

Highlights

- ✓ **RCEP makes progress as initial tariff offers agreed**
- ✓ **Trade deficit widens in July, exports continue to contract**
- ✓ **Commerce Ministry discussing opening up of e-commerce**

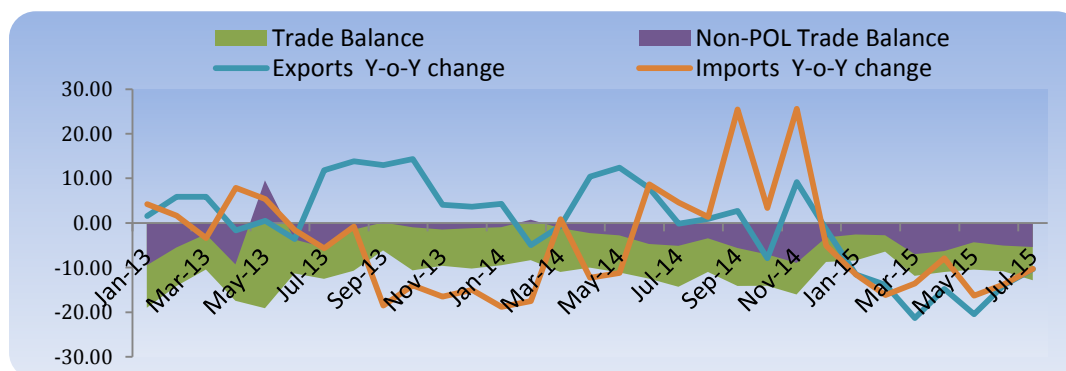
In Focus: India's pharma exports – on the Rise

RCEP makes progress as initial tariff offers agreed

Negotiations on the Regional Comprehensive Economic Partnership (RCEP) have moved forward with members agreeing modalities for initial tariff offers. The next round of negotiations, to be held in South Korea in October, will take up substantive market access offers. This is a significant breakthrough. According to unofficial reports, China has accepted India's offer to eliminate less than half its tariff lines. It will offer the same in return. India has offered the same to Australia and New Zealand though they will be granting more to India. India has offered the most to ASEAN followed by South Korea and Japan.

Trade deficit widens in July, exports continue to contract

India's trade deficit widened to \$12.8 billion in July as exports of goods continued to contract for the eighth consecutive month – a 10% drop over last year. The overall deficit has shown a slight improvement compared to the corresponding figure last year – a respite brought largely by the fall in crude oil prices. This however continues to be overshadowed by India's export performance – perpetuated by a sluggish global market. In addition, recoveries from oil exports have been declining steadily this entire year. Non-oil exports have shown a similar trend.



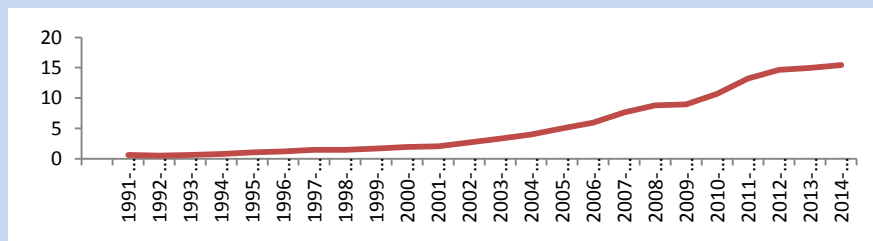
* The RCEP is a 16 member regional bloc comprising of ASEAN, India, China, Australia, New Zealand, South Korea and Japan.

Commerce Ministry discussing opening up of e-commerce

The Commerce and Industry Ministry has been discussing opening up of e-commerce with states and other stakeholders. Countries like Japan and Australia have been pushing for entry into the sector, and it is also being discussed at the WTO. So far, India has held out on opening up over concerns that the sector is too nascent and lacks clear guidelines. Commerce & Industry Minister Nirmala Sitharaman said in a recent interview that there cannot be an uneven playing-field where FDI is not permitted into multi-brand retail but allowed in e-commerce as that would put brick and mortar stores at a further disadvantage. The states were asked to come back with within a few weeks to work out the guidelines. However, Sitharaman admitted that most states are yet to do so.

India's Pharma Exports – on the Rise

India's pharmaceutical exports have seen meteoric growth – going from \$600 million in the 1990s to over \$15 billion now – driven largely by the country's competitiveness in generic drugs. For the Indian government, this is one of the shining stars of the manufacturing scene and a priority export area. In terms of consumers, more than a quarter goes to the U.S. followed by Europe. The U.K is the second largest buyer.



While exports have seen steady, mostly double digit, growth year on year, the pace has slowed of late. Industry members blame this on delayed regulatory approvals, price erosion due to increased global competition as well as increased scrutiny and import alerts by the global drug regulators on facilities and products of Indian drug makers over the last couple of years.

Recently, the E.U. banned about 650 licenses for a number of generic medicines due to alleged data manipulations in the clinical studies conducted by Indian company GVK Biosciences. The U.S has been raising the demand for stronger IPR laws in India, in particular in relation to a number of cases of compulsory licensing of patented drugs for generic manufacture in the country and more specifically, on India not granting patents to inventions if they include only minor modifications without increasing efficacy.

The government has been playing an active role in the pharma sector in India. Shortly after the ban, the Commerce Minister Nirmala Sitharaman convened a meeting with senior officers from Ministry of Health, Department of Pharmaceuticals, Department of Biotechnology as well as the government authorized pharma export promotion agency – Pharmexcil - on the challenges Indian pharma industry faces in exports. The officials were assured by the Minister of the government's help in every possible manner in resolving various issues faced by the industry.