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CONTENTS

OPINION IN LEAD

India continues to battle Big Pharma in generic drug war

While addressing the United States (US) Congress this June, Indian Prime Minister Narendra Modi mentioned that more Americans now practice ancient Indian yoga than they play baseball. “And, Mr Speaker (Paul Ryan), we have not yet claimed intellectual property rights on yoga,” he quipped. The seemingly innocuous remark was PM Modi's way of taunting the US government amid two countries' factional relationship regarding patents and intellectual property rights (IPR).

India and the US share a contentious relationship on patent protection and IPR, especially regarding pharmaceutical products. India is dubbed as 'the pharmacy of the developing world', thanks to accommodative patent policy that allows its pharmaceutical companies to reproduce and sell cheaper variants of drugs manufactured by the so-called Big Pharma, mostly headquartered in the US or Europe.

Couple of weeks before PM Modi’s North American tour, India had revised its Intellectual Property Rights (IPR) Policy. The revised did not scrape its 'compulsory licensing' regime. Following the years of lobbying, India was expected to scrap the regime, which allowed Indian companies to produce patented products without the consent of the patent owner.

However, India’s recent decision to provide patent to the US-based Gilead’s blockbuster Hepatitis C drug, sold under the brand name Sovaldi, has left many public health activists wary. Upturning its own earlier decision made in January 2015, the Indian Patent Office approved 20-year patent to Gilead Sciences Inc’s Hep-C drug. The approval came into effect after Gilead signed manufacturing deals with 11 Indian companies to sell the drug in India and other 101 developing countries. The decision does not affect the availability and affordability of the Hep-C drug—which is priced at US$84,000 for a full course of 12 weeks in the US—in the Indian market but it bars Indian companies from exporting the raw materials or active ingredient for the drug. Likewise, the agreement also does not cover many middle-income countries with very high burdens of Hepatitis C.

Moreover, there is widespread fear that if international pharmaceutical companies follow suit and adopt similar path then it will not only threaten Indian pharma companies but may bring up global healthcare crisis, according to the public health charities and activists.

India backtracking on patent rights could be detrimental to its ability to churn out cheaper generic version of the blockbuster drugs that have been saving lives in the developing world. For example, Indian generic versions of antiretroviral drugs are responsible for bringing down the price of AIDS treatment to US$80 at present from US$10,000 ten years ago.

According to the World Trade Organisation (WTO)'s trade statistics, India was fourth biggest exporter of pharmaceuticals in the world in 2014 with the exports of US$13 billion. Pharmaceutical is one of the biggest growth industries expected to expand to US$55 billion market by 2020, according to the Associated Chambers of Commerce and Industry of India (ASSOCHAM).

India is able to defy western powers using concessions granted to developing countries by the WTO’s Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. TRIPS Agreement lays down minimum substantive standards of protection of IPR including pharmaceutical inventions. However, same agreement’s Article 31 allows patents to be used without the authorisation of the right holder.

Eating up of market share by India’s resurgent generic drug industry is not the only concern of Big Pharma. Following India's footsteps, countries such as Egypt and China have defied the western drug makers and their lobbies and are adapting India's framework in their own patent laws.

Undoubtedly, patent protection is a crucial factor in driving innovation as the future returns generated from exclusive rights on production pushes the companies to invest in research and development of new products. According to Association of British Pharmaceutical Industry, cost of manufacturing a drug amounts to around £1.5 billion. At the same time, pharmaceutical is the biggest profit making business with better returns than banking. Thus, it might be bit difficult for pharma companies to garner sympathy for losing their right to over-charge life-saving drugs at the expense of poor and sick people.

Therefore, to protect their interest, Big Pharma employs powerful lobbyists to make their case. According to the Center for Responsive Politics, pharmaceuticals are the biggest lobbying spender in the US, which have spent up to US$3.2 billion from 1998 to 2016. The mounting pressure from Washington on India to scrap its porous patent policy could be taken as a success for lobbyists.

Western pressure is not the only threat to the Indian generic drug business. The impending Regional Comprehensive Economic Partnership (RECEP) deal between the 10 members of the Association of Southeast Asian Nations and six regional countries – India, China, Japan, South Korea, Australia and New Zealand aims at imposing strict patent policy. The leaked reports on the ongoing negotiations reveal that the countries such as Japan and South Korea are trying to extend monopoly protections beyond TRIPS on the intellectual property rights. Modelled on the Trans Pacific Partnership, the RECEP's attempt to extend restrictions on the use of clinical trial data is expected to hit generic drug manufacturers in India and China. India is in bind as being a part of the RECEP means gaining privileged trade access to the member countries or to compromise its generic drug market.

Indian participation in the mega-regional trade agreements is likely to put pressure to strengthen its IPR laws. Now the onus is on India to remain 'the pharmacy of the developing world' or change gears to revamp its image as an attractive destination for foreign investment.

ANALYSIS

Brexit effects in South Asia

Britain's historic vote to quit the European Union (EU) may have far-reaching implications for South Asia, a region that is home to several former British colonies. South Asia is likely to be affected economically, politically and socially given the region's deep historic ties to Britain. In fact, experts are of the view that South Asia will be more affected than a lot of other countries.

Most economic impact of Brexit is through Britain's trade and investment ties with the South Asian countries. The World Bank has forecasted a growth of more than 7 per cent in 2016 and 2017 for South Asia. The region is likely to miss the forecast if the vote triggers an economic contraction in Britain as it is an important trading partner for South Asia. Recession in Britain is expected to affect India and Pakistan more than a lot of other countries given their socio-economic ties with the United Kingdom (UK).

If Britain's access to European markets is restricted, India could scale back on its vast investments there. Indian conglomerate Tata Group employs 65,000 in Britain, and Indian exports of US$35 billion to the EU could shrink if New Delhi loses preferential trade terms with Europe. Investing in the UK becomes a lot less attractive if the only market they can reach is Britain.

There are, however, some experts that do not foresee very large impact through ripple effect of an economic downturn to the South Asian countries. It is certain though that South Asian countries now need to have separate trade treaties with the UK.

Brexit may lead to the shrinkage of foreign aid to South Asia. Pakistan and Afghanistan are among the largest recipients of civilian aid from Britain, Germany and other European countries. Any economic contraction in Europe will have a big impact on donor assistance to Afghanistan and Pakistan, and others like Bangladesh and Nepal.

Similarly, remittances are likely to shrink too. Millions of South Asians working abroad regularly send money home, and the World Bank calls that money a key driver to growth. World Bank data show the eight member nations of the South Asian Association for Regional Cooperation (SAARC) received an estimated US$117.8 billion in remittances in 2015. For Pakistan, the UK is the third-largest source of remittances after Saudi Arabia and the United Arab Emirates.

With the British pound and the euro depreciating, and European economies struggling, the remittances destined to the region will decline. Furthermore, restrictions on cross-border movements could make it much more difficult for South Asian workers to send money home.

Europe is likely to lose its lure as a destination for many South Asian emigrants. Britain is home to more than three million South Asians. Many others live in continental Europe, where anti-immigrant sentiment is rising. If there is more vitriol against immigrants and reduced economic opportunity, an immigrant is less likely to go to the UK and Europe. Some Pakistani immigrants may even choose to come home, as many did after the 9/11 attacks. Therefore, migration to the UK and Europe may slow down too.

Given the soaring gold prices after Brexit vote, getting married in the region just got more expensive as gold is a big part of the culture in South Asia. The economic effects of rising gold prices could be even greater on India, a major importer of gold.

Brexit could make it difficult for some regional governments to raise debt, as local investors increase their gold holdings on expectation of rising prices.

(Adapted from “Brexit Vote Ripples Across South Asia” published by the Voice of America, http://www.voanews.com/content/brexit-vote-ripples-south-asia/3394925.html, 27.06.2016)

NEWS

Nepali tea unlikely to get easy entry to India

Trade hurdles imposed by India on export of Nepali tea are unlikely to be eased anytime soon.

According to Nepali officials participating in the Nepal-India Inter-Governmental Committee (IGC) meeting that began in New Delhi on 28 July, the Indian side appeared reluctant to ease the trade hurdles.

Nepali tea exporters say they now need to obtain quality certificates from an Indian laboratory for each shipment.

Earlier, Nepali tea exporters were allowed to carry out trade multiple times with multiple parties after receiving quality check certificate valid for six months.

Nepali traders have complained that the southern neighbour has been imposing non-tariff barrier on Nepali items one after another. Nepali leather exporters are also facing similar problems.

During the opening of the two-day meeting at the commerce secretary level, the Indian side insisted on certification from Indian laboratory and sample collection every time before allowing exporters to supply Nepali tea to India, said officials.

“The Indian side has stood firm on the issue, arguing that they have been receiving complaints from Indian entrepreneurs about Nepali tea,” said a member of the Nepali delegation.

The Indian side has demanded that Nepali exporters provide quality specifications of both CTC and orthodox tea before exporting the item to the southern neighbour. India is also reportedly pointing at the presence of chemical residues in the agro product. Traders said each quality certificate costs around NPR 70,000, which is too much for small farmers that export around 1,000 kg to 2,000 kg at one time.

Likewise, the strict pesticide regime that India has been imposing on Nepali products in line of the developed countries is also likely to affect Nepali agro products.

The Nepali delegation presented the issue of trade restriction as the top agenda during the meeting. The Nepali side also expressed its concern about Nepali processed leather that has been facing Indian trade hurdles for the last three months.

Scrapping countervailing duty on Nepali ready-made garments, copper and brass utensils and *kattha* are Nepal’s top priority. Besides, Nepal has been seeking support of the Indian side on trade facilitation along with the removal of all types of para-tariff and non-tariff barriers. According to the source, discussions on the issues are underway. “A conclusion at Wednesday meeting is very unlikely,” he said.

The IGC committee is constituted under the Nepal-India trade treaty. The committee meetings provide a platform for resolving various trade related issues and discuss enhancement of the bilateral trade between the two countries.

Source: http://kathmandupost.ekantipur.com/, 29.06.2016

Regional power trade benefit South Asia, says World Bank

Regional trade in electricity can spare India from investing in 35,000 MW coal-fired capacities (at estimated US$26 billion) over the next 25 years, according to a World Bank study covering all SAARC nations except the Maldives.

Larger benefits will accrue through reduction in fuel cost and 6.5 percent cut in greenhouse gas emission. The savings should come through replacement of thermal power with hydro-electricity to be sourced mostly from Nepal, followed by Bhutan and Afghanistan.

The study by World Bank economists Michael Torman and Govinda Timilsina expects Nepal to add 52.1 GW (giga-watt) in 2040, over and above the existing 1 GW. Bhutan will add 9.1 GW and Afghanistan 3.6 GW.

Without trade opportunities, Nepal and Bhutan cannot maximise hydro-electric generation potential because of the smaller size of domestic economies.

Aimed at promoting market-based trade of electricity, the study discounted the subsidy element in different fuel and generation programmes.

Citing examples of such regional trade in other parts of the world, the study points that cooperation would bring dividends to everyone (India stands to gain more because of its size and contribution).

The region currently has a combined generation capacity of 325 GW. Of the total, India shares 276 GW; Afghanistan, 1 GW; Bangladesh, 16 GW; Bhutan, 4 GW, Nepal 1 GW, Pakistan 25 GW, and Sri Lanka 3 GW.

In the absence of cooperation, Pakistan should increase power production by seven times to meet its demand in 2040, Bangladesh by 4.3 times, Sri Lanka by 3.7 times and India by 2.8 times.

The capacity addition will come mostly through coal-fired utilities, requiring a total investment of US$859 billion. India will require a mammoth US$518 billion investment followed by US$206 billion of Pakistan, US$77 billion of Bangladesh and Sri Lanka US$13 billion. Bangladesh, Pakistan and Sri Lanka currently have reasonable shares of costly gas (and even liquid fuel) based generation capacities. Cooperation can change the ball game. Bangladesh can save 11GW capacity addition, Pakistan 13 GW and Sri Lanka by 0.5 GW or 500 MW, a huge savings for a tiny island nation.

Source: http://www.thehindu.com/, 28.06.2016

AIIB approves US$165mn loan for Bangladesh power project

The Asian Infrastructure Investment Bank (AIIB) approved a loan of US$165 million for the upgrade and expansion of power distribution system in Bangladesh.

The board of directors of the multilateral development bank, for the first time, also approved three other loans to finance as many projects.

Three of the four projects are co-financing operations with multilateral development bank partners, reports United News of Bangladesh.

The three other approved loans are a US$216.5 million loan for Indonesia, a US$100 million loan for Pakistan and a US$27.5 million loan for Tajikistan.

'I am delighted to announce that AIIB's board of directors has today—just six months after the bank's inauguration—approved the first group of loans,' AIIB's president Jin Liqun was quoted as saying in a press release.

The bank's vice president and chief investment officer, DJ Pandian, welcomed the new investments noting, 'The Bank places tremendous importance on ensuring that its investments lead to positive results and measureable outcomes for its clients and will improve the lives of the millions of people in the different regions of Asia.'

The bank, which supports infrastructure development and regional connectivity in Asia, is targeting lending of approximately US$1.2 billion in 2016.

A US$165 million loan to Bangladesh for a power distribution system upgrade and expansion project is designed to expand electricity coverage by providing 2.5 million new service connections in rural areas, and to upgrade two grid substations and convert 85 circuit-km overhead distribution lines into underground cables in northern Dhaka.

The project will supplement the bank's development partner efforts by providing additional financial resources to connect more rural and urban consumers, further reduce distribution losses, and improve the quality and reliability of power supply in Bangladesh.

The project, upon completion, is expected to benefit about 12.5 million people in rural areas and therefore create a significant and sustained impact on many economic and social dimensions of rural development in Bangladesh.

Source: http://newagebd.net/, 24.6.2016

Protectionism on the rise in G-20 Economies, WTO warns

Trade restrictive measures in the G-20 coalition of major advanced and emerging economies have hit their highest monthly average since the WTO first started tracking them seven years ago, economists from the global trade body said.

The WTO's semi-annual report, issued on June 21, came amid growing concern over weak trade growth and persistently low economic growth figures, which have taken centre stage in major international meetings held from Paris to Washington over recent months.

"A rise in trade restrictions is the last thing the global economy needs today, with GDP growth sluggish and 2016 expected to be the fifth year in a row that trade has expanded by less than three percent," said WTO Director-General Roberto Azevêdo.

As in previous reports, trade remedy investigations continued to make up the bulk of the restrictions tallied by the Geneva-based organisation, including probes relating to steel. That sector has been the subject of growing attention in recent months, amid falling prices and massive global overcapacity.

According to the document, between mid-October of last year and mid-May 2016, the group's members have put in place 145 new trade restrictions. Another related problem is the growing accumulation of such measures over the past several years.

"It is positive that some G-20 countries are eliminating trade restrictions, but the rate by which this is done remains too slow to change the trend which saw the overall stockpile grow by 10 percent," the report warns.

The WTO report was issued jointly with a review by the UN Conference on Trade and Development (UNCTAD) and the Organisation for Economic Co-operation and Development (OECD) on investment restrictions, as on previous occasions.

The latter exercise found that most G-20 investment measures taken in that same timeframe have helped improve the openness of those economies to foreign direct investment.

"This does not mean, however, that investment abroad has generally become easier or more attractive," the report said, noting that there are a host of factors to consider, including that some measures that are difficult to trace as a result of limited public documentation.

Source: http://www.ictsd.org/, 23.6.2016

UN Establishes New Global Standard in Bid to Tackle Food Loss, Waste

Several UN agencies and other international groups have launched a global standard to measure food loss and waste. This new, voluntary standard was announced during the Global Green Growth 2016 Summit in Copenhagen, Denmark, in early June.

The new Food Loss and Waste Accounting and Reporting Standard (FLW Standard) is intended for use by governments, businesses, and other entities to measure food loss and waste in a more consistent manner across the board. For example, it includes definitions that are meant to be "universally applicable" in understanding what constitutes food loss and waste.

The evolution of this FLW Standard was the result of a collaboration between the Consumer Goods Forum, the UN Food and Agriculture Organization (FAO), the EU-funded Food Use for Social Innovation by Optimising Waste Prevention Strategies (FUSIONS) project, the United Nations Environment Programme (UNEP), the World Business Council for Sustainable Development (WBCSD), WRAP (The Waste and Resources Action Programme), and the World Resources Institute.

According a 2013 FAO report, 1.3 billion tonnes of food is lost or wasted every year. This has contributed 3.3 billion tonnes of greenhouse gas emissions that directly exacerbate climate change, according to the UN agency.

"Wasting a third of the food we produce is a clear symptom of a global food system in trouble," said Peter Bakker, President and CEO of WBCSD. "The FLW Standard is pivotal to setting a reliable baseline for streamlined and efficient action on the ground for countries, cities, and small and big businesses along the food value chain."

The new standard, while aiming for consistency, also has built-in flexibilities which, proponents say, will allow users of this system to adapt it to meet their respective goals. For example, regarding definitions, entities can determine which components they consider to qualify as food loss and waste in their "inventory" – for instance whether it includes both food and inedible parts, along with how to deal with the destinations of that food in their accounting and reporting. The standard also provides some flexibility on how to quantify such loss and waste, while providing some recommendations on how to ensure more accurate results.

By increasing the availability of information regarding the exact amount of food waste, as well as by pinpointing its sources, private and public entities will aim to set a "practical baseline" in order to begin working towards food waste reductions and to meet Sustainable Development Goal 12.3, which aims to halve per capita global food waste and loss by 2030.

Source: http://www.ictsd.org/, 23.6.2016

Visakhapatnam Port declared as second gateway port for Nepal

Visakhapatnam Port has been declared as the second gateway port for Nepal after Kolkata-Haldia.

The movement of traffic-in-transit between Port of Visakhapatnam and Nepal will be in sealed containers and in full rake only and the cost of transhipment will be borne by the consignor/consignee.

Visakhapatnam Port has the deepest container terminal among major ports with permissible draft of 15 metres and length overall (LOA) up to 320 metres. Most of the transit cargo of Nepal will be from China. The terminal can act as an ideal gateway for east-bound cargo. Handling of cargo will be advantageous in terms of ocean freight and liner detention, export-import traders say.

A team headed by Dr. Somlal Subedi, Chief Secretary, Government of Nepal, visited Visakhapatnam to interact with various stakeholders such as the East Coast Railway, Container Corporation of India Ltd, Visakha Container Terminal (VCTPL), Confederation of Indian Industry (CII), liner and shipping agents' associations.

India and Nepal signed the agreement in February to provide additional transit facility to Nepal through the Visakhapatnam Port as second gateway port.

The agreement provides for transport of the cargo through the rail route connecting Visakhapatnam-Jogbani or/and Visakhapatnam-Birgunj. In addition to the rail route, four road routes have been identified.

The agreement facilitating transport of EXIM cargo through the Visakhapatnam Port is a historic milestone.

Source: http://www.thehindu.com/, 21.06.2016

Bangladesh, India launch trans-shipment operations

India and Bangladesh launched trans-shipment operations at the Ashuganj port to boost trade and facilitate seamless movement of goods in the landlocked region, with a cargo vessel unloading the maiden consignment to be transported to Tripura through Bangladeshi territory.

Under a revised protocol on Inland Water Transit and Trade as part of a bilateral agreement signed during Prime Minister Narendra Modi's visit to Dhaka in June last year, India and Bangladesh agreed to let each other use their territories for transiting goods to a third country.

The deal would enable Bangladesh to use Indian territory to transport goods to Nepal and Bhutan while on the other hand India would access Myanmar by crossing through Bangladesh.

Under the arrangement, vessels carrying Indian cargos would unload at Ashuganj port, from where Bangladeshi trucks will carry the goods to Tripura to be delivered at the Akhaura checkpoint, the second largest trading point between India and Bangladesh after the Benapole-Petrapole post with West Bengal.

India had long been seeking transit and transhipment facility to carry goods to Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, from West Bengal through a shortened route via Bangladesh.

At present, trucks from Kolkata travel around 1,600 kilometres to reach Agartala. The distance through Bangladesh would be only 500 kilometres, according to experts.

According to analysts, it costs India US$67 to transport per tonne of goods from Kolkata to Agartala and Indian trucks take 30 days to reach there through the rugged terrains.

The transhipment facility—combining riverine and land routes—would now enable India to deliver goods in an estimated 10-day time and reduce transport cost by nearly 50 per cent.

Source: http://economictimes.indiatimes.com/, 16.6.2016

India seeks duty-free access for more than a dozen products

New Delhi sought duty-free facility for more than a dozen products and pressed Dhaka for product list liberalisation through major land customs stations at the Bangladesh-India bilateral trade talks.

The meeting of ‘India-Bangladesh joint working group on trade’ was held in New Delhi on June second week.

Munir Chowdhury, joint secretary, ministry of commerce, led an eight-member Bangladesh delegation at JWG meeting. ‘India sought duty-free facility for one dozen products, those having a huge revenue implication for Bangladesh economy,’ he said.

‘We informed our Indian counterpart to examine their requests, given Bangladesh enjoys duty-free facility for almost all its products in Indian market,’ Munir added.

Munir said being a member of the South Asian Free Trade Area Agreement (SAFTA), if Bangladesh removes import duties on items originating from India, the facility will automatically be extended to other SAFTA members.

India has also granted duty-free facility to Bangladeshi products under the initiative of SAFTA, instead of a bilateral approach.

Duty-free or nominal duty facility was sought against products include oranges, pomegranates, bicycles, dairy products, steel, sugar, footwear, rice, cement, tea, coffee, articles of jewellery, cut and polished diamonds and cotton yarn.

Trade officials at the commerce ministry said all the products are now included in the sensitive list of SAFTA, as the list is typically prepared to protect local industry and revenue interests of contracting states of any trade pact.

The two-way trade volume between two countries was US$7.07 billion in 2014-15 while goods of only US$621.37 million were exported from Bangladesh to India, according to government data. Above 80 percent export and import between Bangladesh and India takes place through 29 land ports and about 160 land customs stations. The two-way trade volume was US$7.07 billion in 2014-15 while goods of only US$621.37 million were exported from Bangladesh to India.

New Delhi pressed Dhaka to widen the product list for export-import purpose through 16 land customs stations, including Akhaura land customs station (LCS) and Narayanganj LCS, sources said. India asked Bangladesh delegation members to allow products like vulcanised rubber, yarn, milk powder, fish, sugar and potatoes through a number of LCSs, which now they export through sea ports, he added.

The official said allowing the products through the LCSs means Bangladesh government has to install laboratory facilities to conduct tests at all LCSs, which involves large expense.

India also asked Bangladesh delegation to relax visa regime, and registration formalities for Indian nationals while living in Bangladesh.

Source: http://newagebd.net/, 15.6.2016

Activity

Interaction programme on the proposed "Banks and Financial Institutions Act"

SAWTEE together with the Nepal Economic Association (NEA) organized a half day interaction programme titled "New Bill for Banks and Financial Institutions: Implications for the Financial Sector" on 15 June 2016 in Lalitpur. The interaction discussed the critical provisions of the bill, and to suggested appropriate provisions against the currently present contentious articles. A total of 60 participants, including members of parliament, bankers, planners and policy makers, former executives of the Nepal Rastra Bank, economists and experts, attended and shared their idea. Based on the discussion held during the interaction, SAWTEE and the NEA jointly submitted a set of recommendations to the Finance committee of the Legislature Parliament of Nepal.

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