INDIA'S TRADE NEWS AND VIEWS

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WTO scales down global trade forecast to 3.3 pc for 2013
PTI

New Delhi, 10 April 2013: Faced with the slow recovery and fears of increasing protectionism, the WTO today scaled down the forecast for the global trade growth rate to 3.3 per cent from 4.5 per cent for this year, a development which does not augur well for India.

Slowing global trade according to experts will make it difficult for India to tide over the problems concerning widening current account deficit.

"World trade growth fell to 2 per cent in 2012, down from 5.2 per cent in 2011, and is expected to remain sluggish in 2013 at around 3.3 per cent as the economic slowdown in Europe continues to suppress global import demand," a World Trade Organisation (WTO) statement posted on its website said.

WTO Director-General Pascal Lamy said the events of 2012 should serve as a reminder that the structural flaws in economies that were revealed by the crisis have not been fully addressed, despite important progress in some areas.

"Repairing these fissures needs to be the priority for 2013," Lamy added.

It said that improved economic prospects for the US in 2013 should only partly offset the continued weakness in the EU, whose economy is expected to remain flat or even contract slightly this year according to consensus estimates.

China's growth should continue to outpace other leading economies, cushioning the slowdown, but exports will still be constrained by weak demand in Europe. As a result, 2013 looks to be a near repeat of 2012, with both trade and output expanding slowly, it said.

"As long as global economic weakness persists, protectionist pressure will build and could eventually become overwhelming. The threat of protectionism may be greater now than at any time since the start of the crisis, since other polices to restore growth have been tried and found wanting," Lamy said.

In September 2012, the WTO had forecast that the world trade would expand by 4.5 per cent in 2013.

Further, it said that developing countries and the Commonwealth of Independent States collectively raised their output by 4.7 per cent in 2012. India recorded a 5.2 per cent increase.

"Contributing to the slow growth in Asia were India and Japan, where exports declined by 0.5 per cent and 1 per cent, respectively," it added.

During the April-February period, India's exports declined by 4 per cent to USD 265.95 billion. Imports during the period grew by a mere 0.25 per cent to USD 448 billion, leaving a trade deficit of USD 182.1 billion.

Current Account Deficit (CAD), which is the difference between inflow and outflow of foreign currency, has touched a historic high of 6.7 per cent of the GDP in quarter ending December.

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Foreign trade policy review on April 18 to perk up dwindling exports
Nayanima Basu, Business Standard

New Delhi, 2 April, 2013: The government is going to unveil annual supplement to the Foreign Trade Policy 2009-2014 on April 18 to provide incentives for the country's ailing export sector which contracted for eight straight months before rising a tad in January and February of 2012-13.

The sectors that are going to get special focus are engineering, gems & jewellery and leather. Besides, the government is expected to give a major thrust to the special economic zones (SEZ).

The package is going to be worth Rs 1,500-2,000 crore. Considering the fact that exports in US and European markets have taken major hit in 2012-13, the government might announce some special incentives for exporters to regain their market share in these traditional destinations. This will be announced under the Focus Market Scheme (FMS).

As a long term measure, the government is, however, expected to propose creation of an Export Development Fund having a specific corpus to give incentives for exporters to venture into newer markets since the demand in traditional markets of US and Europe has seen a sharp decline and is not expected to rise anytime soon.

The annual supplement to the FTP this year may extend 2% interest subvention to engineering, gems & jewellery and leather, officials in the commerce department told Business Standard.

Besides, this year the government may give a major thrust to the units situated inside special economic zones (SEZ) that enjoy a 100% income tax exemption for the first five years of operations. This was earlier supposed to come as part of the budget 2013-14 only. However, the government is now likely to announce some major scheme in this regard in the FTP.

The zones are facing rough weather ever since the government imposed a minimum alternate tax (MAT) and dividend distribution tax (DDT) in the 2011-12 Budget. Units were levied MAT, while developers both MAT and DDT. Of the 588 SEZs formally approved, 385 have been notified but only 161 are operational.

"In the current policy framework, SEZs no longer provide lucrative offer for unit holders or developers to continue investing in SEZs," said Adi Godrej, chairman of the Godrej group and president of CII.

He hoped that the Government will provide policy impetus by taking into consideration abolition of MAT and DDT.

After a 3.23% growth in April, exports continued to fall till December, before rising 0.82% in January and 4.23% in February of 2012-13. The figures for March and hence the entire 2012-13 would be announced before the FTP supplement.

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Exports alone will keep us afloat
Ritesh Kumar Singh, Business Line (The Hindu)

27 March 2013: The Budget (FY14) has recognised the rising current account deficit (at 4.6 per cent of GDP in FY12) as the biggest threat to India's macro-economic stability. Given the inelastic nature of India's major imports (e.g. crude, coal, edible oil and fertilisers) and the insatiable demand for gold, the long-term solution to the problem of CAD lies in attracting foreign investment or increasing exports.

Of the two key components of foreign investment, FII is highly volatile and its net inflows depend on risk-weighted return in equity markets. FDI inflows depend upon the overall attractiveness of India as an investment destination.

Given the huge demand for FDI across the regions and India's poor record on ease of doing business, there is a limit to how much FDI India can get. This leaves us with only one viable alternative — to push exports.

Export of services

The sectoral composition of an economy must be in congruence with its export basket. However, India's share in the world export of services is just 3 per cent, compared with China's 4.5 per cent, despite India's tertiary sector accounting for roughly 60 per cent of the GDP.

Export of services (as much as manufacturing or farm exports) does not suffer from infrastructural and regulatory impediments. Yet the sector accounts for not more than one-third of India's total exports of goods and services taken together.

India's export of services has a narrow base (in terms of product offerings and market mix) with the share of IT and ITES in India's export of services alone being 40 per cent. Of that, more than 75 per cent goes to just three countries — the US, the UK and Canada. There is a growing sentiment against outsourcing, especially in the US.

These markets do not have much scope for incremental exports. Fast-growing emerging markets should have been the focus for export of services, but these remain largely untapped.

Another sector with a huge potential for earning foreign exchange is tourism, but it is constrained by infrastructural limitations (such as high cost of real-estate) and of late growing safety concerns, of women tourists in particular.

Export of merchandise

Farm exports suffer from poor post-harvest infrastructure, less emphasis on processing and policy flip-flops on export.

Manufacturing exports suffer from a series of bottlenecks, ranging from poor transport infrastructure to rising input cost (aggravated by the disadvantageous exchange rate of rupee and import parity pricing of inputs).

Slower regulatory approvals, and rising cost of compliance with red tape make India's merchandise exports uncompetitive, and lead to increasing exports of low value raw materials/intermediates, such as fibre or yarn instead of apparel, or mineral ores instead of finished products.

The share of manufactured goods in India's export has declined from 78.8 per cent in FY01 to 69 per cent in FY11 and further to 64.5 per cent in April-November FY13.

On the other hand, imports from low-cost countries are on the rise because domestic manufacturing is increasingly becoming uncompetitive. Export incentives of 2-5 per cent of the export value cannot compensate for 7-9 per cent of export transaction cost.

Export Incentives

To comply with its commitments to WTO, India will have to phase out most of its export incentives (except duty drawback and Textile Upgradation Funds Scheme) once it reaches per capita GNP of $1,000 at 1990 prices. Export competitiveness is deemed to be achieved if a country's global export share of a specific product group (to be defined as a section heading of the India Harmonised Code System) is 3.25 per cent or more in two (consecutive calendar) years.

As a result, export sops for sectors such as textile and clothing (falling under section heading XI of the Harmonised Code System) will have to be phased out. Yet, most of our export promotion talks centre around incentives and sops, though there is no denying their utility as a short-term measure.

What can be done?

As per the World Bank's Ease of Doing Business Report 2013, over one-third of the cost of export formalities is on export documentation. Rationalisation of documentation requirement (as suggested by Task force on Trade Transaction Cost), therefore, will be a real thumbs-up for India's exports.

Expediting preferential trade agreements (given the stalemate over WTO Doha Round) with emerging countries in Asia, Africa and Latin America (e.g. India-Mercosur) will help, given the prohibitive tariff and non-tariff barriers, low levels of existing bilateral trade, comparable incomes and similar consumer preferences.

However, not all preferential arrangements can be helpful to India's exports. For instance, 30 per cent domestic content requirement under SAFTA meant for duty-free import of garments from LDCs like Bangladesh, is actually leading to backdoor entry of Chinese fabrics into India.

Ensuring cooperation on harmonisation of trade regulations can further increase intra-SAARC trade and boost India's exports.

Besides, India will have to increase its exports to China in order to reduce its burgeoning trade deficit with the country.

Trade pacts with developed countries are another area. India-EU may support export of Mode 4 services, but market access benefit for India's merchandise exports will be limited because of the existence of low tariff barriers in EU.

Non-tariff barriers

Advanced EU countries are increasingly resorting to non-tariff barriers that are too difficult to penetrate through free trade pacts, such as carbon trade measures. Mutual Recognition Agreements, whether under the framework of FTAs or outside, will be needed, given the increasing cost of compliance with such regulations, thereby decreasing net realisation from exports.

Many of India's key exports are low margin affairs, such as readymade garments. Margins will be under further pressure (in future) because of the increasing competition from low cost countries such as Bangladesh, Cambodia and Vietnam.

The result would be more volume but not much addition to the value of exports. Some kind of product differentiation (such as voluntary carbon labelling) will protect our margins in key export markets such as EU and the US, and needs incentivisation.

India's share of 1.7 per cent in global merchandise export, as compared with China's 10.5 per cent, is quite low.

There is, thus, immense potential to increase it to 5 per cent in the next few years.

In the light of the rising cost of skilled workers, the key to promoting exports of services lies in ensuring adequate supply of skilled workers, in addition to broadening our offerings in services and reaching out to emerging markets.

We must simplify export procedures and explore markets other than the US and the EU.

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Government releases latest edition of consolidated FDI policy
PTI

New Delhi, 6 April 2013: Seeking to further simplify the foreign investment regime, government today came out with the revised consolidated guidelines on FDI.

The guidelines incorporated changes with regard to inflows in multi brand retail and allowing Pakistan nationals and companies to invest in the country.

Besides, it has included policy changes in sectors like single brand retail, asset reconstruction companies (ARCs), power exchanges, civil aviation, broadcasting and non-banking financial companies (NBFCs). The government made these changes in the sixth edition of the Consolidated FDI Policy Circular, a ready reckoner on foreign investment-related regulations that is effective from April 5.

Last year, amid opposition from some of its key allies and state governments, the Centre permitted 51 per cent FDI in multi-brand retail sector. The government also allowed foreign airlines to pick 49 per cent stake in the cash-strapped domestic carriers.

Similarly, it has raised FDI cap to 74 per cent in various services of the broadcasting sector. The foreign investment ceiling in ARCs has also been increased to 74 per cent from 49 per cent, a move aimed at bringing more foreign expertise in the segment.

It has said that the total shareholding of an individual FII in an ARC shall not exceed 10 per cent of the total paid-up capital.

Further, it has incorporated the changes made with regard to FDI from Pakistan. Now, a Pakistani citizen or an entity can invest in the country under the government approval route.

With regard to issue price of shares, a new paragraph has been added.

Under this, where a non-residents including NRIs are making investments in an Indian firm in compliance with the provisions of the Companies Act, 1956, by way of subscription to its Memorandum of Association, "such investments may be made at face value subject to their eligibility to invest under the FDI scheme".

The government has permitted foreign investment of up to 49 per cent in the power trading exchanges in the country.

The policy has also listed as many as eight mandatory conditions and one optional clause with regard to conversion of a company with FDI into a Limited Liability Partnerships (LLPs) firm.

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Why Pakistan Hasn't Liberalized India Trade
The Wall Street Journal

8 April 2013: Pakistan's failure to push ahead with an agreement to liberalize trade with India comes amid heightened border tensions between the neighbors and concerns about the deal from Pakistan's agricultural sector.

Islamabad was supposed to give India most-favored-nation trading status by the end of 2012, but failed to do so. MFN status is a World Trade Organization term that means all members of the global trade body must treat each other equally when it comes to tariffs. Both countries are members of the WTO.

Although India granted MFN status to Pakistan in the 1990s, Islamabad has yet to reciprocate, arguing that New Delhi maintains sizable non-tariff barriers to trade.

Pakistan had committed to granting India MFN status as part of peace talks aimed at normalizing relations between the nations. But the deaths of Indian and Pakistani soldiers in border skirmishes between the countries' armies in Kashmir this year have made it impossible to push through the deal, says Dr. Abid Sulehri, Executive director of the Sustainable Development Policy Institute, an Islamabad-based think tank.

The delay, according to Amjab Baloch, staff officer to former federal commerce minister, Makhdoom Amin Fahim, also is due to concerns by Pakistan's agricultural sector. The agricultural lobby contends Pakistan cannot grant MFN status to India unless Pakistani farmers receive the same subsidies that Indian farmers enjoy.

"The agricultural sector has had some reservations," said Mr. Baloch. "Those are also almost finalized." He said the deal will be formally announced by Pakistan's new government, which will come to power after national elections slated for May 11.

Some observers say that even with MFN status considerable obstacles to normal trade relations between India and Pakistan still remain.

Pakistan will continue to run a long "negative list" of products that India cannot export. The list includes 1,200 products made by key industries for employment and national security but is supposed to be phased out over time. India has a similar, though shorter, list. Last year, Pakistan's government pledged to scrap the list by the end of 2012, another deadline that was missed.

Michael Kugelman, South Asia Associate at Woodrow Wilson International Center for Scholars, a Washington DC-based research group, says Pakistan's powerful agricultural lobby is a major obstacle to paring down the list. They are concerned about cheap – and better quality – products from India flooding the Pakistan market.

The continued existence of the negative list will blunt any benefits from granting India MFN status, analysts say. Trade between Pakistan and India currently stands at less than $3billion. A normalized trade regime would see that figure soar to $40 billion, according to a recent report by the Woodrow Wilson International Center for Scholars. Increased trade could also pave the way for more cooperative bilateral relations with India on core political and security issues.

Pakistan complains that India has granted MFN status but keeps out Pakistani products through non-tariff barriers to trade, such as complicated labeling requirements and India's refusal to recognize Pakistan's industrial standards and safety codes. This means that Pakistani goods get tied up in lengthy and costly quality testing on the Indian side of the border.

Mr. Kugelman says Pakistan is right to complain about these things. “Given that India is the bigger and stronger economy the non-tariff trade barriers on their side stand out more,” he said. “India needs to be a bit more transparent about its barriers and trade processes.”

There are other infrastructure challenges that continue to complicate cross-border trade. None of the mobile network carriers in India or Pakistan have agreements with carriers on the other side of the border. There are limited links between banks in the two countries. And there is the basic challenge of the bad roads on either side of the Wagah border, the only land entry point that goods are allowed to pass through. Efforts to make trade part of peace talks that began in 2004 got nowhere. The attack on Mumbai in November 2008, in which 10 Pakistani militants killed more than 160 people, brought the peace talks to an abrupt halt. They didn’t resume until 2011.

In September 2011, Anand Sharma, India’s trade minister, invited Pakistan’s commerce minister to India for talks. This was the first visit by a commerce minister from Pakistan to India in 35 years and it sparked optimism about progress on trade liberalization.

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BRICS not pulling their weight
Srinath Raghavan, Business Line (The Hindu)

1 April 2013: The BRICS summit in Durban underlined both the importance and limitations of this grouping, especially from India’s standpoint. The announcement of a Contingent Reserve Arrangement and the intention to create a new Development Bank suggests that this grouping could be more than a talking shop.

Yet the idea of such a Bank has some distance to go before it becomes reality. Further, whatever steps the BRICS may have taken on the economic and financial front, the grouping is punching well below its weight on political and security issues.

Benefits of A Bank

The idea of a development bank was initially mooted by India. It stemmed from the fact that the principal problem facing emerging and developing economies was lack of long-term financing and investment in capital stock. So far, such infrastructure projects were mostly financed by the World Bank and other international financial institutions. But the outlay and orientation of these traditional lenders has left much to be desired. The BRICS are sitting atop a pile of foreign exchange reserves — they account for almost 40 per cent of global foreign exchange holdings — and are well placed to create a bank that would step into this critical breach.

That said, there is no agreement yet among these countries on the scale of the effort. China has apparently suggested an initial contribution by each country to the tune of $100 billion and offered to make good any shortfall. The others have baulked at this suggestion and have sought more consultations.

New Delhi’s main concern appears to be that the new bank should not replicate patterns of shareholding and decision-making that prevail in the existing international financial institutions. China’s dominance in the new entity is to some extent unavoidable. Its GDP, at about $7.5 trillion, is about $1.5 trillion more than that of the other four countries put together. It accounts for over 60 per cent of the foreign exchange reserves held by the BRICS. Yet this need not be a matter of overriding concern to India.

For one thing, China is quite likely to agree to more equitable arrangements than those prevailing in the Bretton Woods institutions.

The BRICS bank will give China a much desired multilateral setting in which to expand its profile as an international lender and to divert its foreign exchange reserves from the default option of investing in US treasury bonds.

For another, India is among the main countries that would benefit from long-term debt for infrastructure development bankrolled by the Chinese. Indian companies are undoubtedly interested and the Indian government accepts that this is the case.

Yet, in practice, the government has not walked the talk by facilitating the entry of Chinese capital into India. Strategic concerns are allowed to choke a perfectly sensible financial conduit. India would do well to learn from China's adroit use of Japanese capital and direct investment to buttress its economic growth.

The creation of a development bank apart, the BRICS could do more to intervene cohesively in other pressing economic concerns. The summit declaration notes that measures taken by developed economies to revive their flagging economic fortunes could have downside risks for emerging economies. Think of Japan's recent attempt to keep the Yen down to boost its competitiveness and the attendant risk of competitive devaluation by other major economies.

But mere declarations are unlikely to help. The BRICS will have to import such questions in to other forums such as the G20. Indeed, one of the principal advantages of BRICS summits is the knock-on effects that these consultations could have in other multilateral platforms.

Trade Pacts

Another area where these countries could gainfully coordinate their efforts is international trade. The US is spearheading two major initiatives that will have serious consequences for emerging economies and the international trade regime. On the one hand, the US and the EU are negotiating a transatlantic free trade agreement. On the other, the US is pushing for the enlargement of the Trans-Pacific Partnership (TPP). The TPP was originally signed by Brunei, Chile, New Zealand and Singapore in 2005. It has since drawn the interest of five other countries: Australia, Malaysia, Peru, Japan and Vietnam.

Until recently, Japan had not been very eager to come on board. And without Japan's presence, the TPP would not have the necessary heft. Prime Minister Shinzo Abe has, however, announced that Japan would join the negotiations and that joining the TPP was a strategic objective of his government. The TPP has a tripartite agenda: a regular FTA with provisions for protecting intellectual property; creation of investor-friendly regulatory frameworks and policies; and emerging issues, including environmental standards; and measures to ensure that state-owned companies "compete fairly" with private companies. This is clearly an attempt to create new norms in international trade.

The US evidently hopes that it will compel the emerging economies, especially China, to eventually join the TPP on these terms —much as it managed to get China to accede to the APEC and WTO. In any event, the BRICS will have to resist the establishment of such norms and push for an equitable international trade regime.

Political Consensus

While the economic interests of these countries may be aligned in the present context, their positions on international political institutions and developments remain divergent. Russia and China are in no hurry to enlarge the UN Security Council and are content to issue soothing statements about supporting the international aspiration of the other three countries. Even when the BRICS share common political interests — as in opposing externally driven regime change in Syria — their interest in and ability to shape the situation remains in question.

This is partly because on international political issues — as opposed to economic ones — Russia and China are status quo powers. By contrast, countries such as India, Brazil and South Africa, which seek a role commensurate with their current standing, have not only to uphold existing institutions and norms but also demonstrate greater creativity in dealing with major crises. Last year, these three countries had briefly attempted to facilitate a political settlement in Syria. It may be time to revive that initiative.

As an economic powerhouse, the grouping can do more to leverage its financial and trading power.

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India, Russia to negotiate on CECA with Customs Union
Dadan Upadhyay, Russia and India Report

3 April 2013: Chairman of the Board of the Eurasian Economic Commission, Viktor Khristenko and India's Union Minister for Commerce, Industry and Textiles Anand Sharma agreed during their meeting in New Delhi on Tuesday to launch negotiations for a Comprehensive Economic Cooperation Agreement (CECA) with the three-nation Customs Union of Russia, Belarus and Kazakhstan to maximize the bilateral trade turnover between India and Russia.

After years of discussions, Russia, Belarus and Kazakhstan formed a Customs Union as a first step towards creating a broader EU-type economic group of former Soviet Republics in January 2010. Russia and India had decided in December 2011 to jointly study the possibility of expanding Customs Union of Russia, Belarus and Kazakhstan and signing a Comprehensive Economic Cooperation Agreement. At the time, Russia was not yet a member of the World Trade Organization (WTO), which posed a major obstacle for the two countries to sign a free trade agreement (FTA) to expand their trade and economic ties.

However, after Russia finally joined the WTO as a member, in August 2012, the door was opened for India and Russia to sign a CECA, to immensely raise the bilateral trade by providing free movement of goods, services, people and investments for the partners.

After Khristenko's talks with Sharma, an official spokesman said the Customs Union is an important block in the CIS (the Commonwealth of Independent States) from the point of view of the India-CIS trade.

"India is of the view that the need for CECA with the Customs Union is a well established concept. We have expressed our desire to begin the negotiations for it," Sharma said.

India and Russia signed an MoU in February, 2006 to set up a Joint Study Group (JSG) to assess the "feasibility" of signing a CECA between the two countries. The CECA is much wider in scope than a free trade agreement (FTA) as it not only includes goods, but also services and investments.

Since then, the need for a CECA with the Customs Union has always been recognised and it was conveyed during bilateral meetings held in the past with Russia, Belarus and Kazakhstan. India's total trade with the Customs Union countries was $6.5 billion in 2011 which increased to $7.4 billion in 2012. Sharma also told Khristenko of India's interest in creating a Joint Study Group for the negotiations of the CECA between India and the Customs Union.

The two sides also agreed to discuss the Terms of Reference for the JSG, composition of JSG and fixing the time-frames for the submission of the JSG report in June 2013, when Sharma visits St Petersburg for the International Economic Forum.

Khristenko told reporters that the meeting in June in St Petersburg was expected to consider and take final decision on all possible issues concerning the signing of a CECA. In order to clinch the consensus over the CECA, the possibility of meeting between Ministers from Russia, Belarus and Kazakhstan is also being explored.

Ever since the idea of a CECA between India and the Customs Union first came into being in December 2011 after summit-level talks between then President Dmitry Medvedev and Prime Minister Manmohan singh in Moscow, the negotiations over it have been moving at a snail's pace.

In order to achieve the strategic target of Indo-Russian annual trade turnover to $20 billion by 2015, the negotiations now are going to be started with more speed and vigour for the signing of a CECA, according to the head of the Eurasian Department in the Ministry of External Affairs, Ajay Bisaria. India has already signed or is negotiating FTAs or CECAs with several trading blocks and countries. Similarly, the three-nation Customs Union has also held FTA talks with Vietnam.

According to the official Russian trade figures, published in February, India-Russia bilateral trade, which stood at $7.46 billion in 2009, $8.53 billion in 2010, and $8.87 billion in 2011, has spurted to $11.04 billion in 2012, registering a 24.5 percent growth in 2012 compared to 2011.

In the run up to the Khristenko's visit to New Delhi, India's Ambassador to Russia, Ajai Malhotra said substantial economic opportunities have opened up that would facilitate the strengthening of Indo-Russian trade and economic ties, following Russia's entry into the WTO. "Our aim is to start negotiations for entering into a Comprehensive Economic Cooperation Agreement with the Customs Union," Malhotra said. "This would lead to the removal or lowering of tariff barriers, greater market accessibility to goods and services, besides increased and diversified investment opportunities for businesses on both sides." However, experts in Moscow believe that despite urgency of gearing up the negotiations for the CECA by Russia and India, the final agreement may still be far away. First of all, two members of the Customs Union-Belarus and Kazakhstan-have not yet joined the WTO. Belarusian Deputy Foreign Minister Alexander Guryanov told reporters on Tuesday that Minsk could join the WTO in 2015 if negotiations go well.

"Kazakhstan, judging by everything, will resolve this issue by the end of this year. We, if we pick up the pace, could join the WTO by 2015," Interfax news agency quoted Guryanov as saying at a press conference.

He said that the main barriers to WTO accession for Belarus are bilateral negotiations with the United States and the European Union. "We need to complete a large amount of bilateral negotiations, including the United States and the EU - these are very difficult negotiations," Guryanov noted.

Recently, WTO Director-General Pascal Lami also said Kazakhstan may join the world trade body in 2013. However, he added that Belarus was at a less advanced stage of WTO negotiations and could not specify a time-frame for its entry into WTO.

The Customs Union is also hamstrung by differences among its members. Whereas Russia and Belarus feel quite comfortable within the framework of the Customs Union, Kazakhstan last month claimed it is being forced to manoeuvre between its stronger neighbours' trade protection policies.

Officials in Kazakhstan seem to attribute their less than encouraging macroeconomic situation to both domestic problems (imperfect legislation and products unable to compete on external markets) and the protectionist barriers installed by Russia and Belarus.

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Berlin-bound, Manmohan has FTA on top of his agenda
The Financial Express

New Delhi, 9 April 2013: Apart from inking several pacts in areas like renewable energy, trade, infrastructure and education, the India-EU FTA will be on the agenda of the talks between German Chancellor Angela Merkel and Prime Minister Manmohan Singh, who is travelling to Berlin on April 10.

While both countries favour early inking of the pact, it is stuck because many EU countries are insisting that India should raise the FDI cap in insurance from 26% to 49%. These countries are also hoping that Parliament during the second part of the budget session will look into the issue given the 'small' window for inking the FTA before India gets into election mode.

Also, issues like duty concessions in automobile and wine and spirit sectors are on the verge of being resolved with New Delhi agreeing to relax duties in these areas. But the FDI cap in insurance is the 'decisive' factor as it requires parliamentary approval.

In an effort to iron out the differences, commerce and industry minister Anand Sharma and EU trade commissioner Karl De Gucht will be meeting in Brussels on April 15.

Singh accompanied by a high-level, five-member ministerial delegation is visiting the country for the second-round of inter-governmental consultations on April 11. Singh will call on German President Joachim Gauck on April 12.

“Germany is the only country with which India has such a format of high-level discussion,” German Ambassador to India Michael Steiner told mediapersons, adding it covers a host of areas ranging from urban development to nuclear safety.

The first round was held in New Delhi in May 2011 during Merkel's visit. The Prime Minister had last visited Germany in December 2010.

Those accompanying Singh include External Affairs Minister Salman Khurshid, Commerce Minister Anand Sharma, Renewable Energy Minister Farooq Abdullah, Human Resource Development Minister MM Pallam Raju and Science And Technology Minister S Jaipal Reddy.

Germany is India's largest trading partner in Europe with bilateral trade registering an 18.4 % increase to touch 18.37 billion Euro in 2011. Germany is also the eighth largest foreign direct investor in India.

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European Union sets tough conditions under FTA
Asit Ranjan Mishra/Vidya Krishnan, Livemint

EU has proposed its customs authorities will have the right to seize drugs in transit in case of IPR infringements

New Delhi, 2 April 2013: The gains accruing to the Indian generic drugs industry as a result of the Supreme Court judgement on the Novartis case may be lost if India accepts demands by the European Union (EU) under the proposed free trade agreement (FTA) between the two sides.

According to a leaked intellectual property chapter of the India-EU FTA draft document posted on the website of a not-for-profit non-governmental organization Knowledge Ecology International, the EU has proposed that its customs authorities will have the right to seize drugs in transit if infringements of intellectual property rights (IPRs) are suspected. The EU has also demanded seizure of bank accounts and properties of drug exporters.

"In the case of an infringement committed on a commercial scale, the parties shall ensure that, if the applicant demonstrates circumstances likely to endanger the recovery of damages, the judicial authorities may order the precautionary seizure of the movable and immovable property of the alleged infringer, including the blocking of his/her bank accounts and other assets," it says.

However, there is no agreement so far on this issue and according to the leaked document, India has proposed that both parties shall ensure that goods in transit through their respective territories are not subject to any enforcement procedures relating to infringement of IPRs.

A commerce ministry official said on condition of anonymity that there was no question of India accepting the demands made by the EU on this front.

India is a major supplier of generic medicines to many African and other least developed countries. Generic medicine consignments by Indian firms have been seized in the past in transit at European ports several times on the grounds of alleged patent infringement. In 2008, there were 17 cases of medicine seizures in the Netherlands alone, according to a response from Dutch authorities to Health Action International, a non-profit organization, under a freedom of information request. Of these, 16 were shipped from India and one from China.

India launched a trade dispute against the EU and the Netherlands in May 2010 over the seizure of generic medicines in transit. However, it later withdrew this after the EU directed customs authorities not to seize any such drugs consignments.

Leena Menghaney, campaign coordinator (India) at Médecins Sans Frontières (MSF), said public health activists like her are worried about patent infringement litigation if India agrees to the EU's conditions with respect to IPRs.

"India has faced a lot of criticism in the past year due to compulsory licensing and the EU FTA negotiations. The kind of IP enforcement we saw today by the apex court will not be possible if India signs the EU FTA," she added.

Talks on the bilateral trade and investment agreement started in 2007. The two sides have missed at least four deadlines to complete negotiations.

India's trade minister Anand Sharma, while inaugurating the Mint Luxury Conference on 22 March, had said negotiators from both sides have made enormous progress and India expects to conclude talks at a ministerial meeting with EU trade commissioner Karel De Gucht scheduled for 14-15 April.

"It will be a most ambitious trade agreement for India covering 96% of India's tariff lines. Those who are interested in wines, cheese and many of those other things, these are settled long back. The ministerial will follow on 14-15 April in Brussels, so that by that time negotiators have tied most of the remaining loose ends," he had said.

MSF has announced that it will be protesting against the "protectionist" IP policies under EU FTA on 10 April.

Interestingly, Sharma said in a release on Monday that the Supreme Court judgement was a historic one and reaffirmed the position of Indian law and in particular, provisions of section 3(d), which mandates the need for a substantive innovation while deciding on a case for the grant of a fresh patent.

“Indian patent law is fully in conformity with our international obligations under the TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreement,” he added.

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FTA would allow European carmakers to export their surplus to India: SIAM
Chanchal Pal Chauha, The Economic Times

New Delhi, 10 April 2013: Indian automakers fear that a proposed free-trade agreement (FTA) between the European Union and India could end up benefiting European carmakers at their expense, Society of Indian Automobile Manufacturers (SIAM) says. "We are of the opinion that a free trade agreement with EU would allow a one-sided advantage and allow the European auto industry to export their overcapacity to India," says SIAM president S Sandilya.

The current talks with EU centre on a 50 per cent reduction of tariff of all cars from 60 per cent import duty to 30 per cent. Additionally, a quota of big cars of over 1500cc is also being negotiated that may allow EU to export these vehicles at 10-15 per cent duty to India. The industry is concerned that free import under reduced tariff may allow India to become a big lucrative market of cars made in the EU.

In 2011-12, the Indian automobile industry achieved a turnover of Rs 2,64,000 crore, of which vehicle exports revenue was around Rs 32,000 crore. Automotive trade already favours the EU. In 2010-11, EU exported $3.4 billion worth automotive products to India including $400 million worth of completely built units (CBU) of car. According to government data, the rest were completely knocked down cars (CKD), unassembled cars classified as auto components that are tooled in small factories into fully built cars. In the same year, India exported cars worth $1.7 billion to the EU. A majority of these were hatchbacks. It did not export any CKDs.

The difference between the two countries is that India's exports to the EU are limited to small cars with an average price of 6,000-7,000 euro each, while the cars being exported by the EU are large luxury sedans and SUVs, each costing 20,000 euro and above.

Analysts tracking the sector say this difference loads the trade hugely in favour of the EU even without the FTA being operational. "If duties on car CBUs are reduced under the FTA, this trade imbalance in favour of EU will be further enhanced at the cost of domestic production and value addition," says Deepesh Rathore, India MD of Delhi-based automotive thinktank IHS Global Insight.

The auto industry accounts for 4 per cent of the country's GDP and employed 13 million people in 2005. The government's 10-year Automotive Mission Plan aims to bring this up to 10 per cent of the GDP and 25 million additional jobs by 2016. In comparison, Germany has 22 per cent of GDP coming from its auto industry.

Automakers fear the ongoing FTA negotiation may impact future investment and employment generation. Already French carmaker Peugeot Citroen has pulled off its Rs 4,000-crore investment from India looking to directly import cars under the FTA route. Currently each locally manufactured car in the country generates employment for 13-15 people, while CKD operations where components are assembled into a vehicle, employ 4-5 people.

Employment in logistics, sales and service of these vehicles is additional to these figures. "If we follow this local manufacturing that has made India today the sixth largest car manufacturer of the world, we have the potential to become the third largest car manufacturer by 2020 and the world leader in small cars by then. This could become a distant dream if lower tariffs shift our core manufacturing out of India," Sandilya warned.

SIAM, which represents 40 automotive vehicle and engine manufacturers in India, wants all CBU and engines to be kept in India's negative list as was the case in earlier FTAs with Japan, ASEAN and South Korea.

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The political economy of food exports
C. P. Chandrasekhar & Jayati Ghosh, Business Line (The Hindu)

2 April 2013: The feel-good factor may be fading for Indian and foreign investors, and the trade and balance of payments situation may look dire, but there are apparently some economic aspects in which India is still a "success story".

One of them is food exports: in the past few quarters, India has emerged as the world's largest exporter of rice, possibly the world's largest export of beef (buffalo) products and the fourth largest exporter of wheat, and is also becoming a major exporter of maize.

On current projections, total cereal exports for 2012-13 may cross 24 million tonnes, with rice exports coming to more than 13 million tonnes, wheat exports at around 6.5 million tonnes and other cereal exports at around 4.6 million tonnes.

Food Deficit

Net exports, especially of food items, are usually taken as an indication of domestic plenty, of more than sufficient supply for meeting domestic needs. So these rising food exports may come as a bit of a surprise not just for the average Indian consumer, but for those who are aware of the country's significant food deficits.

After all, India still has some of the worst nutrition indicators in the world, on par with or below many Sub-Saharan African countries. People in India are faced with accelerating prices of basic food items, which have made some food items increasingly unaffordable even for those above the income poverty line, and contributed to reduced calorie consumption of the bottom half of the population.

This has occurred even though net domestic production of cereals has increased over the past two decades. Despite this increase, per capita net availability of cereals has been declining in every five-year period since the early 1960s, and certainly over the past two decades.

To some extent, this decline in the recent past also reflects increased public stock holding, especially in the very recent past which has witnessed significant increases in the grain reserves held by the Food Corporation of India. But this is clearly not the only reason, nor even the most important one.

Food Security Issues

Food price inflation is one reflection of the declining per capita domestic availability. That this is occurring in a context of persistent and widespread hunger among the population is the reason why food security has emerged as a major political issue. The public clamour for legislation to ensure food security has made it increasingly difficult for the UPA government to avoid at least partly trying to fulfil its own promises to the electorate in this regard.

But one of the arguments that is most frequently made by those opposed to such legislation is about the difficulties involved of the government finding enough food grain to meet its obligations under the proposed legislation. "Where is the surplus grain?" they ask.

One answer to that question seems to be glaringly obvious from the external trade data: some of it is simply going abroad. Exports of non-basmati rice and wheat have exploded ever since the bans on such exports were lifted in 2011.

Interestingly, "other cereals" also show significant increase in exports — mostly due to maize exports.

And exports are slated to go up even further in the coming year, certainly of wheat. The US Department of Agriculture report on India's grain economy suggests that in 2013-14, "wheat exports are forecast to increase to 8 million tons, *including 5 million tons of government wheat*." (Emphasis added.)
By contrast, rice exports may not increase as much. This will not necessarily be driven by tight domestic market conditions, since these have scarcely affected government policy in the recent past.

Rather, changing conditions in the world rice market may have an impact. Already India is supplying about one-third of the global rice trade. It became the largest supplier when Thailand cut back exports and increased its domestic stockpile by raising rice procurement prices for its own farmers, but there are indications that some of these stocks (possibly as much as 5 million tonnes) may be released on to the global market fairly soon.

Vietnam and Pakistan are also emerging as major suppliers in the relatively thin world trade for rice. Despite the rapid increase in non-basmati rice and wheat exports in the very recent past, basmati rice exports remain the single largest foreign exchange earner among cereals.

However, if non-basmati rice exports continue to go up as they have done after the ban was lifted, the value of non-basmati rice exports in 2012-13 may exceed that of basmati rice exports to touch $20 billion. The value of wheat exports may also cross $10 billion in 2012-13.

Since India is such a large country (in international trade terms, which means that its entry or exit can affect global prices) in the global rice market, it is not surprising that its entry as a major exporter of non-basmati rice was associated with some decline in global prices even though Thailand had cut its own exports in that period.

The unit values of Indian exports of both types of rice and of wheat have fallen from their earlier peaks, and while there was some recovery in the prices of wheat and basmati rice, that of non-basmati rice remained flat through the period of massive increase in Indian exports.

Meanwhile, of course, domestic wholesale prices of these basic cereal items have been increasing continuously. The increases have been particularly sharp in the period after exports bans were lifted and exports of rice and wheat have ballooned.

The consequences are evident in the very significant increases in retail prices and in consumer inflation indices, which are substantially driven in the recent past by food prices.

Beef Exports

But cereal exports are not the only unexpected "success" of Indian trade policy. According to the US Department of Agriculture's report of 13 March 2013, "India is on track to tie or possibly overtake Brazil as the world's largest exporter of beef in 2012."

The USDA estimates India's buffalo meat exports from the import data of other countries, and the export estimate for India for 2012 is currently at 1.45 million tonnes, representing a 14 per cent increase over 2011.

The USDA expects Indian buffalo meat exports to increase by another 15 per cent in the current year, 2013.

Underlying all these trends is the basic stubbornness of the Central government in holding on to its procured stocks of grain rather than releasing them on the domestic market so as to benefit consumers. This has led to the perverse situation whereby grain traders and livestock traders (and not farmers) benefit from being able to sell on the world market, while Indian consumers face rising prices.

Such patterns of food export in a context of domestic food deficiency could be expected in a colonial economy, or one in which a small elite is able to impose its will on the rest of the population because of authoritarian political control.

They are certainly less easy to explain in a democracy, much less one that prides itself on becoming one of the most important "emerging nations" of this century.

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Despite huge stock, India misses wheat export bus
Sanjeeb Mukherjee, Business Standard

New Delhi, 30 March 2013: India seems to have missed an opportunity to stamp its authority on the world wheat market and emerge as a big exporter in 2012-13, just like it did in rice last year. The government's inability to liquidate wheat from its own inventories in time will limit exports in 2012-13 to around 5 million tonnes as against a potential of almost 10 million tonnes. The year 2012-13 provided an opportunity to India to place itself among the world's five largest wheat exports against among ten currently, as the leading producers like US are all set to export less amount.

Though the exports have cost the exchequer an extra subsidy of around Rs 1,700 crore because the outbound shipments were at rates lower than the cost of procurement, storage and transportation of wheat incurred by Food Corporation of India (FCI), experts believe that it is better than bearing a higher subsidy in just carrying the grains from one season to another.

"The choice is very simple either you bear a subsidy of $15-20 (Rs 800-1,080) per tonne on exporting wheat or you bear a subsidy of almost $50 (2,700) per tonne in carrying the wheat into the next season and thereafter in every season as granaries don't have space," eminent agriculture economist and chairman of Commission for Agriculture Costs and Prices (CACP) Ashok Gulati said.

Gulati, who had strongly advocated that government should liquidate almost 10-15 million tonnes of wheat by end of March, now feels that India missed a great opportunity to export sizeable quantities of wheat because of slow action.

"This would have helped the government earn valuable $3 billion in foreign exchange and bring down its now infamous Current Account Deficit (CAD)," he said.

Another expert said the best time to export could have been around August-September as domestic procurement was over and international market was benign. "However, as against a requirement of 10-15 million tonnes, only about 4.5 million tonnes were cleared. Subsequently, another 5.5 million tonnes were cleared, but the international market had firmed up by then," another expert said.

He said 2012-13 provided a unique opportunity to India as US, the world's biggest wheat exporter was selling less, so also were some of the other major players like Russia.

“In 2013-14, the same will not prevail as US production is showing signs of improvement and getting an average price of $300 per tonne will be difficult”, Gulati opined.

In 2012-13 , as per an assessment by United States Department of Agriculture, US is expected to export around 28 million tonnes of wheat, Australia around 16.50 million tonnes, Canada around 18.50 million tonnes and Russia around 10.50 million tonnes. India, could have been almost at par with Russia and among the world’s five largest exporters.

According to the Food and Agriculture Organisation (FAO), in 2012 calendar year, India emerged as the world’s biggest exporter of rice piping traditional leader Thailand by exporting almost 9 million tonnes of rice.

As of March 1, 2013, India has wheat stocks of around 27.1 million tonnes, as against a requirement of mere 7 million tonnes, while total foodgrains stocks in the central pool (which also includes rice) is estimated to be almost 63 million tonnes, as against a requirement of 21.2 million tonnes.

Experts believe that foodgrains stocks could rise to mind boggling 95-100 million tonnes by June 1 as government is again expected to procure a record 42 million tonnes of wheat from April 1, 2013.

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With shipments at 10 mt, India remains biggest rice exporter
Sandip Das, The Financial Express

New Delhi, 11 April 2013: Thanks to rising global demand, especially in Africa and the European Union, and sustained consumer preference in West Asia, India retained its biggest rice exporter tag with shipments of 10 million tonne (MT) during 2012-13.

India had emerged as the world’s largest exporter of rice in 2011-12 with exports of close to 10 mt while Thailand had exported 6.9 mt and Vietnam had sold 7.8 mt overseas.

Preliminary official data say India exported 3.5 million tonne aromatic long-grain Basmati rice last fiscal, with average price realisation of $1,000 per tonne.

In case of non-Basmati rice, the country shipped 6.5 mt of grain with an average price realisation of $ 350 per tonne. Exports have been rising steadily since the government lifted a 4-year-long ban on non-Basmati rice exports in September 2011.

Commerce ministry official say the country is set to realise close to Rs30,000 crore during the last fiscal from rice exports. In 2010-11, the realisation from rice exports was around Rs22,000 crore.

“We are expected to get around Rs17,000 crore from Basmati rice exports in the last fiscal,” a commerce ministry official told FE. In 20111-12, the country shipped Basmati rice worth Rs15,450 crore.

Exporters of aromatic rice said consumer preference for the PUSA 1121 variety in Iran and other Middle East countries is driving demand.

“Exports of Basmati rice are set to rise further during 2013-14 as the new variety of rice 'Pusa Basmati 1509' is introduced in the global market later this year,” Vijay Setia, former president, All India Rice Exporters Association and a leading exporter of Basmati rice told.

'Pusa 1509' takes about 115-120 days to mature against 145-150 days for 'Pusa 1121', which constitutes a major chunk of India's Basmati rice exports.

Exporters said the new variety would definitely replace large areas under Pusa 1121, which has more than 70% share in India's Basmati rice exports market. During the trial phase, yield wise, the '1509' variety has given around 6.5 tonne per hectare against around 4.5 and 2.5 tonne reported for the widely grown 1121 and traditional Basmati varieties, respectively.

The last six years have been watershed years as far as India's basmati rice exports go. From a modest Rs2,792 crore in 2006-07, exports have increased manifold to cross the Rs17,000-crore mark during the current fiscal.

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Shrimp exports to US under anti-dumping scanner
George Joseph, Business Standard

Kochi, 1 April 2013: The US Department of Commerce (DoC) has started a countervailing duty (CVD) investigation against India and six other countries on export of shrimp to that country, covering the period January 1-December 31, 2011.

The other countries are China, Ecuador, Indonesia, Malaysia, Thailand and Vietnam. The investigation was initiated on the basis of a preliminary finding that 21 subsidy programmes extended to seafood exporters in India merit further investigation. This is based on a complaint by the US shrimp industry.

Among the Indian programmes under the scanner are the Duty Entitlement Pass Book Scheme, tax and duty incentives under the Special Economic Zone programme and the export-oriented units programme, duty incentives under the Export Promotion Capital Goods programme, export financing, export credit insurance, subsidised loans to the marine products industry, the Development of Inland Fisheries and Aquaculture scheme, assistance from the National Fisheries Development Board and 13 subsidy / assistance schemes of the Marine Products Export Development Authority (MPEDA). Another 25 such subsidy schemes of China, seven of Ecuador, 14 of Indonesia, 16 of Malaysia, 12 of Thailand and 20 of Vietnam are also being scrutinised.

In February, a US International Trade Commission panel said there was reasonable indication that the US shrimp industry was being materially injured by import of allegedly subsidised shrimp from these countries.

Consumption of warm-water shrimp in the US in 2011 was 1.3 billion pounds, of which 87.6 per cent came through imports. In 2011, the US imported shrimp products worth $4.3 bn from these countries, 86 per cent of the total value of shrimps imported that year.

The move has left Kochi-based exporters concerned. "A high rate of CVD will seriously affect our exports to the US," one of them told Business Standard.

The US is the largest importer of Indian seafood, in value terms. The industry is faced with a drop in exports to other major markets, such as the European Union, Japan, Southeast Asia and China. During April-September 2012, the US imported 45,540 tonnes, valued at Rs 1,947 crore. This is a growth of 11.4 per cent in value terms. The US was the only country with growth in exports during that period, shows data from the MPEDA.

In 2005, DoC had imposed an 11.7 per cent anti-dumping duty on shrimp, causing a steep fall in exports. This was based on a petition filed by the Southern Shrimp Alliance. Around 280 exporters were shipping shrimp to the US during that period; this fell to 68 in 2009. Later, the US dropped the duty to 2.52 per cent.

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U.S. Visa Shortage Balloons Indian IT Costs
Dhanya Ann Thoppil, The Wall Street Journal Blog

5 April 2013: Getting work visas in the U.S. is likely going to be more difficult for India's outsourcing services companies, a prospect which could increase their costs.

Earlier this week, U.S. employers and government officials predicted they may reach a limit on the yearly allotment of applications for skilled-worker, or H-1B visas, by Friday for jobs starting in October or later.

U.S. companies each year can sponsor a total of 65,000 foreigners with at least a bachelor's degree for a H-1B visa. If this limit is breached, the U.S. Citizenship and Immigration Services randomly selects applications to be considered for visas.

While the trend may point to a more buoyant U.S. economy, which is good for Indian firms like Tata Consultancy Services Ltd, Infosys Ltd. and Wipro Ltd. who make the bulk of their profits from American clients and have suffered due to a slowdown in the U.S., it is likely to raise their costs in the short term.

Up to 30% of the H-1B visas allotted each year are sponsored by the U.S.-based offices of Indian outsourcing companies, which employ thousands of Indian workers on technology projects, says India's main software tradebody Nasscom.

"Certainly the demand environment in the U.S. is picking up," says Krishnakumar Natarajan, vice chairman of Nasscom. "So, the demand for visas from Indian IT companies this year is more than last year."

Indian companies say they will have to turn to short-term U.S. hires to fill job vacancies, which will cost more.

"If the visas are not available, we will have to depend on subcontractors in the U.S. in the short term," said a senior executive with one of the top Indian outsourcing companies. "There will be some additional costs, but that's manageable."

Some analysts disagree. The cost of hiring a contract worker in the U.S. is at least twice that of a H-1B visa holder, says analyst Shashi Bhushan of Mumbai-based brokerage Prabhudas Lilladher.

Sub-contracting costs for Infosys, India's second-largest software company by sales, jumped to the highest ever level in the final quarter of 2012, or 4% of revenue, he adds.

Sandeep Muthangi, an analyst with Mumbai-based brokerage IIFL Capital, says hiring sub-contractors in the U.S. may raise the overall cost of operations for Indian IT providers by more than 10% a year.

Executives at India's largest software exporter by sales Tata Consultancy, Infosys and third-ranked Wipro declined to comment, ahead of quarterly earnings, due over the next two weeks.

The likely shortage of H-1B visas comes as India's outsourcing companies have stepped up hiring in the U.S. in the wake of concerns from members of U.S. Congress about foreign software workers displacing Americans from jobs.

However, Nasscom argues Indian IT firms find it hard to find skilled U.S. workers to do these jobs as unemployment in the technology sector in the U.S. is lower than 3%. Those they do find are costly to hire, it adds.

"This shortage will not go away any time soon. In fact, as the economy strengthens, the gap will grow" as competition to hire technology workers in the U.S. increases, says Peter Schumacher, president and chief executive of Germany-based management consulting firm Value Leadership Group Inc.

Fragomen Global Immigration Services LLC, a U.S.-based immigration services firm that advises more than 90% of India's outsourcing services companies, says more Indian companies are sponsoring H-1B visas now in anticipation of a recovery in demand for software services later this year.

"Most companies expect a recovery in demand for software services in the U.S. this year. So they want to be prepared," says Saju James, a partner with Fragomen in India.

Meanwhile, the U.S. Senate is moving closer to a broad immigration bill that is set to revamp a series of work-visa programs, among other things. The Senate bill also includes a proposal to increase the number of H-1B visas granted each year.

But some Indian executives fear a growing climate of protectionism in the U.S. that may end up making it harder to get H-1B visas.

U.S. Senator Charles Grassley, a Republican from Iowa, last month proposed a bill that aims to make it harder for Indian companies to acquire visas for workers they send to America.

The law, some parts of which Indian executives fear could make it into the broader immigration bill, seeks to deny new skilled-worker visas to those firms with more than 50 employees and 50% or more of its employees already on this visa. It also asks companies to pay prevailing U.S. wages to visa holders, ensure more scrutiny and seeks to raise penalties on those companies flouting existing visa rules.

"There are fears that the new immigration bill could bring in some restrictions. So, companies are trying to grab as many visas as they can under the old regime," the executive with the technology firm said.

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Another US bid to curb H-1B hiring
Shilpa Phadnis, The Times of India

Bangalore, 31 March 2013: The rhetoric against outsourcing and immigration in the US was expected die down after the presidential election. However, a section of US lawmakers is still trying to place immigration hurdles. And the latest bid is from US Senator Charles Grassley, who has introduced a new H-1B and L-1 Visa Reform Act 2013 that would require US companies to pay significantly higher wages to H-1B visa holders over their American peers with similar experience.

Some estimate the recommended wages would be up to 50% higher than the prevailing US wages. Given that Indian IT companies are the biggest users of this visa, the bill, if passed, could substantially increase the costs for these companies.

The bill, put together by a bipartisan group of senators, requires firms to make a good faith effort to hire Americans first over H-1B visa holders. But the biggest impact of the bill will be to make it cost prohibitive and burdensome to hire a foreign national.

In a statement issued last week, Grassley said, "Somewhere along the line, the H-1B programme got sidetracked. It was never meant to replace qualified American workers, but it was instead intended as a means to fill gaps in highly specialized areas of employment. When times are tough, like they are now, it's specially important that Americans get every consideration before an employer looks to hire from abroad."

Rahul Matthan, founding partner at law firm Trilegal, said that if the bill is passed, Indian IT companies would be challenged as their US clients rely heavily on their services for onsite work. "The bill restricts market access, and it's clearly protectionist, fulfilling a political charter."

Rakesh Prabhu, partner, immigration practice, at ALMT Legal, said the move would force IT companies to set up near-shore centres and hire more locals. "It chokes the provision of offering specialized services, playing down India's strength in IT services. They want to fill the gaps with the local talent pool," he said.

The proposed bill prohibits employers from advertising only to H-1B visa holders and outsourcing them to other companies. It has even increased administrative expenses per violation from $1,000 to $2,000 and from $5,000 to $10,000 for willful misrepresentation.

In 2010, the US had raised H-1B visa fees by as much as $2,000 per application and L-1 visas fees by $2,700 to fund its enhanced costs on securing its border with Mexico. India had moved the World Trade Organisation (WTO) against the visa fee hike, saying that it discriminates against employees of Indian companies who are on short-term contracts in America.

The pitch for protecting American jobs began after unemployment rates neared double-digit levels following 2008 sub-prime crisis. It reached a crescendo in the months leading up to the US elections in November last year. Though the US unemployment rate remains high at 7.7% now, the unemployment rate in the technology sector is said to be significantly lower.

Tech companies in the US have been lobbying to significantly increase the number of H-1B visas. The US government currently has a bill before it seeking to raise the H-1B cap from 65,000 to 1.15 lakh. How US lawmakers deal with these conflicting bills will have major implications Indian IT companies.

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India: pariah or pathbreaker of pharma world?
Patralekha Chatterjee, Daily News & Analysis

8 April 2013: This was not the 3D of movies, games and computer graphics. But it gripped the national imagination. The Supreme Court ruling last week dismissing Swiss drug major Novartis AG's bid for a patent for its cancer drug Glivec hinged on the interpretation of Section 3(d) of India's patent law which defines what are not "inventions" under Indian law, and therefore not patentable. It was an epic finale to a tortuous seven year-old legal battle that pitted Novartis against the Indian government, the country's leading generic drug makers and the Cancer Patients Aid Association.

The reactions to the verdict have been totally predictable. Health activists and patients' groups worldwide are delirious with happiness. No surprises there - India's generic drug industry makes cheaper versions of life-saving medicines that cater to the entire developing world. Novartis is unhappy, as is Big Pharma and its advocates.

Over the past few days, a stream of analyses has parsed the Court's verdict , especially in relation to Section 3(d) of the patent law which states that inventions that are a mere "discovery" of a "new form" of a "known substance" and do not result in increased efficacy of that substance are not patentable.

The Glivec case hinged on this provision, introduced by the Indian Parliament in the country's patent law in 2005 as a public interest safeguard to prevent patenting of new forms of known substances unless they exhibit enhanced efficacy.

This case triggered so much interest across the world because it touched upon one of the central challenges of our times - how to balance incentives for innovation with interests of public health and access to medicine.

Most people in this country pay for medical treatment out of their pocket and, therefore, anything that promotes cheap drugs is a big deal. Glivec enjoys patent protection in 40 countries. Novartis says most of those who are prescribed Glivec in India get the medicine free of charge from Novartis' patient assistance programme. This may be true. But the fact of the matter is that a month's dosage of Glivec, the branded drug, costs over a lakh. The generic version in India costs less than Rs10,000. I reckon most people in this country are taking the generic medicine.

The striking feature of the Glivec saga has been the use of war imagery to tell the tale - Western pharmaceutical firms are perceived to have received a "blow" and Indian generic drug makers are portrayed as the "victors".

But to see it as a morality play is to miss the larger point. There will be differences of opinion between lawyers. But Novartis lost the case because it could not convince the Supreme Court judges that there was enough scientific evidence to demonstrate that it was different enough and more therapeutically effective than an earlier patent relating to Glivec. There is nothing to suggest that the Indian judiciary is biased against innovators, or that in the future, other multinational or local pharma companies applying for a patent in India will necessarily be disappointed.

The future is likely to be a shade of grey, rather than black and white. Generic drug makers may appear to have triumphed this time, and with other recent judicial verdicts in the country. But there are challenges ahead. Big Pharma has to also go in for a reality check. Affordability is a big issue, and not just in India. Unless there is differential pricing, it won't be smooth-sailing.

Big Pharma honchos predict dire consequences for India - no new life-saving drugs, no future as a research and development hub, and so on. Despite the sound and fury, I don't' think it is quite Apocalypse now.

Will India be a reduced to a pariah or will it continue to be seen as a path-breaker of the pharma world? Those who have been watching the Glivec saga from afar say that it is necessary to sift the rhetoric from the reality. With pharmaceutical profits decreasing in the developed world, pharma MNCs are increasingly looking to the developing world to expand profits. Everyone is banking on the emerging markets. Despite India's slowing economic growth, the country's pharma industry remains attractive. A 2011 report by the Confederation of Indian Industry and Pricewaterhouse Coopers says that the Indian pharma industry today is the third largest market globally in terms of volume and the 14th largest market by value. It is likely to be a $74 billion market by 2020.

Secondly, India is not the only country with public health safeguards in its patent regime. Many other developing countries have put in place such provisions into their patent law. For example, Argentina and Phillipines have something similar to India's Section 3(d) in their patent legislation.

Or take compulsory licensing (CL), another public interest safeguard allowed by the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). India has been slammed for using it. But Indonesia, Thailand, Brazil, Malaysia, Zambia, Cameroon, Ecuador, and now even China are joining the ranks of those using CL.

Public health safeguards is a good thing. However, India should brace itself for political pressure from developed countries, home of pharma MNCs, in the coming days. One increasingly disturbing aspect of free trade agreements (FTAs), for example, is the inclusion of investor-state provisions that essentially allow companies - usually multinationals - to challenge the policies of signatory governments directly. US drug giant Eli Lilly & Co. is demanding $100 million in compensation for Canadian court decisions that stripped the company of its patent for a drug used to treat attention-deficit disorder. With India planning or negotiating a raft of free trade deals in the coming days, these are some of the issues to keep in mind.

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A fool's game
The Economist (Reproduced in financial express)

New York, 1 April 2013: Novartis spent nearly 15 years seeking a patent in India for Glivec, a medicine for chronic myeloid leukemia. That quest reached its dead end, at last, on April 1st. India's Supreme Court rejected the Swiss drugmaker's patent application. Glivec (marketed in America as "Gleevec") is a blockbuster, earning the Swiss drugmaker $4.7 billion last year. Its prospects in India are now zilch.

The case was watched closely by virtually everyone with an interest in selling medicines or benefiting from them, including drug firms, trade officials and patient advocates. Drug companies, facing paltry growth in rich countries, want to sell medicines to developing ones where demand for new drugs is rising along with rates of chronic disease. But governments are keen to boost their own pharmaceutical firms and are wary of patented drugs' high costs. As a result, brawls over patent protections and prices have broken out from Brazil to Thailand.

The fight is particularly fraught in India. It has the world's biggest generics industry, an adolescent patent law, growing demand for medicines and an inability to pay for all of them. PwC, a consultancy, expects Indian drug sales to grow from $16 billion in 2011 to $49 billion by 2020. Nearly three quarters of the sales come from generic drugs, and this is unlikely to change, reckons PwC. The Supreme Court ruling, and another one last month, help to explain why.

Innovative drug companies have faced two key questions in India. First, will India's young patent regime, in place since 2005, provide the same protection as those in America and Europe? Second, will Indian regulators tolerate high drug prices? The answer to both questions seems to be "no".

The Supreme Court defended India's right to deny patents to incremental improvements. It ruled that Glivec was merely a new form of an older drug and did not constitute a patentable invention. "This is a huge relief," said Unni Karunakara, the president of Médecins Sans Frontières, which cares for patients in poor countries. Novartis is less pleased, declaringt hat the ruling "discourages future innovation in India." The April ruling follows another by an Indian appeals board in March. In that case, the board upheld a decision to let Natco, a generic drugmaker, sell copies of Bayer's patented kidney-cancer drug Nexavar. Bayer had not made the drug available to Indians at a sufficiently low price.

With these rulings, India has become the most extreme case of a problem plaguing Big Pharma from Berlin to Beijing: how to convince governments and consumers to pay for their drugs. Some companies will continue to seek high prices for worthy medicines. Others may chase sales by lowering prices to boost volumes. Either strategy will carry risks.

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Waiving drug patents global trend
Sidhartha, The Times of India

New Delhi, 1 April 2013: For the past several months, Indian officials and ministers have spent a lot of time explaining to their overseas counterparts that India has only used provisions of an international treaty to waive Bayer Corporation's patent right on a cancer drug. After all, the impact has been a sharp price reduction for those suffering from renal cancer — from Rs 2.8 lakh to Rs 8,000.

What they have not told foreign governments and companies is that in Italy, the authorities invoked the compulsory licensing provisions for a medicine that was meant for use by prostrate cancer patients but is now being used widely by anti-balding clinics. Similarly, the patent rights for a drug used to treat migraine were waived. And, it was done to "combat anti-competitive practices".

Egypt probably went a step further when in 2002, it waived Pfizer's patent rights on sildenafil, which the world is more familiar with as Viagra.

In all cases, it was provisions under WTO's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) that were used. Countries ranging from India, France and Germany to Thailand, Mexico and Chile have local laws that allow their patent offices and anti-trust courts to waive patent rights and let cheaper versions of the medicine be manufactured on payment of royalty.

While countries such as Canada, Indonesia, Italy, Malaysia and African countries have used the provision on several occasions, India has used it only once in case of Bayer Corporation's Nexavar. Earlier this month, little-known BDR Pharma submitted an application seeking compulsory licence for dasatinib, another anti-cancer drug, while the health ministry is making a case for another two medicines to deal with cancer — trastuzumab and ixabepilone. "We will follow the process that has been laid down in the law, which involves giving a chance to everyone to present their case," said an official, who did not want to comment further.

There are countries such as the US that has relied on executive orders, with President Barack Obama issuing one last year to import drugs to deal with local "shortages". Although American industry says the powers are not the same as compulsory licence, Indian players say it serves the same purpose. A recent report suggested that the US FDA's move has helped prevent 128 drug shortages.

"We follow a judicial process that can be questioned in the high court and the Supreme Court. The US president's executive order can't be challenged," said D G Shah, secretary general of Indian Pharmaceutical Alliance (IPA) that represents domestic drug companies.

In fact, experts say that the US has used the anti-trust provisions to provide a compulsory license-like treatment to non-medicinal products.

"We have often told the US that we don't have such a thing like the anti-trust law and our compulsory licenses are based on the principles of affordability and ability to pay. There should be a balance between the rights that a patent holder has been granted and the benefits that should accrue to the public at large," said Biswajit Dhar, director general of Research & Information Systems, a Delhi-based think tank.

For Big Pharma, a compulsory license is an opportunity lost to make super-normal profits. The MNCs argue that the risks are high and therefore they have to resort to high prices. "The MNCs are perturbed due to the sheer size of the market and the fact that India is setting an example for other developing countries," said Abhijit Das, head of IIFT's Centre for WTO studies.

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Global trademark registration: India joins Madrid Protocol
PTI

New Delhi, 8 April 2013: India on Monday joined the Madrid Protocol which will enable domestic companies and entrepreneurs to obtain cost effective global trademark registration.

Commerce and industry minister Anand Sharma, who is in Geneva, said: "We recognize that this instrument will provide an opportunity for Indian companies, which are increasing their global footprint, to register trademarks in member countries of the protocol through a single application, while also allowing foreign companies a similar dispensation."

Sharma is at the World Intellectual Property Organization (WIPO) headquarters for a high level policy dialogue.

The treaty will enter into force with respect to India on 8 July, according to the WIPO statement.
It said that Sharma on Monday deposited his country's instrument of accession to the Madrid Protocol for the International Registration of Marks at WIPO, bringing the total number of members of the international trademark system to 90.

The Madrid System for the International Registration of Marks offers trademark owners a cost effective, user friendly and streamlined means of protecting and managing their trademark portfolio internationally.

Welcoming India's accession, WIPO director general Francis Gurry said that New Delhi's participation in the Madrid system gives brand owners around the world the ability to extend their protection to the important Indian market, through a single, simplified and cost-effective procedure.

It said that India is the 14th of the G-20 economies to accede to the Madrid Protocol.

"India's accession to the international trademark system, as with the recent accessions by Colombia, Mexico, New Zealand and Philippines, signals an era of significant geographical expansion of the Madrid system, which offers greater benefit to right holders worldwide," Gurry added.

It said that 2012 saw the highest number of international trademark applications ever filed under the Madrid system, with 44,018 applications.

Under the WIPO-administered Madrid system, a trademark owner may protect a mark in up to 88 countries plus the European Union by filing one application, in one language (English, French or Spanish), with one set of fees, in one currency (Swiss Francs).

Trademarks are a key component of any successful business marketing strategy as they allow companies to identify, promote and license their goods or services in the marketplace and to distinguish them from those of their competitors, and cement customer loyalty.

A trademark symbolizes the promise of a quality product and in today's global and increasingly electronic marketplace, a trademark is often the only way for customers to identify a company's products and services.The international trademark system is governed by two treaties, namely, the Madrid Agreement Concerning the International Registration of Marks (1891) and the Madrid Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (1989).

Meanwhile, a commerce and industry ministry statement said Sharma in Geneva has defended the flexibilities provided under the WTO for developing countries in honouring their intellectual property commitments to meet their social challenges.

Sharma said the developing countries which bear a disproportionate burden of poverty, hunger and disease for historical reasons have an aspiration to provide affordable healthcare solutions for their citizens.

Quoting Sharma, the ministry statement said: “It is my belief that while all countries are obligated to honour their international commitments, inherent flexibilities must be provided to developing countries to address these pressing social challenges”. The minister said that India always strikes a balance between the interests of the IP creators and the larger interests of the IP users. “It fosters technological innovation by providing inherent incentives through exclusive private IPRs, but also recognises the need to protect the interest of users’ rights,” he said.

Further, the minister raised the issue of the intellectual property rights (IPRs) associated with genetic resources, traditional knowledge and folklore such as curative aspects of neem and haldi. “India has been at the forefront for bringing this agenda on the negotiating table and for the last one decade, we have been trying to build a consensus for a binding treaty on traditional knowledge. I hope that WIPO shall be able to bring these negotiations to culmination,” he said.

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India calls for binding treaty on traditional knowledge

Business Line (The Hindu)

New Delhi, 8 April 2013: India has called for a binding treaty to protect traditional knowledge at the World Intellectual Property Organisation so that action can be taken by countries against infringement of such rights by others.

Commerce Minister Anand Sharma, who addressed a high-level policy dialogue at WIPO in Geneva on Monday, made a case for flexibilities for developing countries in meeting their intellectual property commitments to address social challenges.

WIPO is a specialised agency of the United Nations that promotes protection of intellectual property (IP) rights world over through cooperation between countries.

The Minister said that countries of the South, which bear a disproportionate burden of poverty, hunger and disease, give priority to provide affordable healthcare solutions for their citizens. Political leadership is faced with an ethical dilemma and tries to find creative solutions which would strike the right balance, he said.

“It is my belief that while all countries are obligated to honour their international commitments, inherent flexibilities must be provided to developing countries to address these pressing social challenges,” he said.

Sharma maintained that the legislative regime in India which circumscribes the IP rights is a robust one and strikes a balance between the interests of the IP creators and the larger interests of IP users.

“It fosters technological innovation by providing inherent incentives through exclusive private Intellectual Property Rights, but also recognises the need to protect the interest of users’ rights,” said the Minister. Highlighting India’s initiative of creating a unique digital library of traditional knowledge which has over 250,000 entries specifying the source and the efficacy of each product, Sharma expressed concern about extensive bio-piracy through patents being awarded for traditional knowledge.

“India has been at the forefront for bringing this agenda on the negotiating table and for the last one decade, we have been trying to build a consensus for a binding treaty on traditional knowledge. I hope that WIPO shall be able to bring these negotiations to culmination,” the Minister said.

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India to give first submission to WTO dispute body
Amiti Sen, Business Line (The Hindu)

New Delhi, 1 April 2013: India will put on record its arguments against the penal duties imposed by the US on hot-rolled steel from the country in its first submission to the Dispute Settlement Panel of the World Trade Organisation (WTO) on Tuesday.

The countervailing duties, which are as high as 500 per cent in some cases, affect all major Indian steel producers including Essar, Jindal, SAIL and Tata, who have not been able to export hot-rolled steel to the US for the last few years.

The panel will give its initial report after two rounds of submissions are made by both sides. “We are trying to be convincing in our arguments at the submissions stage itself so that the panel doesn’t find it difficult to make up its mind when it is time for the panel report,” a Commerce Department official told *Business Line*.

The US imposed countervailing duties – a levy to neutralise subsidised exports – on hot-rolled steel from India on the grounds that the public sector NMDC supplied iron ore to Indian steel companies at subsidised rates.

India has rubbished the claims and stated that the prices charged by NMDC were purely market-driven and were comparable to the prices at which it exported iron ore to South Korea and Japan.

“We have the required data with us to prove our case. All this will be included in the submission,” the official said.

There is some way to go before the dispute settlement panel arrives at a decision. After two rounds of submissions, there would be interaction with both parties that could also include third parties interested in the dispute as well as experts.

The process could take up to nine months, following which an interim report would be released which would be finalised after another round of discussions with India and the US.

If US is found guilty, it would be asked to withdraw the duties within a time-frame failing which India would be free to penalise it by imposing higher duties on items imported from that country.

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Green Groups Urge U.S. to Back Off Indian Solar Trade Case
Doug Palmer, Reuters

5 April 2013: U.S. environmental groups are pressing President Barack Obama’s administration to back off a World Trade Organization case against India they say threatens the ability of the world’s second most populous country to cut greenhouse gas emissions.

“We’re really worried about this proliferation of trade cases on renewable energy,” Ilana Solomon, trade representative for the Sierra Club, said in an interview on Thursday.

“With the climate crisis upon us, governments should have every tool at their disposal to incentivize renewable energy” and cut use of fossil fuels, Solomon said.

The U.S. Trade Representative’s office in early February asked India for WTO consultations on its national solar program, the Jawaharal Nehru National Solar Mission.

That programme, launched in 2010, appears to discriminate against U.S. solar equipment by requiring solar energy producers to use Indian-manufactured solar cells and modules and by offering subsidies to those developers for using domestic equipment instead of imports, the USTR said.

That violates a core WTO principle that requires countries to treat foreign goods and services the same way they treat domestic goods and services, U.S. trade officials have said.

With the formal 60-day consultation period ending on Sunday and no sign of a deal, USTR could soon ask for a WTO dispute settlement panel to hear its complaint.

Andrea Mead, a spokeswoman for the USTR, declined to comment on the trade office’s next step, but said there were better ways for India to support its solar energy sector.

“Countries have a wide range of policy tools available to promote increased reliance on clean energy that are far more effective than local content rules, and that do not unfairly discriminate against U.S. workers and businesses,” she said.

The Sierra Club, Greenpeace USA and ten other environmental groups sent a letter in March to acting U.S. Trade Representative Demetrios Marantis expressing “deep concern” about the case.

“We urge the United States to agree to a solution that allows India to support and build its domestic solar industry, just as we do at home,” the groups said.

India has argued that its solar policy measures are legal under WTO government procurement rules that permit countries to exempt projects from non-discrimination obligations.

But cases challenging local content rules have received a boost since the WTO ruled against Canada’s requirements for a green energy plan in Ontario province. Canada has appealed that case, brought by Japan and the EU.

“There’s a problem with the existing WTO rules from our perspective,” Solomon said.

“It is very difficult to design a program with domestic content rules at this point, despite the fact that domestic content rules have been used by industrial countries throughout history to develop new emerging industries,” she said.

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India Reports Jump in Investigations Of Antidumping, New Duties on Imports
Daniel Pruzin, WTO Reporter

Geneva, 4 April 2013: India has reported a sharp rise in new antidumping investigations and new antidumping duties targeting imported goods, with most of the measures directed at imports from developing countries.

In its latest semiannual notification circulated to World Trade Organization members March 27, India reported the initiation of 13 new antidumping investigations over the second half of 2012, up from seven new investigations during the first half of the year. Ten of the new investigations targeted imports from developing countries.

In its most recent report to the Group of 20 leading economies issued Oct. 31, the WTO noted that the initiation of new Indian antidumping investigations had been trending downward, with four initiated between May and September 2012, compared to eight over the previous six-month period.

However, nine of the 13 new Indian investigations over the second half of 2012 were initiated in the final quarter of the year, with four in December alone.

Four of the new second-half investigations targeted imports from China, with two investigations each aimed at imports from Taiwan and the United States. Additional investigations were initiated against imports from the European Union, South Korea, Malaysia, Mexico, and Thailand.

Solar Cells and Cast Aluminum Alloy Wheels Targeted

More than half of the new Indian investigations targeted imports of two products—solar cells and cast aluminum alloy wheels.

Along with the United States, India has traditionally been one of the most prolific users of antidumping measures to protect domestic producers against what authorities have determined to be unfairly priced imports.

India also reported that 21 final new antidumping measures were imposed in the second half of 2012, up sharply from the eight new measures imposed in the first half of the year. Fifteen of the new duty orders targeted imports from developing countries.

Four of the new duty orders targeted imports from China, while three were levied on imports from the European Union. Two additional measures apiece were imposed on imports from Iran, South Korea, and the United States.

Additional duty orders were imposed on imports from Indonesia, Israel, Japan, Kenya, Pakistan, Taiwan, Thailand, and Ukraine.

Seven of the new duty orders were imposed on imports of soda ash, with four measures targeting imports of melamine. Three measures apiece were imposed on imports of stainless steel cold rolled flat products and phthalic anhydride.

India now has 227 antidumping duty orders in force, with 79 measures, or more than a third, targeting imports from China. Other main targets of the Indian duties are: South Korea and Thailand (18 each), the European Union and Taiwan (17 each), and Japan and the United States (nine each).

Fourteen Indian antidumping duty orders were terminated in the second half of 2012, up from five during the first half of the year. Included among these measures were two duty orders each targeting imports from Malaysia, Singapore, South Korea and Taiwan.

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India seeks balanced outcome at WTO meet
Asit Ranjan Mishra, Livemint

New Delhi, 9 April 2013: India has demanded a balanced outcome from the World Trade Organization (WTO) ministerial meeting in Bali, Indonesia, scheduled for December, with the interest of so-called least developed countries (LDCs) and developing nations at its core. While developed countries are pushing for an agreement on trade facilitation to boost their exports, India and other developing countries want an agreement on food security and duty-free, quota-free market access for LDCs.

Interacting with key ambassadors of the WTO in Geneva on the road map for the Bali ministerial meeting, trade minister Anand Sharma said while India is not opposed to trade facilitation, there is a need for an internal balance, with adequate special and differential treatment for developing countries, LDCs and so-called small and vulnerable economies.

In the absence of a broad-based agreement on the Doha round of trade talks which started in 2001, member-countries are making a last-ditch attempt to work out areas where a consensus could be reached. Developed countries are projecting trade facilitation as a sure thing at the Bali ministerial meeting. The outgoing director general of the WTO, Pascal Lamy, in his report to the general council of the organization, recently stated that there could be closure on trade facilitation along with some elements of agriculture and issues related to LDCs in the upcoming meeting.

Most trade facilitation proposals under negotiation are about imports and have been put forward by developed countries and a few high-income developing countries. The proposal does not include export facilitation for developing countries and has no emphasis on development of export infrastructure such as ports, highways and railways to bring down trade costs. Sharma advocated providing technical and financial support to such economies so that they benefit from trade facilitation.

Sharma said India strongly endorses a proposal of the group of 33 developing countries (G-33) for food security and flexibility in their public stock holding operations for the public distribution system. “The interests of subsistence farmers in developing and poor countries have to be recognized and protected,” Sharma said.

The cabinet last month approved the food security Bill which, if passed by Parliament, will commit the government to provide subsidized foodgrain to two-thirds of the country’s population, thus putting additional subsidy burden on the government. India apprehends this new commitment on food subsidy may be interpreted as a violation of permitted subsidy under WTO regulations. India argues such food procurement for the purpose of food security should be kept out of its commitments under WTO.

Abhijit Das, head and professor at the Centre For WTO Studies under the Indian Institute of Foreign Trade, said even a balanced agreement in trade facilitation in isolation will not be in India’s favour and an agreement on food security is essential for the country.

Sharma also supported including an LDC package including duty-free, quota-free market access in the Bali agenda, that countries like India and China have already implemented. In December 2005, at the WTO’s sixth ministerial conference in Hong Kong, member-countries had agreed that developed countries would provide duty-free, quota-free market access for at least 97% of products originating from LDCs. Developing countries, within their capacity, were also invited to provide such market access for LDCs’ products. However, so far all developed countries have not yet met the commitment.

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India yet to decide on next WTO chief
Anirban Bhaumik, Deccan Herald

New Delhi, 1 April 2013: With quite a few among the nine candidates vying for the WTO chief's job representing the developing world, New Delhi is finding it difficult to pick one to throw its weight behind.

Pascal Lamy of France held the office of the WTO Director General for two four-year terms since 2005. His second term will end on August 31.

Though Mari Elka Pangestu, Minister for Tourism for Indonesia and her country's nominee for the top job at the WTO, was here on Monday to lobby for New Delhi's support, India refrained from committing its support to her candidature.

Pangestu is the only candidate from the South East Asia and her country is a key member of the Association of South East Asian Nations (Asean), a bloc with which New Delhi has just upgraded its relations to a strategic partnership. Indonesia is also India's second largest trading partner in the Asean.

India is the largest buyer of crude palm oil from Indonesia.

"It is important for me to get the support of India, not only because it is an old friend of Indonesia, but also an emerging economy and a very active player in the WTO affairs," Pangestu told journalists after speaking at an event at the Federation of Indian Chambers of Commerce and Industry.

She later called on Commerce Minister Anand Sharma to formally seek India's support for her candidature.

New Delhi, however, also has at least two more candidates to consider before making public its choice. They include Roberto Carvalho de Azevêdo of Brazil and Alan John Kwadwo Kyerematen of Ghana. Brazilian President Dilma Rousseff is understood to have formally sought India's support for Azevedo during a meeting with Prime Minister Manmohan Singh on the sideline of the BRICS summit in Durban last week.

India also has not yet ruled out supporting Kyerematen of Ghana as his candidature has been supported by South Africa, a member of the BRICS, and endorsed by African Union – a bloc with which New Delhi has a long traditional ties.

Sources in New Delhi said that India would weigh options carefully over the next few weeks, taking into account its engagements with South East Asia, Africa and Latin America.

The WTO's 159 member-nations will have to select a new chief by May 31.

With Pakistan being the chair of the General Council of the WTO, Islamabad's envoy to the organisation's highest decision-making body in Geneva, Shahid Bashir, is expected to start consultations with other representatives on Tuesday.

India is understood to have proposed that four candidates should be eliminated in the first round of consultations, three in the second round and one in the final and third round.

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