yemen government for the domestic reforms it is undertaking after 13 years to finally become a WTO member.

“We celebrate accessions both because of what it means for the individual country, but also because of what it means for this organization,” he said

The Republic of Yemen will be the 35th least developed country in the WTO.

“This group makes up a fifth of the whole WTO membership. It is an important constituency — and, as we have seen in recent days, it is one that is increasingly making its voice heard,” said the Director-General.

Yemen’s Industry and Trade Minister Sa’aduddin Bin Taleb expressed his country’s gratitude and excitement at finally becoming a WTO member.

“Sometimes things change for countries and fortunes change. But the very essence of a country and the history and the civilisation remains. Ours has been trading for the last at least five or six hundred years, in fact, since the spice route," he told the assembled ministers from the WTO’s current membership.

“We aim to take back that road again and to connect with everybody in the world. ... I hope that after a few months, we will have a new Yemen born."

The Yemeni Parliament will have six months, until 2 June 2014, to ratify its accession package. It will then inform the WTO and 30 days later it will officially become a member.

Ministers’ statements

Meanwhile, throughout the day, ministers began making their formal statements. The themes were similar to the comments in the informal heads of delegations meeting.

Many said that it is important to reach a deal in Bali to prove that the WTO members are able to achieve a multilaterally negotiated deal. The Bali package will preserve the credibility of the WTO and prepare the ground for a post Bali agenda which would include unresolved issues from the Doha Round, they said. Agreement would renew dynamism amongst the WTO countries and pave the way for further steps towards reducing trade barriers and improving market access, they said.

The ninth WTO ministerial conference must not be remembered as the "poisoned apple that sent Snow White into everlasting sleep", said one (German Trade Minister Anne Ruth Herkes). "Future generations will judge us by what we achieved here at Bali".

Many also warned that failure would have bad consequences, including countries pursuing opportunities outside the WTO such as bilateral and regional free trade agreements. Poorer countries could lose by being left out of these agreements, they said. However, some said they are optimistic that a Bali is within reach Least developed countries emphasized that they have always benefited immensely from the multilateral trading system. The negotiated rules in the current package such as duty-free, quota-free access to richer countries' markets and simplified rules of origin (which makes it easier for their products to qualify for preferential market access), cotton issues and the "services waiver" (allowing least developed countries preferential access to richer countries' services markets) will bring huge economic benefits, create jobs and growth, they said. The majority of the members supported the draft texts on least developed countries' issues.

Several ministers also outlined their differing positions on the sticking points in the draft Bali package.

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Bali meeting: India in the spotlight
Surabhi, Indian Express

5 December 2013: Day two of the World Trade Organization's ninth ministerial conference started with a bang. After nearly a dozen countries including the United States and European Union and G-33 members such as Mexico and China spoke about compromise and flexibility to take through the Bali package and restore the credibility of the global trade body, India literally made everyone at the plenary session sit up and take notice.

Commerce minister Anand Sharma minced no words when he said India would not compromise on food security. Not only did India harden its stance on agriculture subsidies and food security but also said it would not support the trade facilitation agreement in its key forms. Both these proposals are crucial aspects of the Bali package. Little wonder then, that India's stance was the talking point for the day and even EU trade commissioner Karel De Gucht later in the day hoped India would pave the way for a conclusion of the talks.

The three-hour long informal meeting of member nations with the WTO Director General Roberto Azevedo in the afternoon to thrash out an accord also did not see India back down from this position. India faces problems because it is not the food subsidy being questioned but the price at which it is being run. Prices of agro commodities have risen drastically since 1994 the date of the last WTO accord on agriculture as India, meanwhile, has doled out huge rise in minimum support prices. A lower price level would have kept Sharma nicely within the 10 per cent WTO mandated cap on cost of subsidies despite rolling out the ambitious Food Security Act. If the talks fail, India risks being dragged to the WTO dispute settlement body every time it breaches the cap. According to officials, the subsidy for rice and wheat are almost there.

While Sharma is set to brief the international media on India's position on Thursday, Azevedo is set to take forward informal "green room" negotiations with dissenting member nations. The big question now is whether India wants to go in for a compromise settlement in Bali or would the talks remain inconclusive. But officials said the glass should be seen as half full rather than half empty.

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No WTO deal is better than a bad deal, says Anand Sharma
Asit Ranjan Mishra, Mint

New Delhi, 5 December 2013: Refusing to back down from his stance that food security is non-negotiable at the World Trade Organization's (WTO) ministerial meeting in Bali, Indonesia, trade minister Anand Sharma said on Thursday that India would prefer to have no deal than a bad one.

But India still wants a positive outcome in Bali, and a deal is possible if a compromise is reached, he said, according to the audio transcript of a press conference addressed by the minister in the Indonesian city and posted on the WTO website.

"We have not come here to collapse any meeting," Sharma said. "India is also committed to a balanced and fair outcome. There have been past meetings where no result was there. It is better to have no agreement than to have a bad agreement."

India's stand has posed the risk that the ministerial meeting in Bali would end in failure, further eroding the credibility of an institution under which no multilateral deal has been concluded since its formation in 1995.

Sharma said at the plenary session of the meeting, attended by delegates from 159 WTO members, on Wednesday that the current offer on food security and trade facilitation—the latter aims to harmonize and streamline global customs rules—was not acceptable to India.

Both are key building blocks in attempts to lay down the rules of world trade that have been deadlocked since the launch of the Doha round of multilateral trade talks in 2001.

The present draft, prepared in Geneva, provides developing countries temporary relief of up to four years, known as a "peace clause", during which they cannot be challenged under the agreement on agriculture if they cross the permissible food subsidy ceilings.

But it does not provide such a guarantee under the agreement on subsidies and countervailing duties, which is supposed to regulate the actions countries can take to counter the effects of subsidies.

India wants a peace clause until a permanent solution is explored which developed countries are not inclined to agree to. But Sharma said the four-year clause was unacceptable.

"Should it be for the developing and poor countries to keep on compromising and show flexibility when it is their right to food security which is at stake?" he queried.

India initially showed flexibility on the food security pact and seemed to have agreed to the four-year peace clause. However, given the political sensitivity of the food security issue at home, particularly ahead of the general election due by May, it has since hardened its position.

India is concerned that it may be found in breach of a pact on public stockholding of food grains under WTO after it enacted the Food Security Act, legalizing the right to food for two-thirds of its population, earlier this year.

Under the WTO Agreement on Agriculture, which has not yet been agreed upon, developing countries have to keep their food subsidies under 10% of the value of the total food grains produced.

Though WTO does not monitor the food subsidy that the Indian government provides to its consumers, the breach could happen because India may be forced to procure more grains to meet demand and in the process may have to keep increasing the minimum support price for such procurement.

Sharma hinted that there could be a deal, provided eight out of the 10 texts proposed in the draft agreement are adopted, and trade facilitation and public stockholding of food grains are excluded.

"How can you say that heavens will fall if out of 10 texts proposed, eight are adopted and two have to be negotiated so that there is correct balance? I don't know why this gloomy scenario is being painted that only if I sign away, as a country, our principles and the right to food security of the poor people, then only the WTO will be saved," he said.

"Strengthening of WTO is a shared responsibility of both the developed and developing countries. Those who are speaking up for the poor and the hungry people cannot be blamed," he added.

Explaining India's compulsions in stressing a fairer deal in agriculture, Sharma cited the Food Security Act and said the government was legally bound to ensure that the prescribed quantity of food is made available to the targeted beneficiaries.

"We cannot possibly be expected to negotiate something which is in direct conflict with our food security," he said.

"We have not come here as petitioner to beg for a peace clause. Is it binding on us to accept 1986-88 prices and (make) ourselves vulnerable to disputes and calculations? The answer is a firm no. This is a fundamental issue, we will never compromise," Sharma said.

Pradeep S. Mehta, secretary-general of CUTS International, a non-government organization, and a member of WTO's high-level panel on the future of trade, said in a statement that he is still optimistic about a positive outcome at the Bali ministerial meeting and asserted that the rules made in WTO are far more fair and equitable for developing countries.

"The deal could recognise the need to reformulate the subsidy equation within and not later than the agreed period of four years (peace clause), as the WTO farm agreement has been pegged on 1986 commodity prices, while today's prices are much higher," he added.

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'Stiff India' could soften; WTO may be nearing a breakthrough deal
Nayanima Basu, Business Standard

Nusa Dua (Bali), 6 December 2013: As the World Trade Organization's (WTO's) ninth ministerial conference (MC9) entered its third day, talks seemed gaining a peculiar momentum, even as there were loud murmurs of a "stiff India" — Commerce Minister Anand Sharma had ruled out compromise on the food security issue and urged developed countries to show grit and flexibility.

With an uncanny silence presiding over negotiations all day, the danger of an impending collapse loomed. Even rumours of Sharma "flying out of Indonesia" and "walking out from MC9" peaked, as he did not attend the gala dinner hosted by Indonesia, the chair country. The minister, however, was seen walking in and out of meetings as he shuttled from one venue to another, holding some "last-minute make-or-break talks" with WTO Director-General Roberto Azevêdo and US Trade Representative (USTR) Michael

Froman, even past midnight.

“Talks are on... These are interesting times but I stand by what I said,” Sharma said after his meeting with the USTR and the WTO D-G. At the time of going to press, talks were still on and there was a strong possibility of a breakthrough.

Sources told Business Standard Sharma maintained a “no compromise, non-negotiable” stance publicly, especially on the food security issue, while he sent out the message of a relaxed and conciliatory approach during his private negotiations with representatives of key countries.

After his meeting with Sharma, Azevêdo was believed to have called a meeting with the European Union delegation. According to highly-placed sources present at the closed-door meetings, “it will become easy to pursue the Europeans if the US comes on board. India is only asking for an interim solution to continue till a permanent one is put in place”.

However, the Europeans were critical of India’s position at the meet and termed Sharma’s stand “political”. A high-powered panel of Members of European Parliament lambasted India for not being ready to “compromise”.

“For India, unfortunately, it is political. It is not an agriculture policy but a social one,” said Vital Moreira, the head of the European Parliamentarian delegation, also the chairman of the Committee on International Trade.

He was not the only one criticising India’s stance. According to Helmut Scholz, another member of the European Parliament and Committee on International Trade, India “cannot hold WTO hostage for its own domestic national interest”.

The Europeans lashed out at India’s food security programme, under which it was providing staple food to the poor at subsidised rates. They said India was “misusing the mechanism. The amendment of agreement on agriculturem simply cannot be done. This is as simple as that. Why cannot India and China understand,” Moreira asked.

Addressing a press conference earlier in the day, Sharma had said: “There’s not going to be a collapse. There have been past meetings that yielded no results and, shall we say, those who collapsed those meetings, but WTO survives. We have not come here to collapse any meeting. India is committed to a positive outcome from Bali. India is committed to a balanced and fair outcome, particularly in public stockholding and food security. It is better to have no agreement than to have a bad agreement.”

Sources said it was clear India was now looking beyond the horizons of Bali and taking negotiations back to the drawing table in Geneva.

At the time of going to press, major fire-fighting was on inside the negotiating rooms that were abuzz late in the night, even as the rest of the island was in deep slumber, with only the seas roaring.

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India's current account deficit shrinks to 1.2% of GDP
Remya Nair, Mint

New Delhi: India's current account deficit narrowed sharply in the quarter ended September as the impact of the government's measures to curb imports of non-essential items, especially gold, kicked in, signalling that pressure on the country's external sector is receding.

To be sure, slower economic growth and the consequent drop in imports are also responsible for the fall, which means less pressure on the rupee. The currency has depreciated 11.75% against the dollar since 1 January, and ended on Monday at 62.32 to the dollar.

The current account deficit—the sum of the balance of trade and invisibles such as remittances and software earnings—fell to 1.2% of gross domestic product in the July-September quarter of the current fiscal, the lowest level since the fourth quarter of 2010-11. It was 4.9% in the fiscal first quarter ended June and 5% a year ago for the quarter ended September.

Together with the improved gross domestic product numbers, the drop in the current account deficit is the best piece of macroeconomic news India has seen in some time, suggesting that the economy may have bottomed out. Data released last week showed that economic growth accelerated to 4.8% in the second quarter from 4.4% in the preceding quarter, aided by higher growth in industry and agriculture and a pick-up in exports.

The government is hoping that the economy will grow at 5% in the current fiscal.

Balance of payments data released by the Reserve Bank of India (RBI) almost a month earlier than expected showed that the sharp fall was mainly on account of a lower trade deficit as imports, especially of gold, fell sharply and exports rose.

India's current account deficit rose to 4.8% of GDP in 2012-13, much above the government's comfort level of 2.5-3% of GDP.

While merchandise exports were up 12% to $81.2 billion in the quarter on the back of growth in shipments of textiles, leather and chemical products, imports declined 4.8% to $114.5 billion. Gold imports in the quarter were at $3.9 billion, as against $16.4 billion in the first quarter and $11.1 billion in the year-ago period.

Improvement in services exports helped in increasing net invisibles, further aiding the fall in the current account deficit. Net services exports were up 12.5% at $18.4 billion.

Finance minister P. Chidambaram, while reacting to the numbers, said that the balance of payments position had improved significantly and expressed confidence that the current account deficit will remain within targets.

The government hopes to contain the current account deficit in the current fiscal at $60 billion. In the first half of the fiscal, the current account deficit stood at $26.9 billion, an indication that the government may manage to meet its target.

"External sector risks have abated. We are less vulnerable now and this is good news for the rupee as well," said Shubhada Rao, chief economist at Yes Bank Ltd. "The trade gap will remain range-bound and we expect the current account deficit for the full year to be around $50 billion or around 2.5-3% of GDP," she said.

"The domestic macroeconomic data is also looking better. The second quarter GDP number was better than expected. This is expected to further improve in the second half of the fiscal. So there are more positives than negatives," she added.

The Indian rupee gained 13 paise against the dollar and ended the day at 62.32 a dollar.

The government, however, did not receive adequate capital flows to fund the current account deficit in the quarter. Though there was a net inflow of $6.9 billion on account of foreign direct investment, there was an outflow of $6.6 billion on account of portfolio flows as talks of tapering by the US Federal Reserve saw foreign institutional investors pulling out funds. NRI deposits, however, were up sharply at $8.3 billion from $2.8 billion in the year ago period.

There was a drawdown of $10.4 billion from the country's foreign exchange reserves to fund the deficit. Rao said that steps taken by RBI to attract non-resident deposits should ensure that financing the current account deficit in the coming quarters should not be a problem.

In September, the central bank had announced that it would subsidise the hedging cost of foreign currency swaps for banks offering NRI deposits.

Abheek Barua, chief economist at HDFC Bank Ltd, said the fall in the current account deficit was more than expected. "A fall was expected given the low gold demand and a sharp pick-up in exports. But the magnitude of this fall can be attributed to considerable support from software exports and private transfers," he said. "With these numbers, the full year current account deficit should be around $50 billion or around 2.7-2.8% of GDP," he added.

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Maximising exports key to reining in CAD: Chidambaram
Business Line (The Hindu)

Chennai, 23 November 2013: If exporters sustain the export growth observed in October for the rest of the year, India "will end the year on a good wicket," according to Finance Minister P. Chidambaram. The government will support exporters, "the goal is to maximise exports and now is the best time," he said.

Export growth doubled to 13.5 per cent in October as compared with the previous months. Growing export is key to containing the Current Account Deficit as there are limited options to cut down on imports.

Due to WTO imperatives and the needs of import-dependent industries, inflow cannot be curbed beyond a point, he said.

The trade balance as of October was about $90.7 billion against $190 billion for the whole of last year. If exports could be increased in the coming seven months it would be possible to contain the trade deficit at about $150-155 billion. India would still be on 'good ground,' he said addressing members of the Federation of Indian Export Organisations.

Faster Clearance

The second half of the year usually sees export growth and with the rupee depreciation now would be the best time to maximise exports, he said.

The government is introducing Risk Management System for export cargo to bring down the dwell time of goods in customs processing at the ports.

Over 70 per cent of the cargo will go through with minimal checking based on the track record of the exporter and the export station. This will bring down the dwell time to a few hours instead of days. The system is in vogue for imports and will be rolled out for export cargo, he said.

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Exports account for 70% of GDP growth in Q2
Krishna Kant, Business Standard

Mumbai, 4 December 2013: The quarter ended September saw the first sequential improvement in GDP (gross domestic product) growth in five quarters. This has improved the prospects of an export-led economic recovery in India. According to Central Statistical Office data, financial, real estate and business services, including information technology (IT) services, were the biggest growth contributors, growing 10 per cent during the second quarter. Analysts expect the export momentum to result in rising capacity utilisation and a boost to investment and consumption demand in the coming quarters.

Back-of-the-envelope calculations show export growth (net of imports) accounted for 70 per cent of the incremental growth in GDP during the September quarter. At 2004-05 prices, exports of goods and services rose 16.3 per cent year-on-year basis, the most in eight quarters. Imports were flat, growing 0.4 per cent, the least in 14 quarters.

"The sequential growth in GDP was led by export sectors, which gained from the rupee's depreciation and the mild economic recovery in North America and Europe. In the near term, it directly raises output and the utilisation rate in export-oriented industries and their vendors and suppliers," says Dhananjay Sinha, co-head (institutional equity), Emkay Global Financial Services. He expects higher GDP growth in the second half of 2013-14, aided by export buoyancy and better growth in the farm sector. "GDP growth seems to have bottomed out for now, but its sustainability is still doubtful, given the macroeconomic headwinds such as high inflation, the persistently high fiscal deficit and regulatory bottlenecks in many sectors," he adds.

Now, exports account for 27.8 per cent of India's GDP (on an expenditure basis), the most in about a decade. The previous high was recorded in the September 2008 quarter, when exports accounted for 26.4 per of GDP. This, coupled with the sluggish import growth, led to a sharp fall in the current account deficit.

Ratings agencies, however, aren't surprised. "The economic growth in the second quarter has been led by a recovery in the export sector and robust growth in agriculture output. This was largely expected, given the rupee's depreciation earlier this year and the good monsoon," says Devendra Kumar Pant, chief economist and head (public finance) at India Ratings and Research.

Farm output (including forestry and fishery) rose 4.6 per cent in the second quarter, against 2.7 per cent growth in the first quarter and 1.7 per cent in the year-ago period. A good monsoon will translate into a bumper rabi harvest (winter crop), which will aid economic growth during the second half, besides raising rural income. It will also result in higher demand for consumer goods such as garments, tractors and two-wheelers.

Economists, however, doubt whether the buoyancy in the export and farm sectors will led to secular investment and consumption demand growth in the economy. “The recent data on the index of industrial production suggests a sporadic recovery in a handful of sectors, but there is still no sign of general growth in manufacturing. Investment demand, meanwhile, remains sluggish and unless it regains previous highs, the economic recovery won’t last long,” says Pant.

Gross fixed capital formation (proxy for investment) increased 2.6 per cent in the second quarter, against -1.2 per cent in the first quarter and 1.1 per cent in the year-ago period, though much below the double-digit growth recorded during the boom period of 2004-08. Investment demand accounted for 33.6 per cent of GDP in the second quarter, 100 basis points higher than in the first quarter, but 100 basis points lower on a year-on-year basis. At its peak, investment accounted for 36 per cent of GDP.

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Exim Bank looking to help exporters get orders too

K. Ram Kumar, Business Line (The Hindu)

Mumbai, 29 November 2013**:** The Export-Import Bank of India wants to not just finance exporters but also originate orders for them. Towards this end, the country’s only dedicated export finance institution is putting together an export marketing team, which will try matchmaking Indian exporters and importers overseas so that the former gets orders.

According to T.C.A. Ranganathan, Chairman and Managing Director, Exim Bank, “If we can do that (matchmaking) then it will be a real USP (unique selling proposition) that we would have created. “Then we will be in a position where we can get the exporter an order (get him a buyer and help him in the negotiation process) and then finance the transaction.”

The groundwork for origination of orders has already been laid and the data bank — of importers in various countries — has already been created. Further, reports of international rating services can also be leveraged.

“We are trying to create a market for exporters, whom I can then also support with financing (through buyers credit programme, line of credit programme, etc).“So, instead of being reactive, we are being proactive. We have done quite a few small end-to-end transactions,” said Ranganathan.

The Exim Bank honcho observed that he wants his institution to be recognisably different (by originating as well as financing deals to make money on all sides of the transaction) from the competitors, who are only financiers and not deal originators.

The financial institution has also strengthened its research team so that the research reports are meaningful for exporters.

“Now name a country, say Peru or Israel, and my people can do an analysis on the country’s trading partners, what it is importing/ exporting, where it is importing from/exporting to, how it can match with Indian trade.

“We have done these exercises on a number of countries in Africa, Latin America, Pakistan, Iran, Myanmar, China, France, the UK, Russia, etc. Wherever these reports have gone, they have got a huge response,” said Ranganathan.

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Quid pro quo: EU offers to ease visa curbs if India opens up insurance, Govt procurement
Amiti Sen, Business Line (The Hindu)

New Delhi, 4 December 2013: The European Union has said it could convince its member states to commit to more visas for Indian professionals as part of the proposed bilateral free trade agreement (FTA). But this will be possible only if India does its bit: open up insurance and Government procurement and lower duties on automobiles and alcohol.

India has been upset with the 27-member trade bloc for introducing a clause in the FTA — still under negotiation — that would limit the benefits for professionals seeking freer movement in Europe. "We could dilute the visa safeguard once India agrees to deliver in the areas where our interests lie," a senior official in the European Commission told *Business Line*.

The India-EU bilateral trade talk, formally known as the Broad-based Trade & Investment Agreement (BTIA), is stuck as the EU is not satisfied with India's offers in insurance, Government purchases and market access for automobiles and wines and spirits.

New Delhi, on the other hand, is insisting on more professional work visas and recognition as a data secure country to attract more off-shore business from Europe.

Although the EU had offered 40,000 additional professional visas for entry into the EU every year, a caveat introduced recently allows members to impose curbs once 20 per cent of the number committed by an individual EU country is breached.

Talks stalled

Some EU parliamentarians, however, are not very upbeat on the future of the talks, which have almost reached a stalemate.

"It all depends on whether the Indian Parliament gets to pass the Insurance Bill in the Winter Session. Otherwise, it could take three years before the two get another opportunity to conclude a deal as both sides face elections next year," said a parliamentarian, who did not want to be identified.

The EU wants India to raise the FDI limit in the insurance sector to 49 per cent from 26 per cent now. But it could happen only if the Insurance Bill gets passed.

And even when that happens, it remains to be seen if the Government can take binding commitments as it would be difficult for it to roll back the policy later if needed.

In the area of Government procurement, too, a Bill is pending in Parliament and India is not in a state to offer much till that is passed.

In the areas of automobiles and alcohol, where tariffs are very high, India has made offers for substantial cuts which it may find difficult to improve.

The BTIA is expected to create additional markets that would almost double bilateral trade to an estimated €150 billion ($200 billion) from about $110 billion last year.

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India-Asean services FTA may stumble again
Nayanima Basu, Business Standard

Nusa Dua (Bali), 3 December 2013: The India-Asean free trade agreement (FTA) on services and investment, expected to be signed on the sidelines of the World Trade Organization ministerial conference here, might face another delay due to the absence of Thailand, the Philippines and two other Asean countries, a senior commerce and industry ministry official told Business Standard.

The trade pact entails greater access to the Asean countries - Singapore, Malaysia, Indonesia, Vietnam, Thailand, the Philippines, Cambodia, Laos, Brunei and Myanmar - by Indian professional and a relaxed investment regime.

During the Cabinet meeting last week, Finance Minister P Chidambaram and Law Minister Kapil Sibal had expressed their displeasure to Commerce and Industry Minister Anand Sharma for not consulting them on matters related to gaining market access through investment.

India and the 10-member Asean bloc already have a goods agreement in place since August 2011, providing tariff-free access to a range of product lines such as textiles, pharmaceuticals, chemicals, engineering products, processed food and auto parts, among others. Hence, after signing the deal in services and investment, FTA will be called Comprehensive Economic Partnership Agreement.

The deal in services was supposed to have been signed in 2009 when the goods pact was agreed upon. However, at that time, some Asean countries, particularly the Philippines and Indonesia, were apprehensive of Indians "eating away our jobs" and they were also not open to the idea that similar concessions have to be given within the Asean members, commerce ministry officials said.

Ever since talks begun in 2005, India's main demand has been to obtain greater job opportunities for its professionals in the Asean countries.

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MFN status to India needed for mutual benefit: Pakistani businessmen
PTI

New Delhi, 1 December 2013: Pakistan should grant India the Most Favoured Nation (MFN) status for mutual interest as this will help treble bilateral trade to $10 billion in three years, a Pakistani business delegation said.

"Pakistan should give India the MFN status. It is very much needed in the interest of both the nations. It will help the trade volume between the two to grow to $10 billion in three years," SM Muneer, President, India-Pakistan Chambers of Commerce and Industry, here.

India had given the MFN status to Pakistan in 2006 but the move is yet to be reciprocated by its neighbour. Pakistan has been postponing implementation of its decision to grant MFN status to India with several deadlines missed, which is believed to be due to its domestic political compulsions.

Muneer said the granting of the MFN status to India would help in a big way to alleviate poverty prevalent in both nations.

He further said India might have to wait till the general election next year gets over as Pakistani authority would like to see the outcome of the poll, but added that whichever party comes into power, it would not come in the way for granting the status to India.

The bi-lateral trade between India and Pakistan currently stands at around $3.5 billion and the balance is highly tilted in favour of India.

Muneer, however, said Pakistan granting India MFN status would also help the businessmen from his country as they would be able to get access to a market which has a 1.2 billion plus population.

"We will get a bigger market and opportunity to export our product in India," he said, adding Pakistan's auto and agri sectors have some reservations on granting India the MFN status.

However, Indian authorities should also look at opening the banking channel, easing visa norms and starting flights to Pakistan for improving business relations, Muneer said.

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Way to go for Indian exports in trade with Japan
Kirtika Suneja, Financial Express

New Delhi, 2 December 2013: With trade between India and Japan at $18.51 billion, Tokyo accounts for a 2.34% share in India's global trade with petroleum products, oil meals, marine products, gems and jewellery and iron ore being the principal commodities of export to Japan while machinery, iron & steel, electronic goods, transport equipment and project goods are the major items that India imports.

Though a Comprehensive Economic Partnership Agreement (CEPA) was signed between India and Japan in 2011, the pact has led to imports from Japan increasing at a faster rate than exports from India. In 2012-13, India's exports to Japan were $6.10 billion while the imports stood at $12.41 billion, leaving a trade deficit of $6.31 billion.

The agreement covers goods, services, rules of origin, movement of natural persons, telecom, financial services, investment, IPRs, government procurement, sanitary and phytosanitary measures, customs procedures and cooperation in other areas and the two sides have set a bilateral trade target of $25 billion by 2014.

Significantly, the presence of Japanese companies in India has increased from 555 sites in 2008 to 1,422 sites in 2011 and is expected to reach 2,500 sites by 2015. Japan has partnered India in several high-key, high-value, high-priority projects like the Western Dedicated Freight Corridor Project and the Delhi-Mumbai Industrial Corridor (DMIC) Project.

From April 2005 to March 2013, the cumulative Indian investments into Japan are around $371.46 million. On the other hand, according to JETRO, Japanese investments in India are around $15.93 billion, inclusive of foreign direct investment as well as portfolio investment and M&A.

In September this year, the DMIC trust cleared six projects with a proposed investment of R1.1 lakh crore.

This includes an integrated industrial township at Greater Noida, an integrated multi-modal logistics hub in Haryana and a new rail line from Bhimnath to Dholera. The DMIC project, valued at $90 billion, seeks to create mega industrial infrastructure along the Delhi-Mumbai Rail Freight Corridor. Japan is giving

financial and technical aid for the project, which will cover seven states totaling 1,483 km. It has committed an investment of $4.5 billion.

The first phase of the two investment regions (Dholera in Gujarat and Shendra-Bidkin in Maharasthra) will be launched in this financial year.

Both the governments have now decided to jointly develop infrastructure in the Chennai-Bengaluru-Chitradurga Industrial Corridor which will pass through the three southern states of Karnataka, Andhra Pradesh and Tamil Nadu.

Also, the two sides plan to establish a Japanese Electronics Manufacturing Township with Japanese assistance in India with a world class infrastructure. Besides, a Japan Help Desk has been set up in the Department of Electronics and Information Technology (DeitY) which will facilitate Japanese companies to invest in electronics sector in India.

“There are huge opportunities for investment in sectors like infrastructure including investments in DMIC region, power, metals, renewable energy, manufacturing, automobiles and auto parts, agro processing and food processing, electronics hardware manufacturing (EHM) and creative industries,” said commerce and industry minister Anand Sharma recently.

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Kolkata to Kunming: Indian and Chinese strategies converging to build land and trade ties in North East
Subir Bhaumik, Economic Times

5 December 2013: During Prime Minister Manmohan Singh's Beijing visit in October, Kunming and Kolkata were declared sister cities. Much as Delhi and Beijing or Bangalore and Chengdu were.
But Beijing and Delhi have shared little besides being the political capital of two emerging Asian giants and Bangalore and Chengdu are two huge icons of the new economy of China and India. On the other hand, Kolkata and Kunming have a popular forum that was started off by academics but has graduated into a platform for development of trade, business, cultural and academic exchange.

The forum holds an annual dialogue every year, bringing together business chambers and academic bodies based in Kunming and Kolkata, both cities hosting it alternatively every year. The ninth K2K forum was held in Kolkata last month and ended up with a declaration, that urges Indian and Chinese governments to work towards opening an effective land corridor for growth of mutual trade and people to people contact.

This might sound like a bit of a climbdown from the Bangladesh-China-India-Myanmar (BCIM) economic corridor that India and China have agreed to explore during Manmohan Singh's visit. Beijing is upbeat on this corridor: it sees this as a firm step toward economic integration between the world's second and third largest economies.

India has a few security concerns including possible Chinese economic preponderance in an area of the country which is poorly developed. But Delhi sees the BCIM corridor as a way to boost investment and growth in India's eastern and northeastern states. So it has agreed to explore the possibilities of the BCIM economic corridor.

Highway, My Way

But the Indian and Chinese delegations at the K2K realised that a land corridor, a trans-national highway, was a pre-requisite for the ambitious BCIM economic corridor.

Without physical connectivity between Kunming and Kolkata, sister cities at two ends of the BCIM continuum, there was very little chance for the corridor to take off.

So the K2K process not only helps India to explore the potential and challenges of the BCIM economic corridor but also lays the base for it by asking for land connectivity between Yunnan and eastern and northeastern India that would involve Bangladesh and Myanmar. It helps China explore the economic potential of the region through which the Kolkata-Kunming highway would pass, so that it can frame its investments in the region.

After the third plenary of the Communist party of China in November, the party has laid 'decisive emphasis on market forces.' China cannot afford to go wrong on where and what to invest in. The BCIM region is varied but economically challenging because it is made of frontier regions of the four countries that have been afflicted by trans-border insurgencies and trade in drugs and weapons, but have been ignored by global investors. The leader of the Chinese delegation at the K2K forum admitted that 'proper research was needed to identify the right kind of investments' in the proposed corridor.

Eastern Promises

This process is crucial to the success of India's Look-East foreign policy. At the core of this is the conviction that engaging neighbours through its northeast is crucial to allow the troubled region to develop and prosper. Without the northeast in the equation, India's Look-East could well be taken forward by sea. It is easier to access south-east Asian countries from the ports on India's east coast.

For India, Look-East also makes sense only if it is trying to tap into markets in China's west and southwest, which are far from its eastern coast. Yunnan, China's biggest province in the region , is being used by Beijing for a 'bridgehead' strategy to boost trade and connectivity with south and south-east Asia. Premier Li Keqiang has said that this strategy and India's Look-East policy complement each other.

The land corridor is crucial to both China's bridgehead and India's Look-East. This year's forum also went beyond Bengal and had Bihar and the northeastern states in the process. Bihar says it is keen to look for Chinese investments in the food processing industry.

Business Buddies

Tripura says it wants Chinese investments in rubber-based industries as the state is now India's second largest rubber producing state after Kerala, but has failed to attract much Indian domestic investment. Manipur wants Chinese investments in bamboo-based industries, to begin with. Many companies see the possibility of a popular tourism circuit on the Kolkata-Kunming axis that could attract not only outbound Indian or Chinese tourists, whose numbers are growing , but also Western adventure-seekers looking for the undiscovered. In much the same way as demand for Indian black tea seems to be growing in China and that of Chinese green tea is growing in India.

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State agencies float tenders to export 6.5 lakh tonnes of wheat
Vishwanath Kulkarni, Business Line (The Hindu)

New Delhi, 3 December 2013: Buoyed by the better-than-expected response to recent wheat tenders, State entities such as MMTC, STC and PEC Ltd have invited bids to ship out 6.5 lakh tonnes more, probably the highest volume on offer in a month. These tenders, which will be decided over the next 20 days, might pull down global wheat prices, analysts said.

PEC Ltd has invited tenders to ship out 1.2 lakh tonnes of wheat stored in Food Corporation of India (FCI) godowns at the Kandla Port. It has also invited bids for 35,000 tonnes of wheat stored in Vizag port, while MMTC has offered to sell 55,000 tonnes stored at Pipavav port. These tenders would be opened on December 12, and the wheat has to be shipped between December 22 and January 25.

PEC will also open tenders for 70,000 tonnes of wheat being offered from Krishnapatnam port on December 16.

STC has invited tenders for 2 lakh tonnes to be shipped out from Mundra Port and 70,000 tonnes from Chennai port, while MMTC has offered to sell 1 lakh tonnes stored at Kakinada.

The STC and MMTC tenders will be opened on December 23.

This huge volume on offer indicates that pressure is building up on the State agencies not only to create storage space for the new crop, but also to take advantage of current global prices.

Analysts said these tenders may attract bids from more buyers, as wheat availability from Russia and Ukraine will be lower on account of snow.

In the bids opened a fortnight ago, buyers quoted up to 10 per cent higher than the floor price of $260 a tonne, largely in line with the prevailing global price.

On October 30, the Government had cut the floor price for wheat exports by $40 a tonne to $260 to make the wheat shipments more viable in the global market after the state entities received poor response to export 1.6 lakh tonne last month.

The Government has decided to ship out about 2 million tonnes of wheat to cut surplus stocks and create space for other cereals, such as rice, for which paddy procurement is currently on in States such as Punjab and Haryana.

On November 1, wheat stocks stood at 34 million tonnes, three times more than the target for the October -December quarter.

The State entities had exported 4.2 million tonnes of wheat in 2012-13 fiscal and the value of these shipments was $1.4 billion.

The average price fetched by the Indian wheat stood at $311.38 a tonne last fiscal.

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Coffee exports up 29%
Mahesh R Kulkarni, Business Standard

Bangalore, 4 December 2013: Coffee exports have registered a 29 per cent rise in the first two months of the crop year (October 2013 to September 2014). The country exported 39,800 tonnes, compared to 30,859 tonnes a year ago.

The rise is significant as the previous year (October 2012-September 2013) had seen a decline of 5.24 per cent to 299,582 tonnes.

"The depreciation of rupee and the rush to clear carry-forward stocks were the main reasons for the sudden jump. Growers, specially small and medium, are in need of money to meet the harvesting expenses for the current crop year. The harvest for Arabica has begun," said Ramesh Rajah, president, Coffee Exporters' Association of India.

In dollar terms, exporters have earned $100 million in the two months against $92.86 million a year ago. In rupee terms, the exporters have earned Rs 620.53 crore against Rs 499.76 crore. The unit value a tonne has dropped from Rs 1.62 lakh to Rs 1.56 lakh between October and November, a drop of 3.8 per cent.

India exports coffee mostly to Italy, Germany, Russia, Belgium and Spain. Robusta variety is mainly used in the preparation of instant drinks and espressos worldwide.

Rajah said while the rupee depreciation had helped exporters earn higher dollar revenues, the lower prices in the international markets have offset the gain. Over the last year, Arabica prices have declined 45 per cent to 110 cents a lb. Huge off-year crop harvested by Brazil triggered the crash.

Nishanth R Gurjer, former chairman of Karnataka Planters' Association (KPA) said the green coffee exports have been stagnant over the last year, while the instant coffee exports have been increasing. "Small growers were not in position to hold on to their stocks and have cleared their inventories. The exports have mainly come from companies."

According to Rajah, the rise is unlikely to sustain through the rest of the year. "The real picture will emerge by April, when the harvest will be over and we will know how much stock will be available for exports. By the indications, the current year's crop is short. Harvesting for robusta will begin by December-end or early January," he said.

The Coffee Board has scaled down its projections for the current year by 10 per cent. In its post-blossom estimates earlier this year, the Board had projected a production of 347,000 tonnes. The post-monsoon estimates are yet to be announced.

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Spices exports swell 43% to Rs 6,118 crore
George Joseph, Business Standard

Kochi, 3 December 2013: Marking a 43 per cent jump in value terms and a 20 per cent rise in volumes, spices exports increased from 314,835 tonnes valued at Rs 4,286 crore during the April-September 2012 period to 378,755 tonnes worth Rs 6,118 crore during the same period this year, according to Spices Board data.

Notably, out of the 18 items in the export basket, only four recorded a decline during the period.

A 300 per cent increase was recorded in the 'other seeds' segment, which includes mustard, aniseed, ajwanseed, poppy seed, among others. In this segment, 12,300 tonnes valued at Rs 63.75 crore were exported against 3,077 tonnes valued at Rs 18.90 crore in the year-ago period.

In quantity terms, export of mint-based products witnessed a 158 per cent growth, nutmeg and mace registered a 120 per cent expansion and celery reported a 138 per cent growth.

In the first six months of the current financial year, 10,650 tonnes of mint products valued at Rs 1,334.37 crore were exported compared with 4,130 tonnes valued at Rs 793 crore in the year-ago period, registering a growth of 158 per cent in quantity and 68 per cent in value terms.

In the case of pepper, a 36 per cent rise was recorded during the April-September 2013 period at 10,200 tonnes valued at Rs 423 crore. Plus, 21,300 tonnes of coriander valued at Rs 172 crore were also shipped, registering a growth of 40 per cent in volume and 117 per cent in value.

Curry Powder

During the period, 9,950 tonnes of curry powder and paste valued at Rs 165 crore were exported compared to 6,591 tonnes worth Rs 107 crore during the year-ago period. Export proceeds from spice oils and oleoresins, where India dominates with around 65 per cent of the global market, has increased 31 per cent at Rs 807.72 crore. Volume increased to 5,765 tonnes from 4,040 tonnes.

Chilli, garlic drops

However, India suffered setback on the export of chilli - the largest export item from India volume-wise - cardamom, garlic and ginger during the first half of FY14.

While chili exports dropped three per cent at 134,500 tonnes valued at Rs 1,194 crore, garlic exports showed a decline of 36 per cent in volume terms at 7,500 tonnes worth Rs 34.12 crore. Ginger registered a 53 per cent fall at 5,550 tonnes valued at Rs 91 crore.

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Garment exports rise 31% in October
Business Line (The Hindu)

New Delhi, 21 November 2013: India’s garments exports increased by 31 per cent to $1.19 billion year-on-year in October 2013, pushed by increased demand from all major markets including the US and the EU.

With higher orders flowing in from all regions, except South Asia, garments have become one of the top growing export sectors. India’s total exports during October posted a 13.47 per cent growth to $27.27 billion.

“Our efforts and investments in the right markets coupled with Government support have paid dividends. It was indeed a difficult time (global slowdown), but between opportunity and crisis trade-offs, we kept on looking for better and newer markets, kept innovating our products as well as making robust our compliance practices,” Apparel Export Promotion Council A. Sakthivel said in a release.

Sakthivel said because of the high quality of garments, India had become a preferred sourcing destination for brands like Zara, Gap, H & M, Mango, Elcorte, Desigual, Tommy Hilfiger, etc. and prominent chain stores such as Walmart, C&N, H & M, JC Penny, Target, Sears, Marks & Spencers and H&M.

In January-September, US imports of apparel from India increased by 5 per cent to $2.5 billion. India's export to EU in the January-July period was 1 per cent higher compared to the previous year amounting $3.4 billion.

EU was the top destination for garment exports by India followed by the US and West Asia.

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Gems, jewellery exports glitter in October, up 21.8 per cent
PTI

New Delhi, 4 December 2013: After falling for five months in a row, India's gems and jewellery exports rose by 21.8 per cent year-on-year in October to $3.37 billion boosted by rising demand from western markets ahead of Christmas.

In October 2012, these exports stood at $2.7 billion, according to the data provided by the Gems and Jewellery Export Promotion Council (GJEPC).

"Ahead of the Christmas season, exporters are getting a good number of orders not only from traditional markets like the US, Europe and Middle East but also from emerging ones including Latin America and Africa," a GJEPC official said.

The major markets for the country's gems and jewellery exports are the US, Europe, Middle-East, Hong Kong and Japan.

Among the categories which registered growth in October are coloured gemstones exports, followed by cut and polished diamonds and silver jewellery.

However, segments like gold medallions &coins and gold jewellery exports witnessed declines.
India is the largest importer of gold which is mainly utilised to meet demand of the jewellery industry. The country imported around 830 tonnes of gold last fiscal.

In the first seven months of this fiscal, gems and jewellery exports declined 6.67 per cent to $20.94 billion due to weak demand in western markets. During 2012-13, these exports declined by 9.4 per cent year-on-year to $39 billion.

Gems and jewellery constituted 17 per cent of India's total exports in the last year. The sector employs 1.5 million people.

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No change in pharma FDI norms: Sharma
Business Line (The Hindu)

New Delhi, 29 November 2013: Facing strong opposition from the Finance Ministry and the Planning Commission, the Government has decided against revising the foreign direct investment (FDI) limit for the existing pharmaceutical companies.

The Union Cabinet, which met here on Thursday, has rejected a proposal in this regard.

“We are not reducing (the FDI cap in brownfield pharmaceuticals) for the moment,” Commerce and Industries Minister Anand Sharma told reporters on Friday.

The proposal before the Cabinet was to prescribe three broad categories.

New projects will continue to have 100 per cent FDI. Existing projects producing non-rare/non-critical drugs will also have 100 per cent FDI.

However, a third category for existing projects producing critical or rare drugs was created. This category will have 49 per cent foreign equity and it will be combination of FDI and FII (Foreign Institutional Investors).

Currently, the FDI limit for both, the new or greenfield pharmaceutical projects and existing or brownfield projects, is 100 per cent. However, the approval route is automatic for the new ones, while for existing projects, the proposal needs clearance from the Foreign Investment Promotion Board (FIPB). The Cabinet proposal was prepared in the backdrop of increasing number of mergers and acquisitions of existing pharmaceutical companies. The proposal also talked about tightening some norms such as mandatory investment in R&D and doing away with non-compete clause.

However, not only change in FDI provisions, but also many of the stringent norms barring one was rejected. Sharma said the non-compete clause would be done away with. Such a clause prevents the acquired entity from producing similar products by the acquirer.

RBI data show that during April 2012 and June 2013, brownfield pharmaceutical projects got $2,034 million worth of FDI while greenfield ones attracted just $90 million.

It means over 96 per cent of total FDI in pharmaceutical projects are merely substituting domestic capital by foreign capital rather than adding new capital.

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Govt may issue compulsory licences on diabetes drugs
C.H. Unnikrishnan, Mint

Mumbai, 5 December 2013: India, with at least 60 million diabetes patients, may consider issuing compulsory licences for some patented diabetes management drugs sold in the country in an effort to make them accessible and affordable.

A committee formed by the ministry of health and family welfare to recommend ways to ensure access to essential drugs to patients will suggest that compulsory licences be issued for at least two patented therapeutic drugs, according to two people familiar with the development.

Affordability is a key issue in countries such as India with a large number of poor or low-income households and the low reach of medical insurance (less than 15% of the population has a health cover, according to a report by consultant EY, previously known as Ernst and Young).

“We have received a number of requests from health and patient groups and not-for-profit organizations for considering compulsory licensing option for several costly patented drugs in therapies, including cancer, heart diseases, HIV AIDS, diabetes among others,” said one of the two persons cited above. The person, an official at the ministry of health and family welfare, asked not to be identified.

“Looking at the basic criteria such as size of patient population and the severity of access issue, diabetes seems an ideal case and there are possibilities for inviting the committee’s attention to requests for making diabetes therapy more affordable to Indian patients,” added this person.

The ministry is yet to identify the drugs for compulsory licensing.

“There needs to be more discussions and debate on this. The government may also try to talk to the patent holders (to provide) for voluntary licences to interested parties,” said the second person, who is a senior official at the Intellectual Property Office. This person too did not want to be identified.

A compulsory licence would allow a drug maker to use patented technology to manufacture a generic version of the product. The government can invoke the provision if a patented product is proven to be unaffordable to a large portion of local consumers or if there isn’t enough supply to meet demand. The government resorts to issuing a compulsory licence as the final option when the patent holder is not ready to either make the product accessible to the consumer or refuses to issue a voluntary licence to another manufacturer.

“OPPI believes that compulsory licensing of a patented invention is not a sustainable or viable solution to addressing India’s healthcare challenges. We believe compulsory licences should be used only in exceptional circumstances, such as in times of a national health crisis. If used arbitrarily, compulsory licences will serve to undermine the innovative pharmaceutical industry and will be to the long-term detriment of the patient,” said Ranjana Smetacek, director general, Organisation of Pharmaceutical Producers of India (OPPI), in an emailed response. OPPI is a lobby of foreign pharmaceutical companies in India.

But generic drug makers and the patient groups have often argued that since some of the drug patents granted in the country are not justified, the government either identify those patents to get them revoked or take corrective measures.

“Market monopoly for drugs through patent rights, sometime with frivolous claims, are not justified and the government should ideally notify all such patents as potential candidates for compulsory licences if they violate the laws of the country,” says Murali Neelakantan, global legal head at drug maker Cipla Ltd. In general, drugs made under compulsory licences are much cheaper than those that are patented although patent-holders claim this is because the generic manufacturer hasn’t had to spend the billions that typically go into drug research.

By 2020, India may have 120 million diabetics, according to industry data, including that from the Diabetes Association of India.

Although India’s local drug industry makes and sells many generic diabetes drugs, some of them are very old molecules and considered inferior to the latest drugs, including new-generation gliptins, which are under patent protection. There are, at least, half a dozen different molecules in this group that have already been introduced in the global pharmaceutical market.

In June, the health ministry banned the popular generic drug pioglitazone, citing side effects and also in the wake of the introduction of better new drugs. The ban was revoked later as at least three million patients were still on the drug.

Increased demand for new-generation medicines has encouraged some generic drug makers to introduce these medicines at the risk of violating patents. To be sure, profits, rather than public interest, may be behind most of the launches.

Mumbai-based Glenmark Pharmaceuticals Ltd introduced the generic version of Sitagliptin, patented by US drug maker Merck and Co., in 2013. A patent infringement case filed by Merck against Glenmark is currently pending before the Delhi high court.

Merck and Glenmark did not offer comments on grounds that the matter is sub-judice.

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