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The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.

Exporters alarmed as export sees double-digit drop
Nayanima Basu, Business Standard

27 August 2012, New Delhi: Exporters, who were banking on the foreign trade policy (FTP) announced this year, have started becoming jittery as merchandise goods' exports have fallen around 15 per cent in July.

The exporters, who were hailing the FTP, now want the government to do more as they believe what was announced in June is not enough.

They are now demanding that focus market scheme (FMS) — which offset high freight cost and other externalities — be expanded to traditional markets such as the US and Europe, and, the creation of a fund to help micro, small and medium exporters to gain access to unexplored markets.

Since the beginning of the financial year, exports have fallen for three consecutive months since May. However, the fall recorded in July was a steep 14.8 per cent — to $22.4 billion compared with $26.3 billion recorded in the same month last year. Imports dipped by 7.78 per cent to $37.9 billion against $41.1 billion, according to the provisional data released by the Ministry of Commerce and Industry.

The fall in July has been the sharpest since 35 months after exports contracted 23.59 per cent in August 2009. Exports also registered a fall of 4.16 per cent and 5.45 per cent in May and June respectively. Cumulatively, exports contracted 1.70 per cent in the first four months of this financial year.

"We need the right kind of intervention this time," said Sanjay Budhia, managing director and chairman, Patton Group, a Kolkata-based export house. "A double-digit drop in exports is a major cause of concern. It is not that our traditional markets have vanished, they are very much there."

He said the problem was India's exports are not priced competitively, unlike China's, which is offering products at "throwaway" prices owing to an all-time low demand in the domestic market.

Budhia, who is also the chairman of CII's National Committee on Exports and Imports, wants the government to bring India's traditional markets of US and Europe under FMS that would provide them incentives in marketing and selling their products aggressively. The sectors that witnessed the fall this time were some top-ranking ones, including engineering, and gems and jewellery.

Engineering goods had given a stellar performance in the last couple of financial years. In 2011-12, engineering exports reached $60 billion from $49.89 billion in 2010-11 and $33.73 billion in 2009-10. But engineering goods' exporters today doubt whether the gain can be sustained this financial year.

According to R Maitra, executive director of the Engineering Export Promotion Council (EEPC), the challenge this year would be to sustain the same level of growth. Engineering exports have fallen nine per cent during April-July.

"We cannot survive until and unless we get back our traditional markets of the US and Europe. Diversifying to newer markets is alright but these cannot match up to the European standards," Maitra said.

He also added that EEPC is now looking at East European countries — Poland, Czech Republic and Romania. Even though these countries had been heavily dependent on Germany and Italy, Maitra said, demand from India is increasing due to cheaper price offered by India, unlike Germany and Italy where there had been a huge price escalation.

The Federation of Indian Export Organisations (FIEO) has demanded for the establishment of an Export Development Fund with a corpus of 0.5 per cent of freight on board value to enable micro, small and medium enterprises exporters to aggressively enter the unexplored markets.

The exporters' body also said with government's intervention in lowering the cost of credit, exports can see a turnaround by October. But, it said even after two per cent interest subvention, cost of credit is too high in domestic markets.

Currently, big exporters can raise money outside India at six per cent. But in India the rate of interest even after subvention comes at around nine per cent, Ajay Sahai of FIEO said.

FTP for this year had extended interest subvention till this financial year-end, and expanded it to readymade garments and toys.

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More export sectors to get cheaper credit
Amiti Sen, Economic Times

28 August 2012, New Delhi: More export sectors may soon get access to cheaper credit, with the commerce department planning to expand the list of beneficiaries under the interest subvention scheme as a measure to boost sagging exports.

"The commerce secretary has already talked to the secretary of department of financial services on extending the interest subvention scheme to more sectors," a senior commerce department official told Economic Times.

Under the scheme, re-introduced in June this year, PSBs offer loans at 2% discount to exporters of toys, sports goods, processed agricultural products, ready-made garments, handicrafts, handloom, and micro, SMEs.

"The commerce minister may also meet the finance minister to take up the issue of availability of cheap and adequate credit to exporters," the official said.

The move to extend this scheme to more sectors follows the commerce minister's meeting with export promotion councils and leading exporters earlier this month to discuss ways to stem the fall in export growth. Exports shrank 5.06% in the first four months of the current fiscal.

Leading export organisations such as FICCI, CII and FIEO say lowering interest rates can revive exports; but the Reserve Bank has, so far, refrained from doing so because of worries over inflation. With demand shrinking in the West, especially in the European Union, exporters say lower cost of credit is vital for competitiveness.

"In a situation where all exporters, irrespective of their size, are getting hit by the slowdown in the global economy, the government should not pick and choose. It has to expand coverage of the interest subvention scheme to cover all exporters," said Sanjay Budhia from the Confederation of Indian Industry. Export organisation FIEO said rate of subvention should be about 5% for it to make a substantial difference to exporters.

However, officials said it is not possible to extend the benefit to all sectors or increase the subvention significantly. "We cannot make a demand that all exporters should be given subvention as the financial implications would be huge," the official quoted earlier said.

While it is not difficult to get banks to implement the interest subvention scheme, making a larger quantum of credit available to exporters is a bigger problem, the official added.

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Grading system for foreign importers soon
Asit Ranjan Mishra, Mint

29 August 2012, New Delhi: The Export Credit Guarantee Corporation (ECGC) is developing a grading system to rate foreign importers based on their payment track record in a move aimed to help protect exporters taking a calculated risk while shipping goods overseas.

ECGC is a government-owned enterprise that provides export credit insurance facilities to exporters and banks in India to deal with payment defaults by foreign importers. “We have involved 14 agencies to rate around 90,000 active buyers around the world based on their financial strength and repayment history,” N. Shankar, chairman and managing director of ECGC, said at a meeting organized by industry lobby Confederation of Indian Industry.

Under the programme known as the modified scorecard system, ECGC will provide information free to all exporters purchasing insurance cover from it. Indian exporters are increasingly facing defaults by overseas buyers even as several developed economies slow.

In 2011-12, ECGC paid a total Rs.713 crore in claim settlements to banks and exporters, out of which the direct payments to banks were around Rs.600 crore, on account of defaults by importers, Shankar added.

“This was one of the highest payments by us to the banks because of the rising non-performing assets of banks,” he said.

The highest settlements were in sectors such as agricultural products, gems and jewellery, readymade garments, cotton and engineering goods.

Geographically, the highest payments were for exports to the US, UK, Germany, United Arab Emirates and Italy.

Shankar anticipates higher payments in 2011-12 because of the impact of the continuing euro zone crisis.

“It is not very high in the first five months of the financial year. But in the last six months of the year, we may have to make higher payments. To the extent that non-performing assets increase in the export credit portfolio of banks, then it will affect us,” he said.

India’s merchandize exports shrank 4.8% to $22.4 billion in July, contracting for the third month in a row, because of falling demand in Europe and the US. In the first four months of the fiscal beginning 1 April, India’s exports have contracted 5.06% to $97.6 billion.

Commerce secretary S.R. Rao said at the meeting that it would be difficult to achieve the $360 billion export target set by his ministry for 2012-13.

He added that the government will make “significant policy announcements” in the next three to four weeks to boost exports.

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RBI says India's import cover reserves may fall further
BS Reporter, Business Standard

29 August 2012, Mumbai: Reserve Bank of India (RBI) Executive Director D K Mohanty on Tuesday said the country’s import cover reserves might fall further this financial year in the absence of capital inflows. At the end of March, India’s foreign currency reserves were at about seven months of import cover according to data from the central bank.

The senior central bank official said financing current account deficit was becoming a problem since capital was not flowing in for a number of reasons. “But we want to maintain our lifestyle and consumption... So, we have to dip into the reserves. We are drawing from the reserves, we built in the pre-crisis period and since then we are not adding anything, it is coming down,” said Mohanty.

He pointed out the import cover had shrunk sharply from 14 months in the pre-crisis high growth phase to nine months in the post-crisis period and to seven months in 2011-12.

“In 2012-13, it could be even less...at six plus something,” said Mohanty, while addressing a national seminar on emerging market economies, organised by Ramnarain Ruia College here. He added the country’s external vulnerability had increased in the post-crisis years.

He said apart from monetary factors, issues like infrastructural bottlenecks and policy uncertainties were also contributing to the current domestic growth slowdown.

“You have created huge capacity for power production, but there is no electricity because coal linkage is not there. You are building roads but these are roads to nowhere because land acquisition is not happening,” said Mohanty.

Speaking on how interest rates could be brought down, Mohanty said inflation needed to be controlled. He said it was important to go back to the fiscal consolidation path “to enable monetary policy to do what it is supposed to be doing”.

In July, the wholesale price index inflation rose 6.8 per cent, compared to last year while retail inflation continued to be sticky at around 10 per cent in the same period. He said agricultural production and productivity had to be increased in order to improve supply side response.

He said India might become an upper-middle-income country by 2025, assuming that the high growth momentum was regained and the exchange rate behaves with the inflation differential.

Citing inflationary risks and government inaction, the central bank had kept policy rates unchanged for two consecutive policy reviews after cutting them by 50 basis points in the annual monetary and credit policy in April. RBI is scheduled to announce mid-quarter policy review on September 17.

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Not all is well with the country's special economic zones
Sebastian P, Business Today

September 2, 2012 edition: It came as a big bang policy initiative in 2006, but is quickly losing sheen. Not all is well with the country's special economic zones (SEZs). More than a quarter of the country's exports still come from them, but SEZs are grappling with a sharp slowdown in growth. The number of new SEZs too has dropped drastically in recent years. An inept, nebulous policy framework seems to have taken a toll.

The recent move by the Maharashtra government to scrap four SEZ projects only emphasises the point. The abandoned projects - planned over 1,000 to 3,000 hectares - include a multipurpose SEZ by Indiabulls Infrastructure in Raigad district; Mahindra Lifespace Developers' SEZ in Maval taluka of Pune; and two ventures by Videocon Realty & Infrastructure Ltd in Aurangabad and Pune.

The private companies simply failed to acquire the required land for these projects, a grim reminder of the not-so-distant past. In September 2008, the Maharashtra government had scrapped Reliance Industries' grand plans for the Maha Mumbai SEZ in Raigad as 22 villages opposed the land acquisition for the project.

Undoubtedly, land is a thorny issue for SEZs. The difficulty lies in getting land that is contiguous, vacant and not double-cropped. "It is impossible to get large tracts of land near cities. We gave up the Maval project as we, as a policy, do not go in for projects that the people do not want," says Arun Nanda, Non Executive Chairman of Mahindra Lifespace Developers.

"We welcome the Maharashtra government's move. What is the need for such huge tracts of land?" says social activist Medha Patkar, who labels SEZs "pervert corporate projects".

Patkar points out that the Maharashtra Industrial Development Corporation (MIDC) had about 80,000 acres of unutilised land - information unearthed through the Right to Information Act. "When there is so much land with the MIDC, what is the need to acquire more land?" says Bharat Patankar of Shramik Mukti Dal, an NGO.

The problem remains that many SEZs are seen as real estate scams. A recent commerce ministry discussion paper highlighted that there is a perception that many developers do not set up the proposed SEZ and continue to hold on to large parcels of land with the intention of benefiting from its alternative usage and land price escalation. "SEZ has become a dirty word. Governments do not see any political returns in pushing them and companies thus do not get much political support," says Aradhna Aggarwal, economist at National Council of Applied Economic Research (NCAER).

Lack of clarity on the country's land acquisition policy, then, is a major stumbling block for SEZ projects. "A comprehensive land acquisition policy should be put in place at the earliest," says Nanda. The UPA government is examining the report of the Parliamentary Standing Committee on Rural Development on the Land Acquisition, Rehabilitation and Resettlement Bill of 2011. The panel opposes the acquisition of land by the government for private entities or even public private projects.

Rural Development Minister Jairam Ramesh though has indicated that the government should play a role. Nanda agrees. He argues that without the state's involvement it is difficult to get land even in the interiors of the country because of fragmented holdings and lack of proper records, among other factors.

However, until the government can translate its intent into an overarching framework, land acquisition will remain a contentious issue. In this context, doubts arise over the government's ability to push ahead with the proposed National Investment and Manufacturing Zones (NIMZs). Commerce Minister Anand Sharma had told BT earlier that he remains upbeat about NIMZs becoming a reality. According to the New Manufacturing Policy, each NIMZ is expected to come up in 5,000 hectares or more, and acquiring the land would be the state's responsibility.

It promises to be a tall order. Already an investment of Rs 2,31,159 crore has been made in SEZ projects since the SEZ Act came into force in February 2006. In the last three years, more than a quarter of the country's exports (see The SEZ Narrative) have come from SEZs. They also provide direct employment to over 8,15,000 persons - as of September 2011 - and about 680,000 jobs have been created since 2006.

Apart from the foreign exchange earnings, SEZs have also created a significant local area impact in terms of indirect employment and changes in consumption pattern.

However, commerce ministry data shows that SEZs cumulatively have been losing ground over the past couple of years. Export growth of SEZs has slid from over 120 per cent in 2009/10 to just 15 per cent in 2011/12. At the end of 2009/10, of the 364 SEZs that had been notified (approved by the government), only 153 had become operational.

Not only has there been little interest in setting up new ones, there has been a spurt in requests for denotification of approved SEZs. For instance, of the total 46 applications for denotification, 37 have been in the past two years. The imposition of certain levies, and a proposal to take away tax incentives, is believed to be among the key reasons for the cloud over SEZs.

The government had imposed Minimum Alternative Tax (MAT) and Dividend Distribution Tax on SEZs in 2010/11, which were earlier exempted from almost all levies. The Direct Tax Code (DTC) being considered by Parliament proposes to do away with the income tax exemption given to SEZs and instead link tax sops to investments made in them. "The decision to impose MAT has made SEZs an unattractive proposition. Also, with DTC likely to remove SEZ benefits, there is further scepticism," says NCAER's Aggarwal.

The government too has conceded that the imposition of these levies has led to a visible slowdown in export growth from SEZs. "Policy clarity is lacking," says Ramadas Kamath, Senior Vice President (Infrastructure), Infosys.

The main aim of the SEZ Act of 2005 is to boost exports, create jobs, bring in new investment and improve net foreign reserves, he points out. "But the focus is lost in the many 'ifs and buts' in the Act and the rules. Also, the commerce ministry and the finance ministry speak in different languages," he says, citing the example of Instruction No. 70 issued by the Department of Commerce in November 2010 clarifying various policy and operational issues relating to IT SEZs. "It was rejected by the finance ministry. Investors don't know which way to go," says Kamath.

The commerce ministry paper on SEZs points out other flaws. For instance, a major proportion of SEZs is concentrated in six states - Andhra Pradesh, Kerala, Maharashtra, Gujarat, Karnataka and Tamil Nadu - and account for 92 per cent of total exports. Also the SEZs are located around urban centres.

Then, there also seems to be a lack of coordination between the centre and the states - the latter can evolve their SEZ policies within the broad framework laid down by the centre. Many developers complain that they get tax breaks and concessions from the centre but not from the states. "Uncertainty in tax laws and poor administration of SEZ laws will only drive away foreign investors too," says Kamath.

The Indian government is expected to come out with fresh guidelines soon to revive SEZs and it may be a timely intervention. "The brand SEZ has got hit," says Kamath.

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India seeks access to Chinese market
Saibal Dasgupta, Times of India

August 17, 2012, Beijing: India will present a roadmap for its companies, seeking access in China for information technology and pharmaceutical products during a crucial meeting of a Joint Economic Group on August 27.

Chinese commerce minister Chen Deming will come to New Delhi on a two-day visit on August 26. Deming will meet Indian commerce minister Anand Sharma at the eighth annual meeting of the Joint Economic Group. The Chinese minister is also scheduled to meet Indian business representatives in New Delhi. "We want a clear time-frame on market access," said an Indian official. For over two years, Chinese politicians have been expressing support for India's demand for market access.

But, Indian IT and pharmaceutical companies continue to face serious hurdles during the process of official registration, and in getting Chinese companies to buy their services and products, said a source, adding that Indian pharmaceutical companies have to wait for four to five years for registration of their drugs in China.

"They want the process to be shortened to one or two years," said E B Rajesh, the China head of the Confederation of Indian Industry. Despite the absence of legal barriers, the long delay in the process of drug registration is the biggest challenge faced by Indian companies wanting to enter Chinese market. Indian IT companies need Beijing's intervention to obtain contracts from Chinese state-run companies and banks. The Chinese market has eluded Indian IT firms though they have favoured Europe and US for over two decades. "Chinese government support would be very useful to Indian IT companies," said Rajesh.

The Sharma-Chen meeting will be crucial as it comes after seven straight months of decline in bilateral trade volumes. India's trade deficit has seen a small increase to $13.6 billion in the first half of 2012 as compared to $13.4 billion in the same period last year. An important reason is the sharp fall in the prices of iron ore, which is India's biggest export to China.

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India, China joint panel to address trade concerns
Asit Ranjan Mishra, Mint

August 28, 2012, New Delhi: India and China have agreed to establish a joint working group to address all trade-related issues, including the widening trade balance between the countries. The decision was taken at a meeting between trade minister Anand Sharma and his Chinese counterpart Chen Deming in New Delhi on Monday.

The group, which will include officials from the two countries, will submit its report within 90 days, Sharma told reporters. It will also look into issues such as the reconciliation and collection of trade data. Sharma said the group will continue to work on trade and investment matters after submitting its recommendations.

Sharma said India has sought greater market access, particularly for information technology services firms, to Chinese government orders.

Trade between the countries was $75.4 billion in 2011-12, against $59 billion in 2010-11. In 2011-12, exports to China stood at $17.9 billion while imports from there stood at $57.5 billion, resulting in a trade deficit of $39.6 billion.

The rising deficit with China is a major concern for India. Indian exporters complain that China creates non-tariff barriers to discourage imports.

Biswajit Dhar, director general at Research and Information System for Developing Countries, said the formation of the new group is a good move if it forms the basis for more market access for Indian firms. Dhar said New Delhi should work to formulate a strategy to boost Indian exports to China. “This has to be treated on priority,” he added.

Deming said closer cooperation between the two emerging economies is necessary, given the turbulent global economic environment. Both nations need a “closer investment relationship” to address a widening trade balance, he said.

India’s merchandize exports shrank 4.8% to $22.4 billion in July for three months in a row because of falling demand in Europe and the US. In the first four months of the fiscal beginning 1 April, the country’s exports have contracted 5.06% to $97.6 billion.

While Chinese companies have $580 million invested in India, Indian firms have invested $440 million in China. “There is a huge potential for companies of both sides to make investments in the other country,” Deming said.

Later, speaking at an event organized by lobby group Federation of Indian Chambers of Commerce and Industry, Deming said, “We want to buy more from India to have a more balanced trade. We encourage Indian business to promote their products in China by taking advantage of the huge market that the country offers.”

He added that buying more from countries in the region is in the interest of the Chinese and will enable that country to fulfill its international responsibility.

The two neighbours also agreed to work on a five-year economic cooperation plan —a suggestion made by Deming. “We have identified the focal points, the nodal authorities who will be working together to put this development plan on India-China economic cooperation,” Sharma said.

Sharma said India has invited Chinese firms to participate in its proposed national investment and manufacturing zones. “The response has been positive and encouraging,” he said. India plans to establish these zones to boost manufacturing to around 16% of gross domestic product now to 25% in the next 10 years.

Deming said he has raised the issues of an easier visa regime, stronger protection of Chinese investment in India and greater market access for Chinese companies.

Sharma said India’s visa regime is rule-based and non-discriminatory. “We encourage highly skilled labour, which may be in short supply in India. However, we need to keep in mind that given the large size of population in both the countries, local employment needs to be encouraged,” he said.

China raised the issue of India imposing tax on import of power equipment. Deming said he hopes when India finalizes its policy, it will keep in mind the low-cost supply of power equipment by the Chinese companies. Sharma clarified the new policy will not be applicable to Indian power companies that have already placed orders with Chinese manufacturers.

Both the ministers will participate in the 44th ASEAN (Association of Southeast Asian Nations) economic ministers' meeting and the 8th ASEAN economic community council meeting starting 27 August at Siem Reap in Cambodia. Sharma said this will be the first meeting to discuss the proposed regional comprehensive economic partnership between ASEAN and its free-trade partners. Ties between the two neighbours have been marred by mutual suspicion since 1962 when they fought a brief but bitter border war. Bilateral trade has picked up only in the past decade, especially after a visit to India by then Chinese premier Zhu Rongji in 2002.

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India, Pak Trade Talks Likely in Mid-Sept
Economic Times

August 30 2012, New Delhi: Trade talks between India and Pakistan are likely to resume next month with a meeting of the commerce secretaries in Islamabad.

Indian officials said New Delhi will push Islamabad to keep its promise of dismantling the trade system based on a negative list and grant India the most favoured nation status, while proposing more flights between the two capitals.

"The two countries have tentatively agreed to hold the commerce secretaries meeting next month after the meeting of external affairs minister," a government official told ET on condition of anonymity.

To set the stage, the finance ministry is expected to notify the Cabinet decision to bring down import duties on 264 items from Pakistan, the official said. These items include 155 agricultural products,106 textile products and three petroleum products. The decision will ensure gradual reduction of duties on these products over the next three years.

The official, however, said the government would consider pruning the sensitive list of 614 items from Pakistan only after Islamabad dismantles its negative list, allows trade of more goods through land and reduces the number of items on its sensitive list under the South Asian Free Trade Area.

The Pakistan government has so far been tardy on progressive reduction of its negative list, which includes 1,123 items whose import is banned from India. Islamabad had promised to prune this list with the aim of dismantling it completely by the year-end.

"While the country had initially agreed that it would bring down the negative list of items, it has not taken any steps towards the direction so far, as it later linked the dismantling to further negotiations," the official quoted above said. "This meeting will give us the opportunity to see what is on their mind."

India is, nonetheless, hopeful that Pakistan will stick to its promise of extending it the MFN status by the end of the year.

The visa agreement between two countries, which would liberalise the bilateral business visa regime, is likely to be signed when Pakistans interior minister and his Indian counterpart meet.

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India to offer fresh trade sops to Pakistan to strengthen ties
Sidhartha & Rajeev Deshpande, Times Of India

August 17, 2012, NEW DELHI: In a move to help promote trade and bilateral ties with Pakistan, the government is set to slash 30% items or 254 products from the sensitive list under the South Asian Free Trade Agreement (Safta) with the Cabinet set to consider the proposal on Friday.

As part of pruning the list for non-least developed countries, which includes Sri Lanka, India plans to reduce peak customs duty on these products to 5% over three years. Eventually, the sensitive list for least developed countries like Bangladesh and Nepal is to be merged with the one for NLDCs and reduced to 25 alcohol and tobacco-based products.

The decisions are intended to boost trade in South Asia, a development that will have positive spin-offs for India and the rest of the region while bringing about closer economic integration and a strengthening of ties among nations often divided by politics and history.

Under Safta, there is a provision for a sensitive list where countries can impose restrictions to prevent misuse of freer trade. In India's case, "sin goods" are the essential feature of the list for LDCs.

India will monitor progress on negative list

The government's proposed move to slash 30% items from the sensitive list under Safta follows the decision taken by the government in February to reduce its sensitive list with Pakistan during a meeting of trade ministers.

The demand for reciprocity on MFN has been pending since 1996. Promising to grant MFN by the end of the year, Pakistan has notified a negative list, where trade will not be permitted, instead of the earlier system of a small positive list of products that reduced trade to a trickle between the two neighbours.

India has decided to unilaterally grant preferential access to an additional 30% items from Pakistan to help speed up improvement in trade ties following a breakthrough achieved in May 2011.

As the Cabinet considers the proposal piloted by commerce and industry minister Anand Sharma, it will also try to ensure the concessions being offered don't turn into a one-way traffic without Pakistan meeting its commitments. To this end, at least three milestones are being fixed. India will monitor Pakistan's initiatives to eliminate the negative list of 1,209 items and only retain a sensitive list. This will mark a major shift in Islamabad's trade position with regard to India and result in full operationalization of Safta as Pakistan has promised to grant India MFN status. The second focus area will be Pakistan's movement on pruning the sensitive list so that there are few items on which restrictions are maintained.

Also, the government wants progress from Pakistan on expanding the list of products that can be traded through the land route, especially the Attari-Wagah border. Indian officials have repeatedly said that in absence of any movement on this front, trade will not increase.

If the list is expanded, products such as garments and hosiery or even sweets can move both ways from Pakistani Punjab to Indian Punjab. In the absence of further opening up, transportation cost by the sea route will hinder increase in trade which in 2010-11 was estimated at $2.4 billion according to data on the commerce department website. Trade through unofficial channels such as the UAE and Singapore are estimated to be worth several times more.

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Sri Lanka not keen on CEPA with India
Nayanima Basu, Business Standard

24 August 2012, New Delhi: Sri Lanka has apparently informed Indian authorities it was not keen on having a Comprehensive Economic Partnership Agreement (CEPA) with India, as it feared granting more Indian access to its markets would destroy that country's domestic industry. However, it has made its own set of fresh demands to consider under the Free Trade Agreement (FTA), which is under operation since March 2000.

During the recent visit of Commerce Minister Anand Sharma to Colombo, the Sri Lankan government refused to resume talks on Comprehensive Economic Partnership Agreement (CEPA) even though the mandate to upgrade the FTA to CEPA was formally agreed in June 2010 during the visit of their President Mahinda Rajapaksa. While the FTA is only on goods, the CEPA will entail trade in goods, services and investment. Subsequently, fresh round of negotiations to establish the CEPA between the countries started in November 2010. But since then, there had not been any fruitful outcome.

According to commerce ministry officials, "mislead campaign by some section of business in Sri Lanka" has come in the way for conclusion of CEPA. India has categorically said its principal objective was not to seek preferential market access to Sri Lanka, but to develop an arrangement creating a win-win situation for both sides. India has also reiterated any upgraded framework would be based on differentiated obligations, and not reciprocity. Apparently, the Trade and Economic Relations Committee headed by Prime Minister Manmohan Singh has given the mandate of closing the talks within the next three months.

"Some sections of the Sri Lankan industry is indeed a little apprehensive of signing a CEPA with India as it will entail services and investment trade. And their main fear is India would swamp their services industry. Besides, they want to build more political consensus on having the CEPA," a senior commerce department official told Business Standard.

Under the proposed CEPA deal, India has offered additional concessions on garment quota of 8 million pieces that was granted. Besides, the 3 million pieces granted at zero duty earlier under the FTA, India has now agreed to allow another 3 million pieces more at zero duty and additional 2 million at 75 per cent margin of preference. India has already removed port entry restrictions and conditions of sourcing fabrics from it.

Officials also said that a "fear psychosis" has emerged within some quarters in Sri Lanka of over dependance on Indian market that indirectly gives India the power to have its say on their political matters. On the other hand, Sri Lanka has made a list demands from India in terms of barter deals and tariff free quota free (TFQF) access for its textiles, which has not been agreed by India.

Ironically, Sri Lanka was the first such country that had signed a FTA with India.The India-Sri Lanka Free Trade Agreement was signed on December 1998, which has been in operation since March 2000. Negotiations for CEPA were started in February 2005 and concluded in July 2008, after 13 difficult rounds. However, the Agreement could not be signed then on account of some reservations expressed by Sri Lankan government. Sri Lanka is currently the largest trading partner of India in South Asia.

The bilateral trade for 2011 stood at $5.16 billion compared to $3.63 billion in 2010, with exports at $4.44 billion and imports at $0.71 billion. Presently, India enjoys a trade surplus of $3.72 billion with Sri Lanka. Both sides have set a target of achieving bilateral trade worth $10 billion by 2015.
India is the largest foreign investor in Sri Lanka contributing $110 million out of total $ 516 million received by Sri Lanka. Some of the main Indian companies that have invested there are IOC, TATA,

CEAT, Nicolas Piramal, Ashok Leyland, SBI, ICICI Bank, AXIS Bank, LIC and Jet Airways among others.

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India looks to double spices exports in five years, integrate value chain
Omkar Sapre, Economic Times

27 August 2012, Pune: India, the largest spice producer and exporter, plans to more than double exports of spices in five years by persuading importers to ease trade barriers and integrating the value chain from sowing to shipping.

"If regulatory challenges are taken care of, exports can easily increase three times in five years," A Jayathilak, Spices Board chairman, told ET. Spices Board is India's apex body for spice export promotion.

India's spice trade bodies, led by the Spices Board, are visiting regulators globally to lobby for realistic import regulations. "Lack of uniform standards hinders fair trade in spices and the varying quality tests create difficulties for the exporters," Jayathilak said. "This also affects farmers, traders and exporters."

India has just crossed $2 billion, or more than Rs 11,000 crore, in annual exports of spices. India exports 54 varieties of spices. Importing nations' different standards for essential parameters like volatile oil, extraneous matter, total ash, etc along with permissible levels of pesticides and contaminants is a major hurdle, Jayathilak said. For instance, Middle-East countries permit 30 microgram or ug (one-billionth of a kg) of aflatoxin (a contaminant) in one kg of spice while this limit is 20 in the US, 15 in Canada and 10 in the EU.

"We have no issues in conforming to these regulations, provided the buyers are ready to absorb the increase in associated costs, which, they are not," Jayathilak said. Exporters say many importing countries have different standards for spice coming from two countries. For instance, Europe tests nutmeg imported from India for aflatoxin, while Indonesian nutmegs are allowed without any checks.

Traders also complain that in many importing countries, safety regulations are similar for spices and other food products such as milk and apples. "This isn't quite logical," Geemon Korah, chairman of All India Spices Exporters Forum, said. "The average daily intake of milk is easily above one glass while you may have two or three apples in a day. However, the daily consumption of spice is just about 2-3 gm, which is minuscule. Considering this, we are suggesting the regulation levels for spices be lowered," he said.

In July, K Chandramauli, chairman of Food Safety and Standards Authority of India, and Philip Kuruvilla, chairman of World Spice Organisation, a non-profit arm of Spices Board, represented India at the annual meeting Codex Alimentarius Commission and pushed for a Codex Committee and uniform standards for spices, aromatic herbs and their formulations, which accepted India's proposal and has requested a discussion paper on the same, the Spices Board chairman told ET.

Spices Board is also looking to remove unwanted specs in the production and supply chain within the country. As a first step, World Spice Organisation is evaluating a backward integration model to connect exporters, processors, farmers, state government, scientists, and regulatory officials.

In this model, farmers will cultivate spices to export requirements while exporters will assure buy-back at a premium through prior contracts. State governments will provide local support, and Spices Board, through its panel of scientists, will provide technical knowhow.

World Spice Organisation will co-ordinate and facilitate interaction between all parties.

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Tobacco board expects 10% rise in exports

Prashanth Chintala, Business Standard

August 30 2012, Hyderabad: The Tobacco Board, which regulates production of the commodity with regard to the domestic and export markets, expects a 10 per cent rise in the export of tobacco and tobacco products in the current financial year.

"This year, there is an increase in demand for Indian tobacco in the international markets," board Chairman G Kamala Vardhana Rao told Business Standard.

Accordingly, the board had restored its original ceiling on the crop size at 170 million kg (mkg) for Andhra Pradesh and 100 mkg for Karnataka, the main tobacco growing states, for the current crop season. Last year, the crop size was fixed at 162 mkg and 98 mkg for the two states, respectively.

This apart, the board has sought permission from the Union ministry of commerce for distribution of last year's left over crop of 1.76 mkg to the tobacco growing regions equally. Besides the two southern states, tobacco is cultivated in small amounts in Maharashtra and Odisha.

In the past two years, there had been a marginal decline in exports. In 2011-12, India had exported 240,395 tonnes of tobacco and tobacco products worth Rs 4,100 crore. This represented a five per cent decline in volume and three per cent decline in value compared to the previous year's exports. Even in 2010-11, there had been an year-on-year decline of three per cent in quantity and four per cent in the value of exports.

For the quarter ended June 2012, export of tobacco and tobacco products stood at 60,121 tonnes, valued at Rs 1,083 crore. Compared with the corresponding quarter last year, the volume of exports (63,614 tonnes in June 2011) had declined by five per cent, but the value (Rs 1,023 crore in June 2011) increased by six per cent. The increase in value was attributed to the depreciation of the rupee against the dollar.

Nevertheless, Rao said the quantum of exports would pick-up from now. Tobacco auctions would start next month in Karnataka, while they would be held in Andhra Pradesh from the last week of February 2013.

Europe is the main importer of Indian tobacco, accounting for 51 per cent of total exports from the country last year. The other major importing regions were South and South East Asia (19 per cent of exports), Africa (14 per cent), North and South Americas (nine per cent) and West Asia (seven per cent).

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Iron ore exports in FY13 set for 37% decline to 45 mt
Mahesh Kulkarni , Business Standarad

August 30 2012, Bangalore: Iron ore exports are likely to decline to about 45 million tonnes (mt) during the current financial year (2012-13), showing a drop of 62 per cent compared to an all-time high of 117 mt exported in 2010-11 and 37.7 per cent fall from the last financial year's 62 mt.

"Exports are no longer viable following a high export duty of 30 per cent and differential freight rate charged on iron ore for domestic and export use by the Indian Railways. Also, the ban on mining in Karnataka has added to the industry's woes," said R K Sharma, secretary general, Federation of Indian Mineral Industries (Fimi).

For the first quarter ended June 2012, exports declined by 45 per cent at 11.9 mt compared to 21.6 mt in the corresponding quarter last year.

"Except for Goa, no state is exporting. There is no freight cost for Goan miners due to the proximity of port. Also, they use river transport, which is very cheap. In the long run, only Goa would continue to export," Sharma said.

Presently, iron ore prices in international markets have dropped to $97 per tonne as against $150 per tonne a year ago, which is a drop of 35 per cent. "Exports from Goa have been showing a declining trend over the last 15 days. Chinese buyers might prefer to buy high-grade ore at $97 per tonne rather than buying low-grade ore originating from Goa. Hence, overall exports in the third quarter are likely to drop further," an industry analyst said.

The railways charge Rs 700 per tonne as freight for movement of iron ore for domestic consumption, while it charges Rs 2,800 per tonne of ore meant for exports. This differential tariff has discouraged miners from exporting ore, Sharma said.

The ban on exports imposed by Karnataka since July 2010 has also contributed significantly to the drop in exports of iron ore. Orissa's exports have come down mainly due to differential railway freight rates. Due to the problems in India, international majors are gaining an upper hand in the export market.

Australia and Brazil have taken advantage of India's internal problems and have gained an upper hand. They are gaining at the cost of Indian miners, Sharma pointed out.

He said the Fimi has written to the mines and finance ministries to reconsider the 30 per cent export duty on export of iron ore. "We recently met Finance Minister P Chidambaram and requested him to reduce duties on export of iron ore," Sharma added.

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Japan likely to ban shrimp imports from India
George Joseph, Business Standard

24 August 2012, Kochi: The detection of ethoxyquin, an antioxidant, in the shrimps exported to Japan has badly hit India's export prospects to that country. Japan had already rejected more than 10 consignments of shrimps exported from India in the recent weeks, causing heavy losses to exporters and shrimp farmers.

High level sources said as the issue is yet to be sorted out, Japan is likely to ban shrimp imports from India. There have been a lot of cancellations from Japan and this has badly affected exporters based in

Odisha and West Bengal. It is learnt that the commerce ministry had called for an urgent meeting in Chennai on August 27 and a high level delegation is likely to visit Tokyo soon.

The problem has also caused a drastic reduction in the prices of shrimp in the global market, with these falling 25-35 per cent in two-three weeks. There is also a fall in export orders from other major import destinations like the Europe and the US.

Odisha and West Bengal regions are the most affected areas as around 60 per cent of the black tiger variety of shrimp produced in these regions is exported to Japan. G Mohanty, president of Seafood Exporters Association of India (SEAI), Odisha region, told Business Standard that Japan had started the testing of ethoxyquin, without any notice to exporters or to the government. He said the aquaculture sector in Odisha and West Bengal is in crisis as the prices had dropped heavily. "There will not be any shrimp aquaculture production in the coming years," he added.

"Already importers have been asked not to ship the cargo until the issue is sorted out. So, a large number of containers are now stocked in Kolkata," said Taj Mohamed, president, SEAI, West Bengal region.

Due to this India suffered a serious setback in marine product exports during the April-June period of the current financial year as the country's products lost their sheen in major export markets like Europe and Japan. Cumulative export in the period dropped to 131,000 tonnes, valued at Rs 2,700 crore, as against 165,000 tonnes, valued at Rs 2,870 crore in the same period of the last financial year. This shows a fall of 20 per cent in volume and five per cent in value. In dollar terms, the decrease was 20 per cent at $515 million as against $645 million. Last fiscal, exports increased 6.02 per cent in volume and 28.65 per cent in rupee terms when compared to those in 2010-11.

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Chicken legs 45% more expensive, trade disputes prevent imports
Nidhi Nath Srinivas, Economic Times

20 August, 2012, New Delhi: How often have you stood at the counter of a fast-food outlet and hollered because your tub of chicken did not have a single leg piece? Quite often, isn't it? That's because Indians love chicken legs, and everybody is asking for the same pieces. Also, chicken, like their loving consumers, have only two leg pieces each.

Indians share this love for legs with their neighbours across the Himalayas: the Chinese. Europeans and Americans, in contrast, love chicken breasts. So, what do the Americans do with their leg pieces? Like true capitalists, they make money by exporting them.

The US, by far, is the world's leading supplier of king-size chicken feet, mainly to China where they are a prized delicacy. These wings and feet, which are worth only a few cents a pound in the US, fetch 60-80 cents a pound in China. The legs are packed off to the Middle-East and Asia.

Indian consumers, however, do not have access to these juicy drumsticks. Why? The country's doors are firmly bolted to protect the domestic poultry industry. That probably results in Indian consumers paying a lot more for their favourite bite of tangdi kebab.

Here's how the economics of chicken leg trade could work. A kilo of drumsticks in the neighbourhood supermarket today sells for at least Rs 200. A kilo of drumsticks from the US would be available in the same supermarket for Rs 110 after adding air freight, import duty of 37%, all taxes and retailer margins. That's a cool saving of 45%.

Americans Licking their Chops

"Until there is a change in the Indian market, the food industry will continue to pay a heavy price for chicken legs. Import will immediately ease this burden, improve supply and allow us to sell products to consumers more affordably," says Bhupinder Singh, CEO, Vista Processed Foods Pvt Ltd, which supplies McDonald's with chicken and vegetable products.

Given the size of the Indian market, it's hardly surprising that the Americans are licking their chops. The US' National Chicken Council, National Turkey Federation, and USA Poultry & Egg Export Council have pegged the value of US poultry exports to India each year at more than $300 million. The timing would also be perfect. Consumer demand for poultry is tapering off in the US, pushing local companies to increasingly depend on exports.

Global trade in these not-needed bits is expanding fast, driven primarily by multinational fast-food chains. These chains use the leftover trimmings, low-value cuts (in the US) and other bits and pieces to make patties, frankfurters and finger foods.

The most aggressive exporter is Brazil, followed by the US, EU and Thailand. However, the Indian poultry industry isn't ready to welcome the competition yet.

"The US and Brazil will start dumping cheap cuts, which will eventually wipe out our small farmers and nascent industry. It will be one-directional trade because these countries will use sanitary and phyto-sanitary rules to bar us from exporting breast meat. Since India is self-sufficient in poultry, there is no need to allow such unfair practices for short-term gains," says an official at Venky's, a top player in the Indian market.

The industry's hostility is not unfounded. Under the threat of rising poultry imports from the US, Chinese producers asked for an investigation into chicken prices. The investigation led to anti-dumping duties on US chicken imports in 2010, ranging from 43% to 105%.

More barbed wire has been placed in the form of stiff food safety norms. India lifted its four-year-old ban on US poultry imports after the country declared that it was free of avian influenza in September last.

But no orders could be placed because India restricts imports from any country that faces the risk of even low pathogenic avian influenza. Despite these barriers, there have been five outbreaks of avian flu in the last two years. Not surprisingly, this has sparked a trade row.

Thwarted out of business, in April, the US dragged India to WTO's dispute settlement body, alleging what US Trade Representative Ron Kirk called "a case of disguising trade restrictions by invoking unjustified animal health concerns".

In its defence, India says low pathogenic avian influenza could mutate into highly pathogenic strains. Moreover, it is allowed to prohibit trade in poultry under the Terrestrial Animal Health Code of the World Organisation for Animal Health.

The US disputes this assessment, arguing that international standards for avian influenza control only support the imposition of import bans in outbreaks of high pathogenic strains. Washington, therefore, claims that there is no basis for imposing an import ban, as only low pathogenic strains of avian influenza have been detected in the US since 2004.

For now, protected from direct competition, India's poultry industry is growing rapidly. Within a decade, output has jumped 370%. Farms make profits in the years when chicken are healthy and their feed is cheap. But that is nothing compared to the money retailers are making, with margins as high as 40%.

Sticker prices remain high because the market has shifted from traditional cost-based pricing to demand-based pricing. Retailers can be brazen about it because they know consumers have few shopping options.

Indian industry has clearly nothing to worry while the WTO dispute drags on. But consumers desperately need a break from protein inflation.

A recent informal survey done by industry body Poultry Federation of India shows demand is rising fastest among consumers at the bottom of the pyramid, such as daily wage earners like rickshaw pullers, because 250 gm of chicken at Rs 40 turns out cheaper than most vegetables. The threat from foreign competition is overdone anyway, say industry watchers.

Imported poultry products cannot enter India's wet market, which has a 95% share of total sales and thus will not be in direct competition with local industry or small farmers, says Pawan Kumar, an analyst with Rabobank.

The challenges of distribution and marketing will make it tough for foreign companies to make heavy inroads while taste may be another hurdle as American and Brazilian chicken are not raised on the same feed as desi poultry.

Kumar is convinced that opening the market to trade would prove beneficial because a sustainable supply of legs would provide confidence to the food service industry and attract more FDI. This could eventually lead to Indian meat products coming into compliance with US and EU norms.

"Broadly, Rabobank believes that the international arbitrage of meat products represents one of the most attractive opportunities available to the poultry industry," Kumar says.

The average Indian today eats almost three times more chicken than he did nine years ago. But as this is mainly because all other meat choices are unaffordable, he can do with some help. Quickly opening the market to competition would be a good start.

But even the supply of cheaper chicken parts from overseas are no longer guaranteed, as the global recession is changing tastes. Retail chain Sainsbury's is teaching British families on a budget how to use drumsticks for a hearty family meal.

In the US, the price differential between legs and breasts is narrowing rapidly as consumers shift to cheaper cuts. The whole chicken has finally crossed the income divide.

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WTO to take up India's complaint against US on steel
Business Line

August 26 2012, New Delhi: The WTO's dispute settlement body will take up on August 31 India's complaint against duties imposed by the US on imports of some Indian steel products, the multilateral body has said.

In April, India complained that the US had wrongly imposed countervailing duties, a kind of restrictive duty, on certain hot-rolled carbon steel flat products from India.

“The duty imposed by the US is inconsistent with the WTO rules. The issue will now be discussed in the WTO’s dispute panel,” an official said.

Countries impose countervailing duties when they believe that their domestic manufacturers are suffering losses because of competition from unfairly subsidised imports.

India is contesting the US conclusion that Indian steel producers received subsidy on iron ore purchased from a state-owned company.

According to reports, in December 2001, the US imposed the restrictive duty and further extended the duty after six years. The duty fixed was 102.7 per cent.

By asking for setting up of a dispute panel, India is indicating that it has failed to resolve the issue via consultations with the US. Bilateral consultations are the first step under the WTO’s dispute settlement mechanism.

In April, India had moved the WTO against the US on the issue but the matter was not resolved at the bilateral consultation stage.

India is also considering seeking consultations with the US under the aegis of World Trade Organisation (WTO) on visa fee hike for professionals, which it says discriminates against Indian software companies that send employees to America on short-term contracts.

Earlier in March, Washington had dragged New Delhi to the global trade body against India’s ban on imports of certain American farm products, including poultry meat and eggs. The US had termed the ban as unjustified health-safety worries.

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India seeks change in SME definition by European Union
Amiti Sen, Economic Times

17 August 2012, New Delhi: India has asked EU to amend its definition of small and medium enterprises to accommodate the country's labour intensive small units, so that they qualify for fee concessions under the region's environment legislation, popularly known as REACH.

It has also asked the EU to allow Indian exporters of chemicals and other products, who have to comply with REACH regulations, to go in for direct registration of their products with the authorities instead of appointing EU-based 'only representative' to save on costs.

"Our industry has been struggling to keep pace with the fast-changing regulations under EU's REACH initiative, and are also taking a financial blow due to the heavy fees that have to be paid for getting chemicals registered under the programme," a government official told ET. "The least that the EU can do is to recognise our genuine SMEs and give them the due concessions."

Delhi raised the issue at a recent meeting of the World Trade Organisation's Committee on Technical Barriers to Trade. REACH, which stands for registration, evaluation, authorisation and restriction of chemicals, was implemented in 2007 to restrict the levels of specific chemical substances in all imported goods into the EU.

Under the programme, items that contain chemicals identified by REACH have to be registered in EU giving details of the levels of various substances in the product.

Indian exporters of chemicals, textiles, leather and toys are required to identify an OR to carry out the registration. Exporters not only have to pay registration fees but also the OR, which pushes up their costs. According to industry estimates, the cost of registering a chemical varies from Rs 350,000 to Rs 90 lakh, depending upon the hazardous nature of the chemical.

The cost of conducting toxicology tests to generate safety data is also prohibitive.

Although the EU offers steep fee concession to SMEs depending on their size as a medium, small or micro enterprise, most Indian small companies do not fall under these categories as they are labour intensive and employ more than the prescribed workers.

"The use of staff head count in addition to annual turnover and balance sheet ceiling would classify many of India's micro enterprises as large under REACH, despite meeting the annual turnover or balance sheet ceiling," the Indian representative said at the WTO meeting. "This goes against the spirit of the Technical Barriers to Trade Agreement as it creates unnecessary obstacles to a developing country."

Although the EU representative did not respond to India's proposal on SME definition, she ruled out the request for allowing exporters to register their products directly in the EU, as enforcement action such as inspection and fines, cannot be carried out on the entities outside the country.

"We will keep pressing our cause both at the WTO and bilaterally as it affects the long-term interests of our exporters," the official said.

The Indian Chemical Council had recommended that the government should constitute a fund for the reimbursement of REACH registration expenses.

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Govt initiates probe into dumping of a chemical by China
PTI

August 16, 2012 ,New Delhi,: India has initiated a probe into alleged dumping of a chemical, used as brightening agents, by China following complaints by domestic players.

The Commerce Ministry's designated authority, the Directorate General of Anti-Dumping and Allied Duties (DGAD), has begun an investigation into alleged dumping of "4, 4 Diamini Stilbene 2, 2 Disulphonic Acid" (DASDA).

In a notification, the DGAD said it has sufficient evidence of dumping of the product from China to initiate an anti-dumping investigation.

"... the authority (DGAD) hereby initiates an investigation into the alleged dumping and consequent injury to the domestic industry ... to determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty, which, if levied, would be adequate to remove the injury to the domestic industry," it said.

The period of investigation is from January to December 2011. However, for the purpose of analysing injury, the data of previous three years of 2008-2009, 2009-2010 and 2010-2011 would also be considered, it added.

After completion of the probe, the commerce ministry, if needed, would recommend the duty and the finance ministry would impose it.

The application has been filed by Deepak Nitrite Ltd on behalf of the domestic industry. The applicant accounts for a major proportion of the total domestic output of the chemical, constituting more than 90 per cent of Indian production.

Countries initiate an anti-dumping probe to determine whether their domestic industries have been hurt because of surge in cheap imports of any product. As a counter-measure, they impose duties under the multilateral regime of the WTO.

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

Unlike the safeguard duty, which is levied in a uniform way, anti-dumping duty varies from product to product and country to country.

India has initiated 275 anti-dumping investigations between 1992 and March 2012, involving 42 countries.

The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods.

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China to slap anti-dumping duties on Indian antibiotic
K J M Varma, PTI

August 16, 2012, Beijing: China has decided to slap anti- dumping duties on sulfamethoxazole (SMZ), an antibiotic imported from India.

China's Ministry of Commerce (MOC) said it will impose anti-dumping duties of 17.2 percent on Andhra Organics Ltd and Virchow Laboratories Ltd, and 36.4 percent on other Indian SMZ exporters, state run Xinhua news agency reported.

The decision was taken after the ministry by it concluded its one-year mid-term examination, the agency said.

Chinese Commerce Minister Chen Deming is scheduled to visit New Delhi later this month to take part in the Joint Economic Group meeting of the two countries, which will also be attended by his Indian counterpart Anand Sharma.

In 2007, the Chinese Commerce ministry imposed anti- dumping duties of between 10.1 percent and 37.7 percent on imports of SMZ from India.

The ministry launched the mid-term review on August 17 last year after China's Shouguang Fukang Pharmaceutical Company sought adjustment of tariff rates saying Indian SMZ producers increased their dumping efforts in China since the imposing of anti-dumping duties, the report said.

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How an Indian Patent Case Could Shape the Future of Generic Drugs
Elliot Hannon, TIME

August 21, 2012, New Delhi,: India's rising global presence is often associated with its booming tech sector. But in many poor countries, India's role is that of a low-cost pharmacy. The country has become a leading supplier of affordable HIV/AIDS and Tuberculosis medications and is the second leading provider of medicines distributed by UNICEF in the developing world. This, however, may change.

On Wednesday, the Indian Supreme Court is set to hear a landmark patent case that could limit Indian companies' right to make inexpensive copies of pricey drugs developed and patented in the U.S. and Europe. The high-profile case — the first of its kind to reach India's highest court — has created a sharp divide between defenders of intellectual property rights, who demand that India do more to protect patented drugs developed in the West, and international aid groups who say excessive pharmaceutical patenting stifles generic competition that makes life-saving medication accessible to patients around the world. "This case is key because the scaling up AIDS treatment around the world has come from Indian made medicines," says Leena Menghaney, manager of Doctors without Borders' access to medicines campaign in India. "If they did not exist or were not available most governments would not have ventured into starting large scale AIDS treatment programs."

At the heart of the current dispute is the breakthrough cancer drug Glivec (Gleevec in the U.S.). Novartis, the Swiss drug company that helped develop the drug, is appealing the rejection of its 2006 patent application in India. In the U.S., where patent laws make it easier to register a patent claim, a monthly dose of Glivec can cost as much $5,000. In India, locally made generics cost patients $200.

In 1970, the Indian government disallowed the patenting of drugs, paving the way for Indian pharmaceutical companies to freely produce medicines pioneered by foreign drug companies at a fraction of the cost. Today, India's pharmaceutical industry is worth $10 billion a year and is one of the nation's largest sectors. The price of HIV/AIDS treatment, a first-line combination of stavudine, lamivudine, and nevirapine, which cost patients $10,000 a year in 2000, now sells for $150 worldwide, due primarily to Indian companies' low cost manufacturing. This rush of cheap drugs, which are also produced in the U.S. and Europe, now provides medication for 80% of the 6 million people receiving treatment in the developing world today, according to Doctors Without Borders.

In 2005, as a requirement of admission into the WTO, India reenacted patent protections for intellectual property, which included medicines. The Indian patent law, however, set the bar much higher than in the U.S. "India has time and again really expressed a strong preference for public health concerns over private patent rights," says Shamnad Basheer, a professor of intellectual property law at the National University of Juridical Sciences in Calcutta. Earlier this year, the Indian patent office reasserted its preference for generic competition, stating that if a patented drug in the Indian marketplace is not made widely available at a reasonable price, then generic manufacturers are entitled to make their own versions of the drug and pay a royalty to the patent holder.

Novartis' first attempts at patenting Glivec were rejected in India because it was considered to be an updated version of an existing Novartis drug, and therefore not eligible for patent protection. To protect consumers of low-cost medicines — and its pharmaceutical industry — Indian patent law aims to curtail a process known as 'evergreening,' in which pharmaceutical companies make sometimes minor improvements to an old medicine, allowing them to renew their patent. Under India's tough standards, modifications that do not improve the efficacy of the drug are not eligible for extended patents.

Novartis cites modifications that make its new drug more effectively absorbed into the bloodstream, an improvement that was granted a patent in the U.S. in 2001. "All the drugs that come out from USDA are not new molecules that are formed every year," says Ranga Iyer, former head of the Organization of Pharmaceutical Producers of India. "They are newer versions of penicillin and other drugs. Do we call that evergreening? No. There's a lot of work going on to do that." Iyer and other critics of India's patent laws claim they are stifling innovation on new groundbreaking drugs. "If you tell an innovator to set prices low enough that everybody can afford it, how can a company recover cost?" says Iyer. "If innovation is not protected, people will not innovate."

But international pharmaceutical companies aren't the only ones innovating. Generic drug manufacturers have also pioneered new treatments, creating pediatric HIV/AIDS drugs to cater to a segment of the market in developing countries that the big global drug manufacturers tend to overlook. Breakthroughs often come from publicly funded labs making the cost of research and development not as high as it seems, says Yusuf Hamied, chairman of the Indian pharmaceutical company CIPLA. "If you look at the world's top 50 drugs being sold today, they are being marketed and sold by companies that did not invent them," says Hamied. "I respect patents. I'll pay a royalty. But I shouldn't be denied the right to produce drugs for poor people at reasonable prices."

For both proponents and critics of India's patent laws, the supreme court's interpretation will set an important precedent. Foreign drug companies see India as a growing market, but perhaps more importantly as a potential model for other developing countries' patent regulations. If the court rules in favor of Novartis' claim, aid groups worry it will set off numerous new patent claims making it impossible for India to produce cheap generics of all sorts. But the court is unlikely to lower the standard thereby granting Novartis a patent, says Shamnad Bhasheer. The Indian laws were designed specifically to favor public health interests, and the court would likely only lower the standard if it believed that innovation, particularly by Indian companies, was being stifled.

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Women Suffer More With Rising Trade Globalization
Asian Tribune (India)

19 August 2012: In an increasingly globalised world, the impact of trade and investment liberalisation is an important area of policy focus. With the emergence of bilateral free trade and investment agreements and clamour for more and more foreign direct investment, all in the name of economic growth, the gender impact of these policies is changing and impacting women's roles in society.

Indian women face a number of challenges everyday as workers, care givers, food providers, and healthcare seekers. In a country like India, where economic, social and gender inequalities persist historically, and where trade policies are not 'gender neutral' the impact of trade policy on women must be paid serious attention to.

Unfortunately, for the economists, women's work remains invisible, especially in the agriculture sector. Likewise discourses on land reforms do not talk of women at all.

Despite being actively involved in producing food, a very high percentage of women remain anaemic. Have we ever pondered as to why the same kitchen produces malnourished women and healthy men?

All these issues were discussed at length in a capacity building national workshop for media persons on 'International Trade and Gender Dynamics in India' which was jointly organised recently in Delhi by the Center for Trade and Development, Third World Network, Centre for Legislative Research and Advocacy and Heinrich Boell Foundation.

It is important to understand the gender dimensions of international trade and finance policies in relation to the new opportunities, expectations and responsibilities which are beckoning women. Women's ownership of physical and financial assets is limited and employment in large sectors has low proportion of women while small sectors have higher numbers. Investment liberalisation has created an impact on gender dynamics in sub sectors like banking, health, construction, and information technology in terms of both employment and access.

Foreign Direct Investment (FDI) in construction sector has involved more mechanization resulting in displacement of women workers before their male counterparts. With growing commercialization, the access and control over traditional knowledge systems (like in medicine and food) especially by women gets threatened.

The new trade policies related to the pharmaceutical sector threaten the growth of generic medicine industry and hence the supply of affordable medicines to disadvantaged sections, including women who would rather choose to spend on the healthcare of their husband/child than their own due to financial constraints.

Renana Jhabwala, the National Coordinator of SEWA (Self-employed women's association) felt that, "Although with more opportunities available, more women are entering the workforce, but the patriarchal system ensures that the household and family responsibilities still rest upon them, increasing their emotional and physical burden. Women still do not own assets and their healthcare and education are still not given enough importance. 94% of the women workers are in the informal sector with low earnings and poor growth opportunities. In sectors with falling earnings like agricultural labour (having little input of technology), men are moving to other more skilled sectors, and are increasingly being replaced by women, resulting in feminization of agriculture. Similarly in the handloom sector there has been a marked shift from male to female weavers. However sectors which get more mechanised (like construction) are lost to women workers, as they lack requisite skills. Although there is a strong desire in members of SEWA to spend their earnings to educate their children, they have little inclination to spend in upgrading their own skills to face a more competitive market."

The workshop highlighted cross cutting areas where the gender impacts of trade and investment liberalisation can be felt. According to Dr Axel Harneit-Sievers, Director of the Heinrich Boll Foundation, "India's international trade has become much broader and deeper. Trade and investment agreements and liberalisation policies in general affect a vast range of sectors like agriculture; industry; services; intellectual property rights; and services and in all these areas gender impacts are getting stronger."

The workshop also highlighted the contradictions in the gender-trade linkages. There are areas where India may lose markets, jobs and incomes by opening up to global competition. At the same time, women's employment and income in export oriented industries like textile and garments, leather, food processing and marine products and in gems/jewellery have increased. But despite more work, disparity in wages, volatility of employment, harsh working conditions and inadequate health/maternity benefits are common. . In states like Kerala and Tamil Nadu, increasing exports have threatened the livelihood of women fish vendors who get fish for local market consumption. Easier access to foreign fishing vessels to Indian fishing waters in future bilateral trade agreements can further threaten smaller domestic players. It is important that India's trade policy takes gender sensitivities into account in its trade agreements and combines it with a gender friendly development policy.

Jayati Ghosh, Professor at Jawahar Lal Nehru University, said that, "The global crisis has resulted in a real wage decline in all women related activities. In India, export oriented growth has relied more and more on women's work in the informal activities and unpaid work in social reproduction. To generate exports with better material conditions for those who produce them, we need not just better wages but also social protection measures."

Abhijit Das, Director, Centre for WTO Studies, raised the issue of anomalies in women's work in India's industrial and service sectors and said that as literacy rate in women goes up, the wage gap between men and women narrows. He cited to Citizen News Service (CNS) a 2008 study which found that only 36% of the jobs created in the export oriented sectors in India went to women, although this was still 5% higher than the average overall share of jobs going to women. Abhijit felt that, "Just creating jobs for women in trade oriented sectors is not enough. We must go beyond the numbers to look at the underlying inequalities and address them and strengthen their social positions."

Kalpana Sharma, former Deputy Editor of the Hindu lamented that, "It is ironic that in 2012 we still need to have a gender workshop. In our business pages, only women as heads of companies exist, but the common woman is not found anywhere. As journalist we are missing half the story if we do not understand the gender dimensions of the issues of economy, environment and development policies. We need to wear a gendered lens to humanise our stories by integrating facts with the life of the women on the street."

Mainstream media has often been accused of neglecting agriculture related issues. Debt ridden farmers are not news worthy unless they commit suicide. The image of a woman farmer does not come easily. Paranjoy Guhathakurta, senior journalist and political commentator said that, "for the corporate media, news relating to trade and gender issues that affect the under privileged are rarely emphasized, except on occasions when the facts are too stark and important to be ignored. In other sections of the media, news stories on such subjects can sometimes be presented in a dull and prosaic manner, thereby reaching out to only those who are already interested in the subject."

Ranja Sengupta of the Third World Network was worried that as India climbs up the ladder of an emerging economy, the health, education and food needs of women get affected. Whenever there is a crisis, women lose jobs much faster than men. When healthcare costs go up, women are the first and worst sufferers. She summed up by saying that, "The aim of the workshop was to encourage the media to develop focused stories from women's lives and connect them to policy issues; spread awareness and bring examples related to the gender issue into public domain and create public pressure to influence government's trade, investment and labour related policy making at all levels."

Let us hope that in the coming months, we will get to read more about linkages between trade/investment liberalization and gender equality in the context of women's access to critical physical, financial and human resources and access to basic services, with significant implications for their livelihoods, health, socio-economic status and well-being. The media will have live up to the expectations of the important role it can play in building awareness on trade and gender issues by educating the common masses as well as policy makers.

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Russia and the future of WTO
Biswajit Dhar, Mint

August 28 2012, New Delhi" More than 19 years after it had expressed its intention to join the multilateral trading system; the Russian Federation formally became the 157th member of the World Trade Organization (WTO) last week. Although members of WTO had agreed to allow Russia to accede to the organization last year, the process of domestic ratification took several months before the sixth largest economy could join WTO. Coming as it does at a time when the future of WTO is being questioned, this development should enable all major economic powers to re-group to strengthen the basis for multilateralism in trade.

Accession to WTO, at least in theory, brings with it a slew of benefits to the Russian Federation stemming, in particular, from the application of the most favoured nation (MFN) principles. The enjoyment of MFN benefits under WTO implies that other members of the trade organization will no longer use discriminatory trade measures against Russia. In other words, countries such as the US that had refused to grant normal trade relations status will now have to amend their legislation. The US has denied normal trade relations to Russia since the introduction of the Jackson-Vanik amendment in its Trade Act of 1974. This amendment, intended to alter US trade relations with countries with non-market economies that restrict freedom of emigration and other human rights, required the latter countries to comply with specific free emigration criteria for better trading ties with the US. This amendment was considered a response to the Soviet Union's "diploma taxes" that were levied on its Jewish citizens attempting to emigrate. Repeal of this legislation seems round the corner as President Barack Obama has issued an appeal to the US Congress to do so.

Like all new members of WTO, the Russian Federation has had to pay a higher entry ticket to gain membership of the organization by agreeing to a greater degree of liberalization. The real market access opportunities offered by the Russian economy as a member of WTO is in the area of services. Of the 12 broad sectors over which the General Agreement on Trade in Services (GATS) of WTO has jurisdiction, Russia has taken commitments in 11 sectors. Again, of the 161 sub-sectors included under GATS, the country has commitments to liberalize 112 sub-sectors.

At the same time, Russian negotiators were able to protect the interests of their domestic firms/individuals in some important sectors, more prominently banking. Unlike most new members of WTO that had allowed liberalization of their banking sectors by setting up branches of foreign banks, Russia has agreed only to allow subsidiaries of foreign banks. While there will be no cap on foreign equity in individual banking institutions, overall foreign capital participation in the banking system of the Russian Federation will be limited to 50%, not including foreign capital invested in potentially privatized banks.

Another significant bargain that the Russians have been able to secure is in their automobile programme, which imposes local content regulation and minimum production requirements on foreign investors for obtaining preferential tariff treatment on imported inputs. Although these constraints are considered violations of WTO's Trade Related Investment Measures, Russia succeeded in obtaining a transition period of six years before it is obligated to terminate these rules.

There are expectations that by the end of the six-year transition there will be a substantial increase in Russian automobile assembly and parts production, and therefore, the negotiated transition period could contribute handsomely to the consolidation of the country's industrial sector. This is not the only concession that Russia was able to secure—its tariff commitments on goods include substantial transition periods, so that it will have to effect reductions in tariffs in several products only seven or eight years after accession.

The ability of the Russian Federation to negotiate a deal, which has several positive features for its domestic sector, should encourage a vast majority of the countries that have been trying to change the rules of the game in WTO. For these countries, the Doha Round was expected to be a game changer, as it had made significant promises to introduce new disciplines in several key sectors such as agriculture that were more “development friendly”. What this, in effect, meant was strengthening the domestic capacities of developing and the least developed countries, which can enable the relatively disadvantaged small farmers and the small- and medium-enterprises to stand up to competition. It will be clear to many that at this juncture the Doha Round needs a political push and Russia’s accession to the organization may, in fact, provide the much-needed impetus.

Apart from local pressure, the Russian Federation’s accession to WTO can help bring the pressure from forums such as the Group of 20 and BRICS (Brazil, Russia, India, China and South Africa). These forums have emphasized the need to break the logjam in the Doha Round to enable an early conclusion of the negotiations. What difference Russia makes to the dynamics of these forums will, therefore, be watched with immense interest.

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WTO meet in Dec '13 to break Doha deadlock

Nayanima Basu, Business Standard

August 23, 2012, New Delhi: Trade ministers from the 155 member countries of World Trade Organization (WTO) have decided to meet once again in December next year in a last-ditch effort to bring in the much-awaited consensus to conclude the Doha round of global trade negotiations that has been languishing since 2001.

The last meeting, the eighth so far, was held in Geneva in December 2011. Like all other previous meetings, the 2011 meeting, too, failed to arrive at any consensus.

Unlike earlier ministerial meetings that have seen heated exchanges and harsh arguments among the countries, this time the mood is expected to be much sober, and the talks would take place in the exotic Indonesian island of Bali. It remains to be seen whether this ministerial meet could agree to close the deal for the benefit of all or declare it to be over.

The ministerial meetings are generally held in every two years. The coming meeting, which is the ninth so far, assumes significance as it will be held after the US presidential elections that is taking place in November this year.

“The attempt this time is definitely going to be on how to close the talks. Signing the deal is a distant dream, though 2013 would mark the 12th year of the Doha round. The fact that all the members have agreed to a formal ministerial meeting shows the political will to finish the round,” a senior commerce department official told Business Standard.

In the last meeting, the members had agreed to chalk out a benefit package for the least developed countries (LDCs), as it would help them export more by getting bigger access into rich markets. But the main deal is stuck for the last 11 years over US and Europe refusing to cut farm subsidies, and over greater access to the markets of emerging countries like China, India and Brazil.

Another important milestone that was achieved during the eighth ministerial meeting was having an agreement on trade facilitation. The idea that an agreement could be reached in trade facilitation under the

WTO trade talks received widespread political support at the OECD Trade Ministers meet held at Paris on May 23 2012.

"Momentum appears to be gathering in favour of trade facilitation although Brazil, India and South Africa continue to oppose the proposal… Improvement in customs procedures and border measures is in the interest of all WTO members, and an agreement would lead to concerted action by all of them to facilitate trade. Economic operators in India will gain not only from the improvements in other jurisdictions, but also from the improvements in India itself," said Anwarul Hoda of ICRIER in a note.

The US has been insisting on changing the basis of the talks that forms the main agenda of the Doha Development Round. Key developing countries such as India, China, Brazil and South Africa have strongly warned against drifting of the provisions from the development agenda, based on which the present round of talks were kick-started in Doha.

During an interaction with Business Standard last month, WTO Deputy Director General Harsha Vardhana Singh had said he was hopeful of the deal coming to some conclusion by 2014.

Earlier, India's Commerce, Industry and Textile Minister Anand Sharma emphasised that the round can come to a meaningful conclusion only when countries start scaling back their ambitions and adhere to only what was agreed to in 2001 that had development as the core objective for poorer countries.

The Doha round is the longest of all multilateral trade negotiations. Prior to this, the Uruguay round went on for eight years under the General Agreement on Tariffs and Trade.

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