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INDIA’S TRADE NEWS AND VIEWS

30 January 2014 to 13 February 2014

Trade deficit down to $9.9 bn but exports grow only 3.8%
Indian exports remained sluggish in January, posting single digit growth of 3.79 per cent for the third successive month…

Higher-end shift in export basket
Bit by bit, India's export basket is tilting in favour of high value-added sectors such as automobiles, pharmaceuticals and capital goods…

RBI liberalises third party payment norms for export, import
The Reserve Bank liberalised the third party payment norms for import of goods by removing the ceiling of $100,000…

NDMA - One step forward...
The India-Pakistan trade and investment initiatives follow a set pattern. At regular intervals, political leaders meet and commit to improving the economic partnership…

Sharma to travel to Pak only after movement on MFN
Commerce and Industry Minister Anand Sharma is unlikely to visit Pakistan next week as the neighbouring nation is yet to implement the measures assured by its commerce minister…

Time we pushed Asean pact on services
India’s resolve to get closer to Asean countries is faltering at the altar. After signing a free trade agreement on goods with Asean, a similar pact on trade in services and investment — unarguably India’s strong suit — still eludes the country…

Visa-on-arrival facility for all but 8 countries from September
India will extend the visa-on-arrival facility to all countries except eight with effect from September…

India slams US move to tighten H-1B visa rules
Indian Ambassador to the US S. Jaishankar said that India would see a decision to restrict certain temporary visas for skilled workers as a sign that the US economy is becoming less open for business…

India faces trade action from US
Days after the US downgraded India’s aviation regulator’s safety ratings, Washington is expected to announce trade-related measures in what is seen as a retaliatory move against the government’s recent stance on the patent regime…

India, US seek to better drug-making processes
The US Food and Drug Administration and its Indian counterpart decided to collaborate on inspection of drug units for good manufacturing practices (GMP) compliance and seamless sharing of regulatory information between them…

Agri exports rise 20% in first three quarters of current fiscal
Driven by a sharp rise in shipments of rice, meat products and fruits and vegetables, India's agricultural and processed food products' exports have risen by close to 20% to Rs 99,125 crore…

CCEA defers subsidy on raw sugar exports
The Cabinet Committee on Economic Affairs (CCEA) deferred a decision on fixing subsidy for exports of raw sugar, amid differences between food and agriculture ministries…

Coffee exports up 38% in January on strong global prices
Country's coffee exports rose 38 per cent to 26,161 tonnes in January on account of firm global prices, according to the Coffee Board of India…

Seafood exports in April-December at all-time high of $3.66 bn
Seafood exports in the first three quarters of the current fiscal have reached an all-time high of $3.66 billion dollar, mostly due to higher exports of frozen shrimp…

The real cost of the gold import curbs
The latest release on Balance of Payments, for Q2FY14, shows a sharp decline in the current account deficit (CAD)—to 1.2% of the GDP…

Give our textiles also duty-free access: India to Germany, UK
India is seeking duty-free access for its garments and textiles into the European Union, in line with what is on offer to competing countries such as Pakistan and Bangladesh…

Apparel sector lags in winter-wear exports
While India is one of the top apparel exporters to western markets for summer wear, every year when it comes to winter wear, the country witnesses a dip in shipments…

Registering trademarks turns cheaper for firms
India's patents and trademarks office has issued guidelines on the working of the Madrid Protocol, treaty that India signed last year allowing Indian companies and citizens to register their trademarks globally…

Ministry of Commerce & Industry: Duty Imposed on Steel Imports by Thailand
Recently, Thailand imposed a definitive safeguard duty on imports of certain hot rolled steel flat products originating from India at the ad valorem rate of 44.2%…

India's wheat, rice exports raise hackles at WTO
The US, Canada and Pakistan have questioned India's export of wheat and rice, suggesting that subsidized grains have been shipped out providing gains to local traders…

Solar mission: US takes India to WTO, again
The government said it hadn't violated global trading norms under the World Trade Organization (WTO), even as the US filed a second case against India on the second phase of the Jawaharlal Nehru National Solar Mission (JNNSM)…

WTO Members Differ Over Approach Toward Negotiations
Members of the World Trade Organization offered different views February 6 on how the WTO should move forward with the multilateral negotiating agenda…

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Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016
Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in
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Trade deficit down to $9.9 bn but exports grow only 3.8%
ENS Economic Bureau

12 February 2014: Indian exports remained sluggish in January, posting single digit growth of 3.79 per cent for the third successive month. However, imports contracted by a substantial 18.07 per cent during the month, narrowing the trade deficit to $9.92 billion compared with $10.14 billion in December, 2013. Gold and silver imports fell by a steep 77 per cent to $1.72 billion in January compared to $7.49 billion during the same period last year, contributing to the decline in overall imports.

The trade deficit almost halved during the month compared to $18.97 billion same period last year, bringing in much-needed relief for the government trying to keep the current account deficit (CAD) under $50 billion for 2013-14.

Commerce secretary Rajeev Kher said achieving the exports target of $325 billion for the current fiscal was a “tough call but it is achievable.” “Mostly, March shows reasonably good numbers. One should hope things would improve,” he said while releasing the trade figures.

He also said that the commerce ministry has asked the finance ministry to relax import curbs on gold. Till January, India imported gold worth $29 billion compared to $46.7 billion during the same period a year ago. The fall has been a result of a series of restrictions imposed by the government on the import of the yellow metal.

Exporters said that though the trade deficit situation has improved, exports remain sluggish, reflecting weak recovery in global demand. Confederation of Indian Industries (CII) said that exports, which were growing in double digit till October, have lost momentum and need booster dose from the government. Exports recorded $27.75 billion during January while imports stood at $36.67 billion during the period. For the April-January period, exports stood at $257.09 billion, up 5.71 per cent year-on-year, while import stood at $377.04 billion, down 7.81 per cent year-on-year.

Sectors which have registered a positive export growth include engineering (37 per cent), rice (22.9 per cent), marine products (50 per cent) and iron ore (18 per cent).

[Back to top]

Higher-end shift in export basket
Krishna Kant, Business Standard

Mumbai, 3 February 2014: Bit by bit, India's export basket is tilting in favour of high value-added sectors such as automobiles, pharmaceuticals and capital goods. And, away from traditional manufacturing exports such as textiles and gems & jewellery.

The latter now account for less than a quarter of total merchandise exports (23.6 per cent), down from 39.2 per cent in 2002-03. In this period, the combined share of engineering goods, including automobiles (transport equipment), capital goods and pharmaceuticals (including basic chemicals and cosmetics) rose to 30.7 per cent from 26 per cent in FY03, according to Reserve Bank data. In 2012-13, India exported $27 billion worth of chemicals, pharmaceuticals and cosmetics, just a tad below textile and garment export revenue of $27.5 bn.

Experts say this shows maturing of Indian manufacturing and multinational corporations (MNCs) setting base here. "Exports mirror the shift in Indian manufacturing, with more and more companies moving towards higher value-added and intellectual property-driven products and services. The shift has been

quickened by the entry of multinationals and the competitive pressure they've brought on Indian companies," says Kumar Kandaswami, country manufacturing industry leader for Deloitte in India.

The trend is likely to persist as competition intensifies and more sectors are exposed to global competition. "This is a positive development for the export story. We should aspire to export more value-added and IP-driven products, so that exporters could command some premium in international market," he says.

This is visible in automobiles and pharmaceuticals. Bajaj Auto, TVS Motors, Hyundai Motors India, Cipla, Dr Reddy's Laboratories, Sun Pharma and Lupin are among the companies now getting a large chunk of their revenue from export.

In 10 years, the combined export of engineering goods, including automobiles, capital goods, pharma and basic chemicals, grew at a compounded annual rate (CAGR) of 21 per cent, faster than the 19 per cent growth recorded by all merchandise exports. Transport equipment was the star of the show, with a CAGR of 30 per cent in dollar terms to reach $18.4 bn in FY13, making it the country's largest engineering export. Total engineering exports during the period expanded at the rate of 21.9 per cent annually. Transport equipment (including aircraft and ships) now account for 6.1 per cent of all exports against 2.5 per cent a decade before.

Similar buoyancy is visible in other engineering products such as machinery & equipment and electronic goods. In the last decade, export of machinery and equipment showed a CAGR of 22.4 per cent in dollar terms, to $15.2 bn in FY13 from $2 bn in FY03. Electronics exports expanded at a 20.5 per cent (annual) rate during the period to reach $8.1 bn last year.

Automotive exports would have been even higher, if not for the global economic slowdown. In 2012-13, these declined 13 per cent as consumers across the globe cut on big-size purchases. A similar thing had happened in the aftermath of the 2008 global financial crisis. Automotive exports had declined sharply in 2009-10 but recovered subsequently.

"Automobile exports are highly sensitive to economic growth in the destination country. They grow faster than the overall basket in good times and fall during a downturn. Given the current economic sluggishness in key emerging markets, including China, automotive exports may remain subdued in the near term," says Devendra Pant, head economist at India Ratings.

Pharmaceutical exports, however, have been more consistent. Last year, these grew 18 per cent, to cross $10 bn. In the past 10 years, these have shown a CAGR of 21.8 per cent and continue to outperform. Pharma's share in the total export basket increased by 15 basis points to 3.5 per cent in the first six months of the current financial year, from 3.35 per cent in FY13.

Experts believe a combination of rupee depreciation and the rising sophistication of Indian manufacturing companies, especially those at the top, will continue to support high-tech export. "In the past, Indian manufacturers were constrained by lack of technology and exposure to global markets. The gap has been filled a bit by recent acquisitions by Indian companies in Europe and North America, giving them access to technology, besides markets. Many companies are augmenting it by scaling up in-house research and development, and product development," says Kandaswami.

Others say a lot will depend on the global growth environment. "It's tough to increase exports when the world's key economies are slowing. And, being discretionary in nature, high-end manufacturing exports suffer more than staples such as textile and agri products during a downturn," says Pant.

[Back to top]

RBI liberalises third party payment norms for export, import
PTI

Mumbai, 4 February 2014: The Reserve Bank today liberalised the third party payment norms for import of goods by removing the ceiling of $100,000.

Earlier, the amount of an import transaction for third party payment should not have exceed $100,000. The central bank also simplified certain documentation norms related with third party payments for export and import transactions.

"... with a view to liberalising the procedure, the limit of $100,000 eligible for third party payment for import of goods, stands withdrawn," the RBI said in a notification.

The RBI further said the condition "firm irrevocable order backed by a tripartite agreement should be in place" for overseas transactions may not be insisted upon in certain cases by banks. This has been done in view of the difficulties faced by exporters and importers, it said.

Third party payment could be made to a Financial Action Task Force (FATF) compliant country and through the banking channel only.

RBI said the bank concerned should be satisfied with the bona-fides of the transaction and export documents, such as, invoice and they should consider the FATF statements while handling such transaction.

[Back to top]

NDMA - One step forward...
T S Vishwanath, Business Standard

30 January 2014: The India-Pakistan trade and investment initiatives follow a set pattern. At regular intervals, political leaders meet and commit to improving the economic partnership but within a few months the process is sometimes completely derailed, and at other times slowed down due to an incident that breaks the trust the two sides would have agreed to build.

The relationship has also been hit by the fact that there are several sceptics who are not keen on building a partnership since it could hurt their short-term political interests. However, there has been no dearth of both sides trying to put the relationship back on track.

The recent visit of the Pakistan Commerce Minister, Khurram Dastagir Khan, to Delhi for the South Asian Association for Regional Cooperation meeting and the bilateral he held with the Indian Commerce Minister Anand Sharma has yielded some good results that can help build a strong partnership across our western border.

The efforts this time are expected to yield better results since there has also been strong industry support on both sides over the last six to eight months when senior industry members have built platforms like the Joint Business Forum supported by industry associations such as the Confederation of Indian Industry and the Pakistan Business Council, to find a solution to the long-standing problem of building a sustainable bilateral trade and investment regime.

A strong industry push would help in political leaders understanding the need to keep the stakeholders involved in the process and heeding to their demands for building a viable partnership.

The approach of the two sides is looking more positive. Instead of sticking to the usual issue of waiting on the granting of Most Favoured Nation (MFN) status by Pakistan to India, the two sides have agreed to move ahead on a Non Discriminatory Market Access (NDMA), which in a way only falls very short of the usual trade nomenclature of MFN.

Rather than going by the literal meaning of MFN, the two sides have decided that going beyond this issue would further help the two countries engage bilaterally. NDMA, as the name suggests, will help achieve substantial market access, ensuring free flow of goods and people both the ways. According to the Pakistani Minister, "MFN status is a red herring now and it distracts the countries from the real issue which is non-discriminating access and a level playing field for both the countries". This proactive step can go a long way in building a strong economic partnership, if the two sides are able to sustain the dialogue without a break.

Further, the two sides have yet again agreed to intensify and accelerate the process of trade normalisation, liberalisation and facilitation and to implement the agreed measures before the end of February 2014.

There are several outstanding issues that the two sides decided to focus on. These include the need to expedite the process of issuing bank licences to allow banks to function in each others country, opening the Wagah-Attari border for trade at all times of the year and allowing more goods to be traded through that border, identifying steps to be taken to allow containers, which were until now unloaded at the checkpost and re-loaded on the other side to be moved right up to Amritsar and Lahore. And most importantly relaxing the visa regime. India, reportedly, agreed to to look into the matter of Pakistan's request for easier and higher quota for visas for its businesspeople.

The two sides have even decided to look at moving forward some technical issues by convening meetings of technical working groups of customs, railways, banking, standards organisations and energy. New Delhi and Islamabad are also keen on operationalisation and effective implementation of the three agreements signed in 2012, specifically aimed at reducing the non-tariff barriers: visa facilitation, customs facilitation and mutual recognition of standards.

The intent is good, but these decisions and discussions should not just remain on paper. There is now an urgent need for the two sides to move this forward to give the economy a boost. The two largest and most populous economies of south Asia should aim at moving forward and creating an economically powerful bilateral relationship. There is an urgent need for the two countries to look into creating political environment of peace, mutual trust and confidence.

[Back to top]

Sharma to travel to Pak only after movement on MFN
ENS Economic Bureau

New Delhi, 8 February 2014: Commerce and Industry Minister Anand Sharma is unlikely to visit Pakistan next week as the neighbouring nation is yet to implement the measures assured by its Commerce Minister Khurram Dastgir Khan during his visit last month.

A senior official told The Indian Express that Pakistan had assured India on implementing measures including granting it non-discriminatory market access (NDMA), that is, Most Favoured Nation (MFN)

status opening the Wagah-Attari border for trade at all times of the year and dismantling the negative list of items. A letter on this was written by the commerce secretary to his Pakistani counterpart last month. "Pakistan is yet to reply to the letter. The letter essentially suggested a sequence of implementing the measures. The Indian side is waiting for the response and the minister's visit to Pakistan is thus conditional. The minister has not called off his visit yet but it will fructify only when there is some positive indication (from Pakistan)," the official said.

Sharma was supposed to visit Pakistan next week to inaugurate India Show in Lahore that begins from February 14-16. Over 100 Indian companies are expected to mark their presence there. "Also, the Parliament session is on. The minister will factor in this aspect while taking a decision," the official said. During his visit last month, Khan and Sharma had said that the two sides agreed on opening the Wagah-Attari border for trade 24×7 while allowing more items through this route. Currently only 137 items can be traded through the Attari-Wagah land border.

The two sides had also agreed to allow containers, which were until now unloaded at the check-post and re-loaded on the other side, to be moved right up to Amritsar and Lahore. It was also decided to expedite the process of giving bank licences.

Pakistan had agreed to dismantle the negative list of 1,209 items, thereby opening gates for all of Indian goods into the neighbouring state. It has already missed the deadline of December 31, 2012. Doing away with the list will automatically lead to grant of NDMA status to India. Pakistan has also assured bringing down the sensitive list of items to 100 under the South Asia Free Trade Agreement (SAFTA) over a period of five years. India has agreed to do the same within one year.

[Back to top]

Time we pushed Asean pact on services

Rajrishi Singhal, Business Line (The Hindu)

30 January 2014: India's resolve to get closer to Asean countries is faltering at the altar. After signing a free trade agreement on goods with Asean, a similar pact on trade in services and investment — unarguably India's strong suit — still eludes the country. Marked by public squabbling between ministries, it is quite likely that the final agreement will be signed only after elections.

Make that one year from now. Once the new government takes over, it will be another six-seven months before it can sink its teeth into bilateral trade deals. This is tragic because while India has an advantage in services, India's existing trade balance with Asean is negative.

Confusion, delays

India signed a free trade agreement (FTA) with Asean — an economic bloc of 10 countries — for only goods in 2009. This was to be followed up with the signing of a separate FTA on services and investment, negotiations on which have been continuing for some time now. There is no clarity on the benefits that such an FTA will offer since the agreement is not yet in public domain, but it can be safely said that it will allow India to leverage its competitive offerings in finance, education, health, IT, telecommunications, transport and movement of professionals.

Consequently, Indian service providers will be able to offer services to Asean customers with greater ease than what is available currently.

A formal conclusion to negotiations was signalled through an Asean secretariat communiqué in Delhi on December 20, 2012: "...we welcome the successful conclusion of the negotiation on ASEAN-India Trade in Services and Investment Agreements." The session concluded with Prime MInister Manmohan Singh also endorsing the end of negotiations.

This led to speculations about probable dates, with August 2013 emerging as consensus deadline. On October 10, 2013, at another Asean Summit, Manmohan Singh provided another deadline: "India stands ready for the signature of the India-Asean FTA on Services and Investment by the end of this year and its early implementation." The Cabinet then on December 19, 2013, approved a services and investment treaty with Asean, raising hopes that the deal would be sealed soon.

Sadly, that cut-off date too has lapsed and the agreement seems to have fallen into the cracks that lie between promises and approvals. The delay is being blamed on shadow-boxing between Ministry of Commerce and Industry, which wants India to push ahead with the agreement, and Ministry of Finance, which wants a detailed study on the performance of all FTAs signed so far. While the Cabinet over-ruled all opposition, a delay is now inevitable.

India's economic strength lies in services, given that over 50 per cent of GDP comes from services. It is, therefore, counter-intuitive that bickering and delay should bog down an advantageous trade pact.

Missing the target

The unsigned, unconsummated FTA is to be formalised under the umbrella framework of Comprehensive Economic Cooperation Agreement (CECA) which India and Asean inked in 2003. CECA — which has two components, goods, as well as services and investment — is similar to most FTAs, but earns the "comprehensive" sobriquet by including investment. India has signed CECAs with Japan, Singapore and Australia.

Under CECA with Asean, the Agreement on Trade Goods was signed in 2009. Asean comprises Singapore, Brunei, Malaysia, Indonesia, Thailand, Cambodia, Laos, Vietnam, the Philippines and Myanmar. Indo-Asean trade has grown from $30 billion in 2008 (before FTA on goods was initialled) to $76 billion in 2012. But, given the pace of progress, it seems the 2015 target of $100 billion will be missed.

The source of inter-ministerial conflict lies in the disaggregated numbers. The Finance Ministry's contends that there should be a proper study on performance of all FTAs. Specifically, it feels that Asean countries have gained more than India — in simple terms, that means India has imported more from Asean countries than it has exported to them.

For example, India's trade deficit with Thailand has grown by 111.55 per cent between 2008-09 and 2012-13.

Finance Minister P Chidambaram found vocal support from three sources. First, RBI governor Raghuram Rajan alluded to misaligned FTAs in a November speech: "I am worried because we seem to be reverting to a dialogue of protection and subsidies that we left behind long ago...While we should not enter into free-trade agreements that give foreign manufacturers an undue advantage, that is no reason for us to now respond by giving domestic manufacturers protection."

Industry lobbies Ficci and Assocham also pitched in. A Ficci survey among its members showed that many respondents felt trade in goods with Asean either had no impact on exports or had an adverse impact, but only a minimal beneficial effect.

An Assocham report was a bit more hard-hitting and cautioned the government to incorporate lessons from the Asean goods FTA into the Indo-EU trade negotiations.

Interestingly, apart from the Indian side, Asean members have been also holding up the talks, even as tariffs on a number of items keep coming down every year. For instance, it is believed some Asean countries are opposed to free movement of professionals, given rising unemployment in their countries. Some of them are insisting that Indian professionals should obtain local qualifications; for instance, a doctor wanting to practice in Thailand must obtain a licence from Medical Council of Thailand.

India, on the other hand, wants to sign a mutual recognition agreement with Asean so that there is a mutual recognition of professional qualifications; in case there is no such agreement at the Asean level, India will then have to sign such an accord with each country separately.

The clock is ticking. Every wasted moment results in India importing more goods (which eventually affects domestic manufacturing) while being handicapped in using its competitive advantage of services export.

(The author is Senior Geoeconomics Fellow at Gateway House: Indian Council for Global Relations)

[Back to top]

Visa-on-arrival facility for all but 8 countries from September
Ruchika Chitravanshi & Sanjeeb Mukherjee, Business Standard

New Delhi, 6 February 2014: India will extend the visa-on-arrival facility to all countries except eight with effect from September. The countries not covered under this single-entry e-visa facility, meant for purposes other than paid employment and education with a one-month time limit, are Pakistan, Sudan, Afghanistan, Iran, Iraq, Nigeria, Sri Lanka and Somalia.

The facility is currently available to 11 countries, including New Zealand, Singapore, Luxembourg, Japan and Finland. With Friday's government decision, India expects to become the world's number-one tourist destination, according to a government official. The country's total foreign tourist arrivals in 2013 stood at 6.84 million. Forex earnings from tourism grew 2.2 per cent year-on-year to $18.1 billion.

"Both the procedure and the scope of visa on arrival for tourists have been widened to boost tourism," said Rajeev Shukla, Minister of State in the Planning Commission. He said the facility could later be extended to business visa seekers. To begin, around 26 airports in the country will have the infrastructure to provide the facility. Tourists will just have to a fill a simple form and pay the prescribed fee, after which they will be issued electronic travel authorisation within three days.

On arrival in India, a simple biometric identification will be done at the airport. To extend stay beyond 30 days, the tourist will have to get another visa from the embassy.

"This has removed a major bottleneck for the country, but this alone would not help. We need to ramp up our marketing activities internationally to attract tourists," said Subhash Goyal, president, Indian Association of Tour Operators.

Madhavan Menon, managing director, Thomas Cook India, pointed at the implementation hurdles. "The reality is that we don't have the infrastructure to support such plans. They also need to see if we have the

wherewithal to host such a large number of tourists," he said. Around 1,090 more employees will be required to man the immigration counters at airports while there are 1,900 vacant posts in the department of immigration, according to Shukla.

Besides manpower, the home ministry has asked for additional infrastructure and a secure payment gateway for processing of these applications. Currently, a trial run for providing e-visas is underway for 140 countries.

There were some objections to the expansion of the facility raised by the ministry of home affairs over security issues and by the ministry of external affairs over reciprocity, which were resolved on Friday, Shukla said.

[Back to top]

India slams US move to tighten H-1B visa rules
Agence France-Presse

Washington, 6 February 2014: Indian Ambassador to the US S. Jaishankar said that India would see a decision to restrict certain temporary visas for skilled workers as a sign that the US economy is becoming less open for business.

“We think this is actually going to be harmful to us. It would be harmful to the American economy and, frankly, it would be harmful to the relationship” between the two countries, Jaishankar told AFP in an interview.

“Once I feel I’m not getting a fair deal, I am less responsive to the concerns of the other party. Then tomorrow if an American company comes and says, ‘You know, we’ve got this set of problems,’ the temptation for me is to say, ‘I’m out for lunch’,” he said.

The Republican leadership of the House of Representatives recently laid out general principles for an overhaul of immigration – whose main goal would be to give legal status to the estimated 11 million undocumented foreigners in the US.

A version passed last year by the Senate, which is led by US President Barack Obama’s Democratic Party, offers automatic immigrant visas for foreigners who earn advanced science degrees at US universities.

But it changes rules on so-called H-1B visas, which are issued to skilled workers who come temporarily to the US.

The Senate bill, while increasing the overall number of H-1B visas available, would hike fees and restrict additional H-1B visas for companies considered dependent on such foreign workers. The move came after complaints by US companies and labour groups that Indian tech firms bring in their own, lower-paid employees rather than hiring Americans.

Jaishankar charged that the changes attacked the business model of India’s IT industry, which he said was making the US economy more competitive by helping companies operate round-the-clock.

[Back to top]

India faces trade action from US
Times of India

New Delhi/Washington, 11 February 2014: Days after the US downgraded India's aviation regulator's safety ratings, Washington is expected to announce trade-related measures in what is seen as a retaliatory move against the government's recent stance on the patent regime.

The US Trade Representative (USTR) is expected to announce its move at around midnight (India time) a day after the US Chamber filed a submission to the USTR regarding the Special 301 Report. USTR Michael Froman and General Counsel Timothy Reif will hold a news conference to announce action related to India, the agency said earlier in the day in a heads-up to journalists. The Indian Embassy in Washington DC too scheduled a briefing by its economic and commerce wings soon after the expected US action. All this comes ahead of a re-scheduled visit to New Delhi of energy secretary Ernesto Munoz, which was postponed from January because of the Devyani Khobragade row.

"The submission highlights key challenges faced overseas by US creative and innovative industries, as indicated in the 2014 GIPC Index released last week… The GIPC believes that USTR's Special 301 Report provides an important tool to assess those countries that fail to abide by their IP rights obligations as outlined in trade agreements and international rules. Most notably, this year's submission recommends that USTR designate India a Priority Foreign Country in order to strengthen engagement with India to address the rapidly deteriorating intellectual property environment in this market," the Global Intellectual Property Centre (GIPC) said in a background note on Monday afternoon.

The Special 301 Report is an annual US report on the adequacy and protection of intellectual property in various countries. Even in the 2013 version, India had come in for special mention.

Drug multinationals have been lobbying with the US government for retaliatory action against India for its special provisions in the patents law that require the patent holder to prove that a genuine invention has been made and the matter on which special rights are sought is not a mere upgradation of an existing product. Citing this provision, Indian patent authorities have denied rights to some medicines for which global giants had sought patents. The provision—section 3(d) of the Patents Act—had been challenged, the Supreme Court had upheld its validity.

During consultations with the US authorities, Indian officials have said that even the American law allows denying frivolous patents. In fact, similar steps have been taken by several other countries, some in Europe.

Separately, drug companies are cut up with the Indian government over its decision to waive patent rights for a cancer drug and allow a local company to produce the same medicine at a cheaper rate. Although both the moves have been hailed by the civil society and patient groups, Big Pharma is upset, prompting the US government to act.

Indian authorities, however, said that there is no warning from the US so far. Commerce & industry minister Anand Sharma on Monday raised serious concerns over the USFDA's actions against Indian pharma companies and "disproportionate penalties", saying making affordable drugs does not mean they are spurious.

During a meeting with US Food and Drug Administration (USFDA) Commissioner Margaret A Hamburg, Sharma as well as health minister Ghulam Nabi Azad flagged the concern.

[Back to top]

India, US seek to better drug-making processes
Financial Express

New Delhi, 11 February 2014: The US Food and Drug Administration and its Indian counterpart on Monday decided to collaborate on inspection of drug units for good manufacturing practices (GMP) compliance and seamless sharing of regulatory information between them. The move, both sides reckon, will ease tensions between Indian drug companies and the US regulator which have escalated recently. This comes even as the US trade representative was slated to announce later in the day a trade enforcement action against India for its disgruntlement over India planning to issue a clutch of "compulsory licences" to local firms sidestepping some patents the US values.

Margaret Hamburg, commissioner of the US FDA, as part of her first, week-long visit to India, inked an agreement with Union health minister Ghulam Nabi Azad under which the two countries will exchange "information relevant to lack of compliance with accepted good manufacturing practices, good clinical practices, or good laboratory practices, as appropriate, by manufacturers and sponsors of medical products".

Drug companies that have faced adverse regulatory action by the FDA in recent months include Ranbaxy Laboratories, Wockhardt and Strides Acrolab. On January 23, the FDA banned the import of products manufactured by Ranbaxy at its plant at Toansa, the company's fourth plant to face regulatory action from the FDA, after its Mohali, Paonta Sahib and Dewas plants.

Analysts see the agreement as a sign of the two countries appreciating the mutual benefits of pharmaceutical trade between them — India with its 530 FDA-approved plants is keen to sustain and enhance its exports to the US while the Obama administration's healthcare plan relies significantly on cheaper generic drugs from countries like India.

India's pharma exports increased 10% to $14.6 billion during 2012-13, with shipments to the US accounting for about 26% of that. The country's pharma exports are soon to surpass domestic drug sales in value.

Curiously, USTR Michael Froman was expected to discuss the trade action against India at a news conference in Washington at 2 p.m. local time (1900 GMT), in what is seen as yet another sign of the mounting US pressure on India to make its patenting regime "more liberal." India's patent law has provisions that make it difficult to patent incremental pharmaceutical drugs that don't satisfactorily improve upon the existing therapies in terms of efficacy. The US is also sore over India not adopting a "data exclusivity" law that could prevent "unfair commercial use" of the information furnished by innovator drug companies with regulators by third parties. Speaking to reporters on Monday, commerce minister Anand Sharma, however, denied any official intimation by the USTR of the reported imminent trade enforcement action.

The FDA commissioner's India visit comes at a time when several pharma companies in India have come under FDA fire because of alleged serious shortcomings in their production and quality standards. Hamburg, during her interaction with the health minister, said that "there is huge expectation and dependence of public on the regulator to ensure the quality of what the people consume through drugs and food" without specifying any quality problems. She added that "there should be a common set of standards so that people have quality, safe and efficacious drugs," emphasising the need for compliance with US GMP standards, which are the considered very strict globally.

Azad, however, defended the quality of drugs exported from India stating that "being affordable should not mean that they are cheap and spurious". He added that developing countries such as India who have a growing pharma industry should be allowed to grow.

Apart from Ranbaxy, Wockhardt and Strides Acrolab, other Indian firms have also received warning letters regarding manufacturing practices at their units, leading to concerns in some circles that Indian companies are being singled out by the regulator as it supplies low-cost drugs to the developed markets.

As part of the agreement signed on Monday, regulators from both the countries will "inform the respective regulatory authorities before undertaking inspections, so that host-country inspectors may join inspections as observers".

The 21st commissioner of the FDA, Hamburg also met commerce minister Anand Sharma, later in the day, to discuss collaborative strategies to enhance export of pharmaceutical products, agricultural products, spices and marine products. India is the second largest provider of generic drug products and the eighth largest exporter of food products to the US.

Commerce ministry officials said that Sharma, during his meeting with Hamburg, said that the authority was not giving enough opportunity to Indian pharmaceutical companies to explain themselves before taking action against them for flouting quality norms.

The commerce ministry proposed that it would come up with a paper voicing its concerns with a view to seeking a resolution to the problem at an early date, officials added.

[Back to top]

Agri exports rise 20% in first three quarters of current fiscal
Sandip Das, Financial Express

New Delhi, 7 February 2014: Driven by a sharp rise in shipments of rice, meat products and fruits and vegetables, India's agricultural and processed food products' exports have risen by close to 20% to Rs 99,125 crore in the first three quarters of the current fiscal, compared with the same period last year. Commerce ministry sources told FE agricultural exports are expected to rise by more than 15% in the current fiscal compared with the last.

According to the latest data by Agricultural and Processed Food Products Exports Development Authority (APEDA), a body under the commerce ministry, the rise in exports during April-December 2013 has been achieved despite more than 40% fall in exports of guargum, mostly used by US-based oil exploration companies. "Factors such as adhering to global quality standards, improvement in quality of packaging and transportation and devaluation of the rupee against the dollar mainly contributed to the increase in agricultural goods exports," an official source said.

The sharpest jump in exports in the first nine months of this fiscal has been seen in shipments of Basmati rice and meat products, which have grown over 58% compared with the same period last fiscal.

India has earned more than Rs20,649 crore this fiscal from Basmati rice shipment, which is an increase of more than 58% compared with the last fiscal, while in terms of US dollar earnings, the exports grew by more than 46%. Similarly, in the case of meat and allied products, exports have risen to more than Rs19,946 crore in the current fiscal, against Rs17,902 crore earned during 2012-13.

The shipment of non-Basmati rice rose by more than 18% to Rs12,894 crore in the current fiscal. A commerce ministry official said rice exports have been rising steadily since the government lifted a four-year ban on non-Basmati rice exports in September 2011. As reported by FE recently, India is all set to earn close to Rs40,000 crore from rice exports this fiscal from Rs33,000 crore earned in the previous year. “Basmati rice export to Iran has risen sharply in the last eight months of the current fiscal. This has pushed up shipments of Basmati rice from the country,” Vijay Setia, an exporter and former president of All India Rice Exporters' Association, said. Iran's share in the volume of Basmati rice exports from India is around 35%.

However, after rising for the last two fiscals, guargum exports have declined sharply to Rs10,159 crore in the first three quarters of this fiscal, while India had earned more than Rs21,000 crore during 2012-13. Other commodities which saw a rise in exports in the qua-rters include dairy products (Rs2,618 crore), pulses (Rs1,451 crore), fruits (Rs2,602 crore) and vegetables (Rs3,865 crore).

Meanwhile, APEDA has identified 20 odd clusters located across India for sustaining growth in food products' exports in the future. These clusters include Basmati rice (Haryana and Punjab), buffalo meat (western UP), grape and grape wine (Nasik region, Maharashtra), pomegranate (Satara and Pune regions of Maharashtra), dehydrated onions and garlic (Gujarat), poultry or egg (Namakkal) and mango pulp (UP and Maharashtra). “Indian agriculture seems to have a greater comparative trade advantage than manufactured goods. This has been possible as the sector has responded by undergoing a structural transformation,” a paper by Commission for Agricultural Costs and Prices chief Ashok Gulati recently stated.

[Back to top]

CCEA defers subsidy on raw sugar exports
PTI

New Delhi, 4 February 2014: The Cabinet Committee on Economic Affairs (CCEA) today deferred a decision on fixing subsidy for exports of raw sugar, amid differences between food and agriculture ministries.

The Food ministry has proposed a cash subsidy of Rs 2,000 per tonne, while the agriculture ministry wants Rs 3,500 a tonne for exports of four million tonnes of raw sugar in the next two years. A Committee of Secretaries of ministries concerned would rework the quantum of subsidy tomorrow and the proposal is likely to come before CCEA later this week. "The proposal was taken up for discussion. But a decision was postponed," Food Minister K V Thomas told reporters after the CCEA meeting. "Our proposal is Rs 2,000 per tonne of export subsidy on raw sugar.

The Agriculture Ministry wants Rs 3,500 per tonne. The quantum of subsidy would be re-calculated," he said. The Committee of Secretaries of food, agriculture, commerce and finance ministries would meet tomorrow to re-calculate the subsidy of raw exports, he added.

That apart, the minister said, that the Commerce Ministry has also raised some concerns whether the subsidy is WTO compliant.

"The Commerce Minister was also not present in today's meeting," Thomas said citing another reason for deferring a decision.

Another minister present in the meeting said: "There is going to be some further little consultation between the Food Minister and the Agriculture Minister. I think it (proposal) will be come back on

Thursday (in CCEA)."

Thomas said the subsidy would be Rs 800 crore on the basis of food ministry's proposal of Rs 2,000 per tonne, while the exchequer would have to bear Rs 1,400 crore if Agriculture Ministry's demand is considered.

The Food Ministry has proposed a cash incentive to sugar mills for exports of 4 million tonnes of raw sugar in two years as the industry is facing a liquidity crunch with prices of sweetener being lower than the cost of production.

Sugarcane price arrears to farmers has reached about Rs 10,000 crore from about Rs 3,000 crore at the start of the current marketing year in October 2013. In December, government had approved Rs 6,600 crore interest-free loan to sugar industry for making payment to sugarcane farmers.

India is the world's second largest sugar producer and biggest consumer. Production is estimated at 25 million tonnes in the 2013-14 marketing year (October-September) as against 25.1 million tonnes in the previous year. The annual domestic consumption is seen at 23.5 million tonnes.

[Back to top]

Coffee exports up 38% in January on strong global prices
PTI

New Delhi, 3 February 2014: Country's coffee exports rose 38 per cent to 26,161 tonnes in January on account of firm global prices, according to the Coffee Board of India. The country had shipped 18,979 tonnes in the same month of the previous year, the data showed. In value terms, exports rose to Rs 393.70 crore in January this year from Rs 304.70 crore in the year-ago period, even as unit realisation was down at Rs 1,50,496 per tonne.

"Exports remained high as global prices improved and have remained stable since last one month. International prices have gone up on expectation of lower crop in Brazil," Board's Chairman Jawaid Akhtar told PTI. Currently, harvesting is underway in the country and normally small growers try to sell off their produce. This is also one of the key reasons for higher exports, he said.

Akhtar, who also heads International Coffee Organisation (ICO), said the production forecast for Brazil, the world's largest coffee producer, has been revised downward for this year to below 48 million bags from earlier 58 million bags. With this development, arabica prices in the global market rose to around 130 cents per pound now from 110 cents per pound a month back, he added.

According to the latest Board data, shipment of robusta coffee rose by over 90 per cent to Rs 10,101 tonnes in January this year, from Rs 5,306 tonnes in the year-ago period. Similarly, export of arabica coffee increased by over 46 per cent to 9,200 tonnes from Rs 6,290 tonnes in the review period. But export of instant coffee remained down at 6,838 tonnes as against 7,356 tonnes in the same period.

Maximum coffee was exported to Italy (5,675 tonnes), followed by Germany (2,621 tonnes), Belgium (2,109 tonnes), Jordan (1,674 tonnes), Turkey (1,646 tonnes) and Russian Federation (1,309 tonnes) in January 2014, the data showed.

During the April-January period of this fiscal, the country's total coffee exports increased to 2,41,956 tonnes as against 2,25,570 tonnes in the year-ago period.

Currently, arabica harvesting is almost over in the country, while robusta picking is continuing. The Board has pegged total output at 3,11,500 tonnes for 2013-14 crop year (October-September), down by 2.1 per cent from 3,18,200 tonnes produced in 2012-13.

[Back to top]

Seafood exports in April-December at all-time high of $3.66 bn
Financial Express

Kochi, 6 February 2014: Seafood exports in the first three quarters of the current fiscal have reached an all-time high of $3.66 billion dollar, mostly due to higher exports of frozen shrimp, officials at the Marine Products Export Development Authority (MPEDA) said.

Exports during the nine- month period aggregated 6,92,299 tonne, valued at Rs21,828.89 crore compared to 7,21,182 tonne valued at Rs14,811.29 crores during the same period of 2012-13. The volume of exports has decreased by 4% while the realisation has increased 47 % in rupee terms and 33 % in dollar terms. Total seafood exports during FY13 aggregated 9,28,215 tonne valued at Rs18,856.26 crore, or $3511.67 million.

MPEDA sources said that frozen shrimp continued to be the principal item, both in volume and dollar terms, with a share of 33.08% and 65.41%, respectively. The overall exports of shrimp in April-December 2013-14 were to the tune of 2,29,010 tonne , worth $2,396.30 million. Exports of shrimp recorded growth of 27.55 % in volume and 70.53 % in dollar terms compared to the same period of 2012-13. Unit value realisation also increased 33.69%.The contribution of cultured shrimp to total shrimp exports is 77.68%. Southeast Asia continues to be the largest buyer, with 38% in terms of volume. The US became the largest buyer with 27.25 % in terms of the value realised in dollars, followed by Southeast Asia at 26.01%.

[Back to top]

The real cost of the gold import curbs
Soumya Kanti Ghosh, Financial Express

6 February 2014: The latest release on Balance of Payments, for Q2FY14, shows a sharp decline in the current account deficit (CAD)—to 1.2% of the GDP. A bulk of this decline is attributed to the steep fall in gold imports and, for a while, the might of the government to set things right by raising import duty on gold appears to be bearing the desired fruits. The gold imports, as per the provisional data, has declined to $1,080 million in December 2013 from a peak of $7,500 million in May 2013.

Although gold imports through official channels has declined, unofficial channels are making good of the the vast, inelastic demand for gold which is fuelling the high domestic prices premium. Concomitantly, there has been a steep rise in seizures by the Directorate of Revenue Intelligence (DRI). While there was no seizure of gold in the total seizures made in FY11, in FY12 gold accounted for 3% of the seizures and 8% in FY13. This speaks volumes of the negative externality that the gold import curbs have created. Drawing inference from the latest media reports, DRI officials estimate gold smuggling to the tune of 500 kg per day (182 tonnes a year) hapenning.

This implies a monthly expenditure of Rs4,500 crores! As per the World Gold Council November 2013 report, in the first eight months of FY14, India has already imported 450 tonnes and, with festive demand in the fourth quarter expected to be strong, the unofficial channels will relentlessly cater to this demand.

The massive diversion of household investible surplus into gold, irrespective of the channel through which it has been procured is a matter of serious concern. A close look at these trends reveals that the immediate solace on CAD figures attributed to the drop in gold imports may be short-lived. The comfort is ill-founded on three counts—first, the trade data for gold is highly distorted on the account of over-invoicing of imports. For example, total imports of gold from Switzerland in 2012 were $26 billion while the corresponding export figures, made by Switzerland to India, is just $6 billion! Extrapolating similar trends in other commodities implies that the official CAD need not reflect the true CAD to the extent of such discrepancies. In fact, the Financial Action Task Force survey in 2006 concluded that most of the customs agencies inspect only 5% of the cargo shipment entering their jurisdiction; the fact that the present machinery, not only in India but across the globe, is highly inadequate to assess the menace of over-/under-invoicing of shipments only strengthens our argument.

Second, the official national income figures, by construction, exclude smuggling. Hence, if one were to make a realistic assessment of the CAD, we may have to augment the standard saving-investment (S-I) identity for open economy—savings minus investments equals CAD—for smuggling. As argued above, the diversion of household investible surplus into gold will have the effect of reducing financial savings (S). The gold imports, under the present accounting treatment (which is itself debatable), are recorded as investments under a separate heading ‘valuables’. When augmented for smuggling, the S-I gap in the LHS will be higher because the unofficial gold imports will add to the official estimates of valuables thus increasing the S-I gap and the same will be mirrored in the CAD. The official CAD, therefore, represents a lower bound on the true CAD, albeit with considerable band of uncertainty to the extent of trade mispricing.

Lastly, with Rs4,500 crores of monthly purchases as DRI suggest, it is reasonable to assume that there is an organised parallel market in FX which caters to financing such operations. The domestic unofficial supplier who receives rupee must convert the same in some foreign currency to pay his foreign supplier for there is hardly any domestic production of gold in India. Thus, for e.g., the dollar-rupee unofficial rate and official interbank rate will have a bidirectional causal effect. In fact, a recent RBI study on NDF suggest such bidirectional relationship between onshore and offshore rupee markets rates which becomes unidirectional at time of distress and offshore markets determine the domestic rates. To what extent does the presence of such a domestic parallel FX market affect the official interbank exchange rates and the threat that it poses to financial stability remains unexplored.

In conclusion, in assessing the cost-benefits of import duty on gold, one has to be more realistic and factor in the ramification of gold purchases through unofficial channels and its impact on CAD. We have shown that CAD is negatively affected when standard savings-investment identity is augmented for smuggling. The extent of how such operations are financed through parallel FX markets could endanger financial stability is an area that remains unexplored. On a net, it now appears the cost of the gold curbs might have outweighed the benefits.

Co-authored with Saket Hishikar, economist, State Bank of India
The author is chief economic advisor, State Bank of India.

[Back to top]

Give our textiles also duty-free access: India to Germany, UK
Amiti Sen, Business Line (The Hindu)

New Delhi, 2 February 2014: India is seeking duty-free access for its garments and textiles into the European Union, in line with what is on offer to competing countries such as Pakistan and Bangladesh.

The Textiles Ministry is already in talks with Germany and the UK for zero duty access for garments and some other textile items, Textiles Minister KS Rao told *Business Line*.

"We are negotiating Government-to-Government. We want them (EU countries) to give us the same dispensation as Pakistan and Bangladesh," the Minister said. It is important to ensure a level-playing field for Indian exporters. The Ministry has also asked the Finance Ministry for an interest rate subvention (lower interest rate) of 3-4 per cent for textile exporters. "This will help them compete in the export market better and exports would go up," Rao said.

Preferences scheme

The Minister said that the Textile Ministry would set an ambitious export target of $60 billion for the textiles sector for the coming fiscal, which is almost 50 per cent higher than exports of $41 billion estimated this year.

But the fact that the country has graduated out of the Generalised System of Preferences (GSP) scheme offered by the EU under which it was getting preferential access to the European market (by paying lower import duties) could make the going tough. EU is India's largest market for textiles.

While Bangladesh and Sri Lanka have been taking advantage of a duty-free regime for their textile items for some time, Pakistan too has been made eligible for zero-duty access since January this year under the EU's GSP Plus scheme. Rao said that Indian garments and textiles were getting affected because of the double blow. "In a market like Germany, while Pakistan does not have to pay any duties for readymade garments, Indian exporters are subject to a duty of 9.36 per cent," the Minister said.

Under the GSP Plus Scheme, Pakistan is allowed to export textile goods to the 27-member EU duty free till 2017.

As per estimates made by the Pakistani Government, the textile industry would earn additional profits of $930 million per year because of the scheme.

With Chinese textiles becoming uncompetitive due to rising labour cost and Bangladeshi textiles facing quality issues, India is hopeful that several European countries will take the country's request seriously. "EU imports 95 per cent of its textile requirements. It is giving concessions to Pakistan and Bangladesh for political reasons. We are requesting the same," Rao pointed out.

[Back to top]

Apparel sector lags in winter-wear exports
Vinay Umarji, Business Standard

Ahmedabad, 5 February 2014: While India is one of the top apparel exporters to western markets for summer wear, every year when it comes to winter wear, the country witnesses a dip in shipments. To bridge the gap, apparel exporters are now making an effort to increase the import of specialised fabrics.

Companies and experts alike attribute the dip in winter wear export to lack of availability in specialised fabrics and low value addition in apparel.

"We have a very narrow fabric base and this comes in the way of producing value added apparel. Winter wear is a bigger business worldwide, which India is not able to tap optically. We have now begun developing specialised fabrics and working with polyester and blended fabrics to increase our production

of globally acceptable winter wear," says Premal Udani, chairman of Kaytee Corporation.

"Most of the winter wear globally comprise non-cotton fabric, where India still lags, since it predominantly exports cotton-based fabric and apparel," says Sanjay Jain, managing director, TT Ltd, and vice-chairman of the North India Textiles Research Association. "There is a dire need to improve our winter wear export, so that capacities are utilised through the year."

About 70 per cent of Kaytee Corp's Rs 80 crore of apparel exports is summer wear. "We desire to bring this ratio up to 60:40, if not 50:50, in the near future," adds Jain.

The Apparel Export Promotion Council (AEPC) says the period between May and October is when the industry receives orders for winter wear. While average monthly apparel export during the period of summer wear tends to be $1-1.2 billion, the May-October period sees a dip in average monthly export to $700-800 million.

"There is potential for at least another $200-300 mn worth of apparel export if winter wear production and export are pushed," says a senior AEPC official. "Since the country doesn't manufacture the required speciality fabrics meant for producing winter wear, most of it has to be imported. AEPC has been pushing for a duty cut in the import."

For 2013-14, AEPC has set a target of $17 bn worth of apparel export. The figure from April to December 2013, the first nine months of the financial year, is $10.5 bn.

[Back to top]

Registering trademarks turns cheaper for firms
C.H. Unnikrishnan, Mint

Mumbai, 3 February 2014: India's patents and trademarks office has issued guidelines on the working of the Madrid Protocol, the treaty that India signed last year allowing Indian companies and citizens to register their trademarks globally.

The new system, which works on a single registration fee to be paid in India, will help firms and brand owners save on the otherwise huge expenditure incurred in filing separate international trademark applications for all the individual countries.

The guidelines have been largely accepted by the stakeholders, including brand owners and law firms that handle trademark matters.

But some experts say it may have a revenue impact on trademark agents and law firms as the filing of Indian applications by foreign firms will see a significant drop.

"We do not see any issue as such in the working of Madrid agreement," said Essenese Obhan, founding partner at Obhan and Associates, a Delhi-based law firm that specializes in intellectual property, including patents and trademarks.

"Though it is a fact the international filings in India will go down thereby affecting the filing of cases, it will open up more opposition cases as trademark filings from foreign countries in India through the Madrid agreement will be more now," added Obhan.

Under the new system, a local company that wants to register its trademark in multiple countries can file a single international application at the Indian trademark office in Mumbai and at zonal offices in Kolkata, Delhi and Chennai. Following this, the Indian office, after verification and certification, will forward the application to the trademark cell—called the International Register—of the World Intellectual Property Organization (WIPO) in Geneva. Trademark registrations under the Madrid Protocol emphasize the key role of locally registered trademark as it is the base for international applications.

The guidelines that will help trademark officials in India to function according to the mandates of the treaty, specify that a local brand owner can file an international application through the new system only if they have already registered or applied for the trademark in India.

Indian patents and trademarks office guidelines clarify that an international trademark registered in foreign countries is mainly based on the validity of the local trademark and that therefore any invalidation or modification of this trademark will directly affect the trademark registered in others countries through the Madrid Protocol. Since India is also a member-country of the Protocol, all the other signatories can also file their trademarks through the international registry operated by the WIPO.

According to the Indian guidelines, the fee for a single filing for international registration has been set at Rs.processing fee. Both the fees need to be paid at the Indian office. Earlier, brand owners had to pay a fee ranging from $700 (around 2,000 for the local process and an additional Swiss Frank 650 for the WIPO Rs.43,000) to $1000 (around Rs.62,000) in each country, along with charges for hiring local agents to handle the application as well as the pre- and post-registration procedures. “It saves a significant cost for brand owners and companies who want to register their trademarks in the international markets,” said Sumathi Chandrashekaran, an intellectual property lawyer specialised in trademark law.
An industry executive agrees.

“The treaty (Madrid) provides us an easy route to protect our trademarks in most of the markets that we are focusing on, without having to deal with these registrations individually in each of the countries,” an executive of an engineering firm said, requesting anonymity. “Although we need to keep our lawyers alert on any opposition or damage on the trademarks in the foreign destinations, the registration cost has become a fraction of what it used to be in the past.”

[Back to top]

Ministry of Commerce & Industry: Duty Imposed on Steel Imports by Thailand
India Public Sector News

New Delhi, 5 February 2014: Recently, Thailand imposed a definitive safeguard duty on imports of certain hot rolled steel flat products originating from India at the ad valorem rate of 44.2% for the period 15th September, 2013 to 26th February, 2014. This would be progressively reduced as per the provisions of Agreement on Safeguard under the World Trade Organization (WTO).

Safeguard duty so imposed will have an impact on India's exports of those specific products to Thailand.

Government is constantly reviewing policies and providing support from time to time to make the Indian products competitive in the international market. Apart from the neutralization of duties on imports, Government is providing incentives to various sectors, including engineering sector, by way of Focus Product Scheme, Focus Market Scheme, Market Linked Focus Product Scheme, Interest Subvention, Incremental Growth Scheme etc. To protect the domestic manufacturing sector, amongst others, Government is also monitoring the imports of steel products, so as to ensure that imports which can be avoided by strengthening the domestic manufacture are identified. Government is also invoking Trade

Remedial actions by way of Anti-Dumping and Safeguard duties on imports following the rights and obligations under WTO.

The information was given by the Minister of State in the Ministry of Commerce and Industry Dr. E.M. Sudarsana Natchiappan in Rajya Sabha today.

[Back to top]

India's wheat, rice exports raise hackles at WTO
Sidhartha, Times of India

New Delhi, 3 February 2014: The US, Canada and Pakistan have questioned India's export of wheat and rice, suggesting that subsidized grains have been shipped out providing gains to local traders.

The queries at the World Trade Organization (WTO) come weeks after these countries reluctantly agreed to India's demand for renegotiating the agreement related to food subsidies that turned into a make-or-break issue at the Bali ministerial meeting in December.

The government has denied the suggestions and said that India is complying with all international norms. "We are on the right track," said a top government official, dismissing the charges.

On January 29, at a meeting of the WTO's committee on agriculture, the US and Canada asked India about reports that it exported two million tonnes of wheat because of surplus stock, sources familiar with the discussions said. Canada then went on to ask if the floor price had been lowered to $260 a tonne from $300 a tonne proposed earlier, which was lower than the Canadian export price.

Similarly, the US calculated the cost of wheat at the port at $310 a tonne and asked the government to supply data on the costs and the prices of the winning bid.

During the meeting itself, India tried to dismiss the allegations saying that the exports were contracted at $279-289 a tonne, which is higher than the floor price. But discussions could not be undertaken further as the US sent its questions late and India will furnish the data over the next few weeks.

Pakistan - which was part of the developing country alliance seeking easier regime for food subsidies before doing a U-turn - has raised questions over India's rice export figures and how basmati and non-basmati were graded.

Although the developed countries led by the US had opposed "renegotiating" the agreement on agriculture settled nearly two decades ago, one of the major concerns was over grains procured at a high minimum support price slipping into international markets.

In fact, India has explicitly assured that it restricted such practices but experts had warned that future exports would come under a cloud as the developed countries would raise the issue and go to the extent of seeking damages or restriction on shipments.

India, which was virtually isolated at Bali, managed to get a deal under which the cost of building stocks for food security will not be counted against a country's domestic support limits.

For India, the issue is especially critical as its procurement of staples may breach the prescribed cap in the coming years.

[Back to top]

Solar mission: US takes India to WTO, again
Nayanima Basu, Business Standard

New Delhi, 12 February 2014: The government on Tuesday said it hadn't violated global trading norms under the World Trade Organization (WTO), even as the US filed a second case against India on the second phase of the Jawaharlal Nehru National Solar Mission (JNNSM).

In February 2013, the US had filed a similar case related to the first phase of the mission. However, it didn't pursue that case.

On Monday, US Trade Representative Michael Froman said the compulsory domestic content requirements "discriminate against US exports" by requiring solar power developers to use Indian-manufactured equipment instead of American products. "This kind of discrimination is against WTO rules and we are determined to stand up for US workers and businesses," Froman said.

Under WTO dispute-settlement body norms, a complainant first seeks consultations with the target country, which typically takes 60 days. Subsequently, a panel of lawyers is constituted and the case is officially registered as a trade dispute.

Commerce Secretary Rajeev Kher said, "Now, they have come in for a second-phase challenge. It is not a surprise. It has happened earlier. They have had a consultation and now, they are going to have a consultation again. We will participate in that consultation. Our policy is WTO-compliant."

He said in JNNSM phase-II, most contracts had been awarded to American firms. Bids were invited in October 2013, when the second phase was launched. The final results of the bids will be announced on February 20.

Kher alleged it was the US that was following restrictive policies for its local solar panel manufacturers in 13 states. Last year, India had filed a report to WTO's subsidies and countervailing measures committee, saying the US was running a subsides programme for local content requirements, primarily in the states of Connecticut, Delaware, Massachusetts and Minnesota.

India was yet to receive an official consultation request from the US, Kher said. On Wednesday, the Ministry of New and Renewable Energy will hold a meeting, at which the matter will be discussed.

Sources indicated the US was keen on furthering the interests of just one company from that country — First Solar Inc, the world's largest solar thin-film manufacturer. The company is promoted by the Walton family that owns Walmart stores. Apparently, their solar films were based on cadmium telluride, which was "harmful and poisonous", said an official involved in the talks, on condition of anonymity.

Some leading Indian solar photovoltaic (PV) module manufacturers such as Tata Power Solar and Moser Baer have told Business Standard there are various difficulties in penetrating the US market due to the support provided to the domestic manufacturers there by the government of that country. "The US seems to be completely misguided in this issue and is just showing double standards. The policy of government procurement is allowed. The US seems upset because it is not able to sell products in its market. Maybe, it is feeling threatened, as other solar panel producers from Japan and China are aggressively entering India," said Ajay Goel, chief executive officer, Tata Power Solar.

He added the matter would be raised during the India-US energy dialogue, for which US Energy

Secretary Earnest Moniz was coming to India for two days. Initially, the dialogue was scheduled for January, but was delayed due to a diplomatic row between both countries.

Deepak Puri of Moser Baer said the requirement for JNNSM was meagre compared to the requirements of governments in countries that didn't have domestic content requirement.

India is also looking into an anti-dumping case involving supplies of solar panels from China and the US.

JNNSM was launched in January 2010 with an aim to secure 20,000 Mw of solar power by 2022.

[Back to top]

WTO Members Differ Over Approach Toward Negotiations
Daniel Pruzin, WTO Reporter

7 February 2014: Members of the World Trade Organization offered different views February 6 on how the WTO should move forward with the multilateral negotiating agenda following the successful conclusion of the global trade facilitation agreement in Bali, Indonesia, in December.

Members such as the U.S., the European Union, Japan and Canada stressed the need to be realistic and open-minded on how the remaining issues on the stalled Doha Round agenda should be addressed, including the possibility of adding new "21st Century" issues to the mix.

However, India was joined by a number of developed and least-developed countries in insisting that the future priority must be the existing Doha agenda and that the principle of the "single undertaking"—whereby an agreement on one issue is dependent on agreement on all issues—must be maintained.

In the first discussion among the entire WTO membership on the organization's post-Bali negotiating priorities, WTO Director-General Roberto Azevedo said the first priority must be ensuring the implementation of the trade facilitation agreement, followed by the preparation of a "clearly defined work program" on the remaining Doha agenda issues by the end of 2014.

Azevedo's Parameters

Azevedo largely repeated the message he delivered to a smaller gathering of trade ministers in Davos, Switzerland, Jan. 25, namely that discussions on the WTO's post-Bali work program should be framed by certain parameters.

These include being realistic and focusing on issues that are doable; recognizing that the big issues still on the Doha agenda—agriculture, industrial tariffs and services—are interconnected and must be tackled together; and keeping an open mind to new ideas that could help overcome stumbling blocks, the WTO chief said.

He said that "2014 should be the year that we implement our first negotiated outcomes—and the year that the Doha Round is put back on track."

Azevedo said it would be difficult to replicate the approach taken in Bali of avoiding the big issues and focusing on separate deals on other Doha agenda items.

“Most likely, any future multilateral engagement will require outcomes in agriculture,” he said. If agriculture comes into play “then so do the other two legs of the tripod: industrial goods and services.”

“We may even conclude that we're not ready yet to properly tackle these three areas,” he acknowledged, “but we can't avoid the conversation.”

U.S., Canada, EU Input

The interventions from several key WTO members also closely followed their statements in Davos. The U.S. reiterated that the first priority was ensuring implementation of the trade facilitation agreement. The U.S. also said it was “open-minded” about what should be put on the post-Bali work program.

WTO members should also consider updating databases and use better tools to capture trade and subsidization patterns in order to reflect how trade has changed in the last decade, the U.S. said.

Canada's WTO ambassador Jonathan Fried repeated his minister's message in Davos that the WTO needed to address new issues such as the digital economy, investment, competition policy, the environment and energy. He urged WTO members not to get bogged down in procedural wrangling over the future trade agenda.

The EU's WTO ambassador Angelos Pangratis also stressed the need to avoid procedural bickering and focus on substantive work, adding that WTO members need to be realistic about what could be achieved. He echoed the U.S. call for updated information on trade flows and subsidies, with Japan also underlining the need to take account of developments in global trade since the launch of Doha in 2001.

India's Agenda

India, which did not send any representatives to the Davos ministerial meeting, said the mandate from Bali was very clear—the priority for WTO members is to address the implementation of the trade facilitation agreement as well as issues in the Bali package where legally binding outcomes could not be achieved, one of which was India's demands for changes in WTO agriculture rules to grant developing countries greater flexibility for spending on food security programs.

India's WTO ambassador Jayant Dasgupta also stressed the need for a frank and open discussion on what was achievable in terms of post-Bali negotiations and what WTO members were prepared to do to secure agreements on the remaining Doha agenda items.

“We need an honest conversation,” he told Bloomberg BNA after the Feb. 6 meeting, particularly in regard to demands from the U.S. and others for more ambition from emerging markets on improved market access. “What are people prepared to give in order to achieve this?”

Dasgupta also stressed the need to maintain the single undertaking principle, telling WTO members that the organization “cannot keep breaking it up into little pieces,” according to officials in attendance.

Cuba, Egypt and Kenya, speaking for the African, Caribbean and Pacific (ACP) group of countries, echoed India in arguing the single undertaking principle must be maintained.

WTO members agreed at the trade body's 2011 ministerial conference in Geneva that it was unlikely all issues on the agenda of the stalled Doha Round talks could be completed simultaneously and that members should focus their efforts on issues where agreement was most likely to be achieved.

That decision prompted members to hive off trade facilitation, considered the “low-hanging fruit” of the Doha package, and to secure a separate deal in Bali. Negotiations on high-tech tariffs, services and environmental goods are also taking place outside the Doha framework among a smaller group of WTO members.

Don't Add Issues to Doha, LDCs Say

Uganda, speaking for the WTO's group of least developed countries, were joined by Bangladesh and Ecuador in rejecting the idea of adding any new issues to the existing Doha agenda. Brazil added that WTO members needed to focus on the unfulfilled agenda of the 20th century, especially the issue of agriculture.

China's WTO ambassador Yu Jianhua adopted a more moderate position, arguing that the level of ambition for the post-Bali work program should be “doable.”

“We have less than 12 months to go, so let's roll up our sleeves and get down to work,” Yu said. “Let's start from something easier while deliberating on how to tackle the tough ones.”

Azevedo said the chairmen of the various Doha negotiating groups would now consult with WTO members on the post-Bali work program and provide some initial feedback when members gather for a WTO General Council meeting on March 14.

[Back to top]