India–Japan: A Case for Strategic Engagement

Mukul Asher*

India has made good progress during the past decade in constructively engaging key countries and regional organizations around the world. This has been made possible as India continues to translate its economic potential into actual performance, and pursues strong and creditable national security policies.

At this juncture, there is a strong case for India and Japan to broaden and deepen economic and political engagement with a view to enhancing strategic depth and leverage of each country. The two countries had envisaged "global partnership" in the year 2000. It is time to give greater substance to this partnership. The fact that India is the single largest recipient of Japanese Overseas Development assistance (ODA) is a strong signal from Japan but it needs to be complemented by more robust economic and political relations to achieve the strategic engagement.

The following indicates the extent to which the bilateral economic relationship needs enhancing. Merchandise trade between the two has been relatively stagnant since 1997-98 at around USD 4 to 4.5 billion. In contrast, India-China trade has shown substantial acceleration, exceeding USD 10 billion in 2004. In services trade also perceptions are that India-Japan trade has not been buoyant, though bilateral country data for services trade are not available. India should urgently consider capturing and publishing disaggregated country-level data on services trade.

There are 265 firms from Japan, which have invested in India, with total FDI stock of only USD 2 billion. This is in sharp contrast to Japan's FDI stock of USD 50 billion in Southeast Asia, and USD 40 billion in China. This large imbalance cannot be solely explained by objective factors. India has demonstrated capacity to compete in the 21st century. It ranks highly (third in the world) in FDI attractiveness. Harvard University Professor Tarun Khanna has observed that India's FDI Policies are more attractive than China's though India lacks marketing and soft skills to translate these into actual investments. Over 80 percent of foreign ventures in India are profitable and most are earning above average returns.

In sharp contrast to Japan, its traditional rival South Korea has been pro-active in establishing a substantial manufacturing presence in India for both domestic and export markets. At current rates, India's trade with South Korea is set to overtake its trade with Japan in the near future.

In a November 2004 seminar on Building a New Asia in Tokyo, former high-level economic ministry official Professor E. Sakakibara persuasively argued that primary responsibility why many win-win opportunities between the two countries have not been actually realized lies with the mindset of Japanese policy and business establishments and with opinion-makers and researchers. They have not been monitoring India's unilateral liberalization and rapid integration with the world economy with sufficient focus and depth. The fact that Indian IT companies have been providing key support to manufacturing firms in Japan to become more competitive has thus not been recognized sufficiently in Japan; and neither has the fact that the location (India) where some of the key inputs (such as chips) are designed or further developed should be regarded as an integral part of the electronics chain. Japan's business rivals from US and the EU as well as South Korea and China have been using India as a location for design, and research and development activity to become more competitive. He therefore urged Japanese establishment to make concerted efforts to broaden and deepen engagement with India.

The case for broader and deeper partnership between India and Japan may be summarized as follows:

First, Japan's energy security and trade flows are heavily dependent on secure routes through the Indian Ocean. India has common interests with Japan in keeping this vital sea route secure and is developing capability to constructively cooperate with Japan in this area. Such cooperation will also be welcomed by the U.S, thereby fulfilling a key requirement for Japan's engagement.

Second, there are strong demographic complementarities between India and Japan. Japan's population in absolute terms will begin to decline by the end of this

* Professor, LKY School of Public Policy, National University of Singapore

decade. India in contrast is entering a demographic gift phase resulting in rising proportion of population in the working age group. India is expected to have nearly 50 million internationally competitive persons to assist countries or regions experiencing rapid individual and population ageing. In addition to Japan, these include U.S, South Korea, Australia and others.

Japan can substantially extend its economic space and its technological capabilities and capacities through partnership with Indian firms, particularly in biotechnology, pharma, IT, space and certain manufacturing areas such as auto design. Such partnerships will permit Japan to access knowledge professionals from India without necessarily requiring the physical movement of these professionals. Japan would thus be able to extend its economic opportunity set and diversify global business risk.

Third, India and Japan have teamed up with Germany and Brazil to coordinate their efforts to become permanent members of the UN Security Council. The economic and strategic widening and deepening of India-Japan relations will enhance leverage of each in pursuing this goal. The current composition of the Security Council does not reflect the realities of the 21st century. All four countries have a strong case for full permanent membership of the Council.

Fourth, there has been perception in some circles that Japan has not reaped diplomatic and tangible economic benefits proportionate to its role as investor, aid provider and trading partner of Southeast Asia. The capability of Southeast Asia to absorb further large scale Japanese investments has diminished since the 1997 East Asian crisis. The risk of over-concentration by Japan on the performance of South East Asia (and China) has risen substantially. As a result, substantially increasing comparatively miniscule FDI stock in India represents lowering of overall global risk for Japan.

It will also open up opportunities for Japanese business to participate in a mega market. Before the end of this decade, India's GDP in current terms is set to exceed USD 1000 billion, and its international trade in goods and services is expected to reach USD500 billion. India's economic growth is founded on strong private sector that has set itself ambitious target of global competitiveness in many areas. FDI however has a critical role to play in India's growth strategy. FDI, particularly from the US, EU, and South Korea is already doing so. The longer the Japanese companies defer their decisions to invest in India, the greater will be the opportunity cost of the delay.

The presence of Japanese financial institutions in India's increasingly sophisticated and competitive financial and capital markets is also extremely limited. Foreign Financial Institutions (FII's) have invested about USD 60 billion in India's stock markets alone. Japanese presence in venture capital and private equity funds in India is also limited. There are many small and medium size Indian companies and startups in high technology areas, which provide substantial opportunities for private equity and venture capital firms are beginning to consider India for portfolio investment. But these need to be translated into large actual flows on a sustained basis.

Fifth, among the major Asian powers, it is only with India that Japan does not carry the historical baggage. Japan's relations with South and North Korea, particularly with latter having acquired nuclear capability, with China, and with Southeast Asia remains uneasy. Stronger partnership with India will enhance Japan's leverage with other major Asian entities. As Japan searches for a new perspective and role in security and defense sector, complementarities with India in these areas could prove to be mutually beneficial.

It would be useful if the joint study group agreed upon by the Prime Ministers of the two countries in November 2004, gives priority to considering specific ways to bring about the wider and deeper engagement between the two countries. There are indications that Professor Sakakibara's persuasive arguments concerning stronger Japan-India partnership are having the desired impact, but sustained focus and efforts will be necessary to accelerate the recent trends.

India's policymakers, business community and media need to make concerted and focused efforts to mitigate substantial information and perception gaps in Japan about India. Proficiency in commercial diplomacy and soft power skills will be vital in this task. It is time India engages in serious efforts to learn foreign languages, particularly Japanese and Chinese so that its companies and professionals can complement, cooperate, and compete with their counterparts in these countries.

The ultimate determinants of India's success in engaging not only Japan but also other major powers will continue to be its economic and governance records, and perusal of strong and credible national security polices. ◾

Prospects of India - Pakistan Trade in Positive Security Environment

B.Bhattacharyya*

The bilateral trade between India and Pakistan is a good example of the importance of political relations in promoting trade. In 1951, 50 per cent of Pakistan's exports were directed to India while 32 per cent of its imports came from India. Currently, less than one per cent of Pakistan's trade is with India. Bilateral trade came to a complete halt between 1965-1974. Trade was resumed in 1974 but remained insignificant for quite sometime. Trade started picking up since 1987 after Pakistan introduced some liberalisation measures for imports for India. Since the late 1990s till now, the bilateral trade has been of the order of $ 250 million annually.

During 2002-03 bilateral trade has risen by 22 per cent. But the entire rise was due to increased exports from India. Imports from Pakistan actually declined. Data for 2003 - 04 indicate a reversal.

However, this figure of $250 million does not reflect the true level of trade between the two countries. India-Pakistan trade has three components:

- Direct Trade: The $250 million figure refers to this component.
- Indirect Trade: This refers to the export of Indian goods which go to Pakistan via third countries.
- Illegal Trade: This is smuggling activity carried across the land border.

According to trade analysts, the indirect trade constitutes the biggest segment. It is estimated that the indirect trade, passing through countries such as Dubai and Singapore can be as high as $2 billion. Illegal trade is conducted along the 675 km stretch of the Rajasthan sector. Some amount is also through professional carriers, who misuse personal baggage facility through the 'green channel' route in international airports.

The total trade, comprising all the components, can therefore, be of the order of $2-3 billion. It is to be noted that this high volume of trade is already there, despite the current unfriendly trade policy regime.

Indirect and illegal trade from India to Pakistan comprise machinery, cement, tyres, medicines, films and video tapes, alcohol, beverages, chemicals, steel products, among others. On the other side, dry fruits, Pak TV videos enter the Indian market through similar routes.

Economic Costs of Restricted Trade

It is evident from the data on official, unofficial as well as indirect trade, that if the trade regime is illiberal in the presence of market demand, trade will take place bypassing the trade restrictions. This process imposes certain costs on the trading partners.

These costs principally are:

- The trade potential remains under-exploited.
- As trade bypasses official route, Government loss tax revenue.
- Informal trade gives rise to associated crimes, such as money laundering, trade in drugs and ammunitions, etc.
- Importing through indirect routes raises costs of imports and longer delivery time, at the firm level and ultimately reduces consumer welfare.

Some relevant information are:

- Pakistan imports iron ore at a higher cost from Australia and Brazil.
- Cars and scooters cost 50 per cent higher in Pakistan, compared to India.
- Pakistan imports at a higher cost textiles machinery from Germany.
- Pakistan needs tyres but imposes a high tariff rate of 46.6 per cent on imports from India.

* Distinguished Professor & Director, Graduate School of Management, Institute for Integrated Learning in Management, New Delhi.

- Drugs are four times costlier in Pakistan than in India.

These are sectoral costs. There are other costs that arise when neighbouring states are in a conflict mode. These arise due to increased military expenditures, actual costs arising out of conflicts which involve both financial and human costs.

A recent study by a Bombay-based think-tank, Strategic Foresight Group, has identified and tried to estimate some of the costs of India-Pakistan face off.[1]

Economic Cost of Conflicts between India and Pakistan

- Pakistan spends an equal amount on military and development, 3.8 per cent of GDP, while India's military expenditures account for 2.7 per cent of GDP and for development 6.2 per cent.
- Pakistan's gross Terror-Economy Product (GTP) accounts for 6.6 per cent of GDP.
- Pakistan's conflict economy accounts for more than 10 per cent of GDP. Conflict economy includes GTP and military expenditures.
- India and Pakistan have a trade potential of $1 billion if the hostile environment continues, which can go up to $13.25 billion over 2004-08, if peace prevails.
- The bilateral conflict between India and Pakistan depresses investment climate which undermines GDP growth rate by 2 per cent.
- Kashmir lost 27 million tourists during 1989-02 leading to a tourism revenue loss of $ 3.6 billion.

Pakistan's Attitude to Free Trade with India

India offered Pakistan the MFN status as required under the multilateral rules in 1995. Pakistan has, however, refused to reciprocate till today. It has a positive list of 615 products, which are allowed to be imported from India. However, the signing of the Free Trade Agreement on SAFTA which is expected to be in force with effect from 1.1.2006 may solve this problem indirectly.

[1] Strategic Foresight Group, International Centre for Peace Initiatives.

BOX-1

The Government of Pakistan repeatedly says that it would consider the possibility of Normalisation of Trade Relations (NTR) with India instead of MFN status. However, India claims that signing the SAFTA will automatically serve the same purpose, as the progress towards uniform tariff regimes would open all barriers.

However, service officials of the Pakistan Ministry of Commerce have denied that signing the SAFTA framework agreement will automatically entitle India with MFN status. They maintain that the MFN issue is related to WTO and has nothing to do with the SAFTA. Under MFN terms, Pakistan would be obliged to grant Indian goods with treatment similar to that offered to other countries under WTO rules. However, Pakistani officials believe that trade with India would be governed by the list of positive items until progress is made on broader political issues.

Source: *Nadeem Malik, New Dawn for South Asian trade. Asia Times online 13 January 2004.*

Pakistan's attitude to India with respect of free trade has been rather complex. The Government is of the opinion that free trade would bring a high degree of competition across the border which the Pakistan industry would not be able to face. On the other hand, the industry is much more confident and is aware of the benefits that free trade would bring. Most important, Chambers of Commerce and Industry in Pakistan are of the opinion that trade liberalisation will be mutually beneficial.

It appears that there is a growing recognition of the beneficial impact of trade with India in Pakistan. An extract from a recent signed article in a leading Pakistan media can be cited as an example:

"Trade is an area that will have economic benefits for both countries and their people. Vigorous India-Pakistan trade will be one of the important peace dividends..... trade between the two countries would be seen as a good omen by other nations as well. With political and economic stability, India and Pakistan can expect foreign investment coming to their countries.... Trade could pave the road to peace or at least give the businessmen in the two countries a stake in preventing war. More commerce between India and Pakistan will enhance the political and economic space to deal with differences...... Pakistan's tariffs have been reduced and in several cases are lower than in India. Legalised trade therefore will be favourable to Pakistan mainly because it will reduce smuggling and increase Government revenue, besides providing us a vast market of about one billion consumers across the boarder. Pakistani businessmen, through extensive travelling across the subcontinent to study consumers choice culminating in production of wide ranging products, with some adjustments in product-lines, and maintaining quality control and competitiveness, can capitalise the advantage. Indian quality is not far from our standards. Pakistan can achieve an edge on price and quality in select products. Trade statistics from 1997 to date have shown that....... Pakistan could maintain balance of trade with India by adopting viable strategy to penetrate into Indian market...... Though India is a big exporter, we can pick up industries at our end that can make inroads not only in India but also regional markets....."[2].

The latest peace initiative can build on such perception shifts. Even at the Government level, there is recognition of the positive impact of the liberalised trade. In the February 2004 Conference in Delhi of the Indian and Pakistan business leaders, Pakistan's High Commissioner in India observed:

'The mega economic projects like Turkmenistan-Afghanistan-Pakistan and Iran-Pakistan-lndia pipeline projects could increase energy requirements. These projects can also constitute major CBMs as they would help in promoting confidence, security and stability in the region.'

SAPTA to SAFTA

Since the launch of SAPTA in 1995, the intra-group trade has not really progressed. One of the reasons behind the lacklustre performance is the inability of Pakistan, the second largest economy in the group, to offer MFN, not to speak of preferential access to India. However, SAARC countries agreed in a Summit in 1997 to launch SAFTA in 2001, despite limited progress within the SAPTA framework. The time frame could not be observed. There was subsequently an agreement in 2004 summit to go towards sub-regional free trade. It was agreed that SAFTA would be operational with effect from 1 January 2006, after ratification by all the member states.

Under the SAFTA Agreement, the three developing countries e.g. India, Pakistan, Sri Lanka, will bring down their maximum tariff rates to 20 per cent while the four LDCs, Bangladesh, Bhutan, Maldives and Nepal, will reduce the peak tariff rate to 30 per cent by 1 January, 2008. The three developing member states will bring down their maximum tariff rates to 0-5 per cent for the four LDC member states from 1.1.2009. This will signify completion of the first phase of trade liberalisation.

In the second phase, India and Pakistan will reduce the maximum tariffs to 0-5 per cent range by 1.1.2013, Sri Lanka By 1.1.2014 and all other member States by 1.1.2015. From then on, SAFTA would become fully operational. There would, however, be a small negative list comprising sensitive products which would be outside the scope of liberalisation.

Benefits of Freer Trade

Most economists are of the opinion that trade liberalisation multilaterally rather than preferentially would be of greater benefit to the member states. However, most of them also agree that SAFTA would also bring some benefits, though the extent of incremental gains may not be very large and may not be evenly distributed among the member-states. Some studies indicate that the gains would be relatively more for the smaller countries. This is against the fear expressed in some quarters that SAFTA would benefit India more than others and industries in other countries would get swamped by exports from India.

At a non-academic level, some business analysts estimate the bilateral trade to go up, following free

[2] Sham Saeed, Pakistan-India Trade: Will it reduce poverty in the region? Business and Finance Review April 19,2004.

trade, to $14 billion. This estimate may be somewhat over ambitious. However, one point is clear, that the official trade of about $250 million may go up to $2 billion, as the indirect and illegal trade get converted into legal official trade.

It is possible to identify the following sources where additionality in bilateral trade can come, apart from the conversion mentioned above:

- Pakistan may import products such as iron ore, tea, textiles machinery from India in future, rather than the high-cost countries from where these are currently being sourced.
- Direct trade will bring down import costs in Pakistan and if these reduced transactions costs are passed on to the consumers in the form of lower prices, there would be an increase in demand.
- Indian firms may source some of their import requirements from vendors in Lahore and neighbouring areas, because of the lower transportation costs.
- Indian firms may go for setting up units either on their own or as joint venture partners, in Pakistan as political relations get normalised. (See Box 2)

Development of Tourism

At the non-merchandise level, tourism will get a boost. Apart from the resumption of the air routes which were closed in December 2001, new connections, such as Mumbai-Karachi sector are being considered. Given the still strong family linkages across the border, as well as the growing inclination of Indians for foreign locations, the possibility of a fair two-way traffic is strong. According to media reports, experts in the large travel agencies such as Thomas Cook, Kuoni and Travel House, India can expect at least one million tourists from Pakistan annually. Two types of tourisms are expected to flourish.

First, tourism related to pilgrimage. Almost 75 per cent of domestic tourism in India is of such nature. Since large parts of both the countries have similar cultural heritage, such tourism movement will get expanded across the borders. Second, medical tourism from Pakistan to India offers huge opportunities, since better medical infrastructure on a cost-effective basis is available in India.

BOX-2

A Promising Joint Venture

Encouraged by easing political tensions between New Delhi and Islamabad, Indian consumer goods company, Enami Ltd., plans to set up a skincare products and cosmetics manufacturing plant in Pakistan.

'Improved political relations have given us the confidence to enter Pakistan which is central to our export strategy', according to Shri Goenka, Director Enami Ltd. Enami is in negotiations with three Pakistani drug manufacturing companies to set up a Joint Venture. 'Without the peace, we could not have expected such a strong response from across the border', he said.

'The Indian and Pakistan cosmetics and skincare markets are very similar and we don't need to expand our product range too much to cater to this market. It is too large a market to service through exports'. Pakistan's skincare and cosmetics market is worth more than $220 million a year. This is dominated by local units of MNCs, such as Unilever Pakistan and Proctor and Gamble Pakistan Ltd. Enami is negotiating to have a majority share, definitely above 51 per cent. Work on the plant is to start this year and would be completed in 15 months. This plan is consistent with Enami's increasing focus on overseas markets to counter growing price competition at home. Its cosmetics exports to South Asia and Russia make up about 10 per cent of Enami's annual revenue of $150 million. Enamis production centres are all in India, except one plant in Russia. Pakistan's high customs duty structure was an important factor behind the decision to invest in Pakistan. With customs duty on cosmetics at 60 per cent, it is impossible to compete with local units of the MNCs, without having local production.

Mr. Goenka is betting on better economic ties to earn revenue of at least Rs. 200 million in the first year of its Joint-venture operations in Pakistan. 'Our market surveys show that Indian products are liked in Pakistan because they offer quality at affordable prices. I am sure our products will also get a strong response', he said.

Source: *The Daily Times.com 27 March 2004. Karachi*

To exploit the trade and tourism potential, it is absolutely necessary to develop the required transport facilities and connectivities. FICCI, a leading national Chamber of Commerce, has suggested that the route through Wagah be opened up for trade and transhipment. Bus service from Srinagar and Muzffarabad should be opened. As to rail links, FICCI has suggested the linking of services between Khokhapoor, Sindh and Murabao in Rajasthan. Some discussions on these have taken place at bilateral government level.

An Emerging Opportunity

Abolition of MFA in January 2005 will open up a scenario where India and Pakistan can find it mutually beneficial to cooperate.

Most studies indicate that after quota-regime disappears, China, India and Pakistan will be the major beneficiaries. Given the complementarity that exports between India Pakistan along the entire value chain, both countries can start cooperating to capture larger share of the global garments market. Under HS chapter 52, all relating to yarn. While India has already notified the concessions, Pakistan is yet to do it. Pakistan may realize that it can improve its record of garment export performance in the post-quota regime through cooperation with India and not through confrontation.

"We are responsible for what we are, and whatever we wish ourselves to be, we have the power to make ourselves. If what we are now has been the result of our own past actions, it certainly follows that whatever we wish to be in future can be produced by our present actions; so we have to know how to act."

- Swami Vivekananda

"Study after study has confirmed that nations relatively open to trade grow faster and achieve higher incomes than those that are relatively closed. Freedom to trade leads to wealth, political stability and forges ties between citizens of all countries."

- Daniel T. Griswold, Cato Institute

TRIPs Compliance : Indian Patent Act Amendment Some Issues and concerns

R Anita Rao*

A decade of WTO regime still leaves TRIPs as the most contentious issue. Under the Indian Patent Act 1970 as amended in 1999 and also through Patents (Amendment) Act, 2002 - the inventions intended for use, or capable of being used, as food or as medicine or drug, or relating to substances prepared or produced by chemical process - no patent can be granted with respect to the claim for the substances themselves. But, the methods or processes of manufacture are patentable. In other words only process patents can be granted in case of food, medicine or drug, and not product patents. This allows Indian Companies to reproduce and market newly invented drugs in the Indian market through a different process of production. In accordance with the terms of the TRIPs Agreement, the Patent Act was amended in 2005 as the 10 year transition period for developing countries expired in December 2004 and India introduced the product patent system.

Different views are expressed on the issue whether introduction of product patent would adversely affect consumer welfare through higher prices. With the introduction of product patents, the inventor will try to maximize profits, which includes the direct costs of administering the patent system and enforcement of patentee rights with a provision for infringement and settlement of disputes. One view is that any change in demand structure could have a significant impact on the poor and the other view is that the patent infringement by reverse engineering would result into loss of billions of dollars to research-based companies. Predicting the impact of product patent on the market structure and prices is a difficult task for the time being as the underlying assumptions on the pre-market structure and market demand make the exercise susceptible to misleading conclusions.

Though it is hard to forecast how product patent regime will affect the industry and consumers, there is an overall optimism amongst the pharma companies which target the global generic market underlying the notion that the key is to take advantage of the global opportunities. Further, the role of the Government is expected to be crucial, since the new patent law is likely to affect the already available flexibilities such as drug price control mechanism, compulsory licensing, etc. However flexibilities could be used only selectively.

Among developing countries, India has taken full advantage of the transitional arrangements under the TRIPs Agreement in pharmaceutical industry to supply low cost medicines for its people as well as to other developing countries. Then the question arises, whether the cost of medicines go out of reach of the common man in the 2005 patent regime with the introduction of product patents. One possible conclusion could be, since new drugs which can get patentability are very few, as it takes long period to undergo tests and development for a new drug, the impact may not be very eminent. The conception that the drugs in existence will get patented is also a misconceived notion. Since, only 15-20 molecules of new drug substances can be introduced annually, their percentage will never increase at a high rate and thereby 80-90 % of drugs in market would be out of exclusive patent regime. Doha declaration on the TRIPs Agreement recognizes the affordability of medicines as a universal right. In pursuance of this declaration Indian government has to effectively implement suitable safeguards in the form of public non-commercial use, price fixation and compulsory licensing to patent holders so that they do not hold the country to ransom by virtue of their exclusive marketing rights.

* Associate Professor, GITAM Institute of Foreign Trade

S. 92A of Amendment Act, 2005 of Indian Patent Act relates to compulsory license for export of patented pharmaceutical products (provided for in Para 6 of Doha Declaration), to such countries, that have inadequate production capacities. Though a manufacturing license will be 'predominantly' for India's domestic market, it also permits export to other markets of those least developed and developing nations with insufficient or no capacity to manufacture drugs.

Though the new regime provides for issuance of product patents for drugs, food and chemicals, the government has the power to issue license for exporting to countries having no manufacturing capacity. To streamline the system the provisions relating to pre-grant and post-grant opposition is made in the Amended Act. Provisions relating to reducing of processing time for patent applications and simple procedures are also included in the Third Amendment Act of 2005.

The Amended Act provides for exclusion of exclusive marketing rights for acquisition of patent, for public health as a national requirement. It also facilitates for parallel imports to make available the patent product so that the patented product can become available at the lowest international prices. Local production is made mandatory while allowing parallel imports. Moreover concerned cases from High Courts were directed to be transferred to Appellate Board as per the provisions of the new Amendment for speedy disposal.

The new regime will not deny entry of generics beyond a 20-year period and the necessary beneficial implication could be the entry of off -patent medicines in global generics market. In respect of pharmaceutical product patent, applications made after January 1, 2005, a generic drug manufacturer can be prevented from making the product covered by the application only after the grant of such patent. However damages for infringement can be claimed on such manufacturer until the date of publication of the application by the patent authorities. The generic drug industry may continue to flourish by having recourse to beneficial provisions of the patent regime and due to the known delays in processing of mail-box applications by the patent authorities.

Besides deterring identical products, the new patent regime also protect new technology as a key to competitive advantages in the global market. The scope of patentability of computer programs has been broadened under the new patent law by restricting non-patentability to 'computer programs per se', while rendering technical application to computer programs or a combination with hardware is made as a patentable subject matter. Since copyright protection was incapable of dealing with the problem of de-compilation and reverse engineering of software programs to prevent copying the unprotected ideas, patent protection is considered to be helpful to tackle this particular problem. Software patentability within the new regime would give Indian software firms a stronger position in domestic and global market, which could lead to more licensing and facilitate entry of IT firms in niche market.

Other areas of concern

The food sector in the country will also have to face new challenges under the new patent law. It is necessary to document all the traditional processes as well as products with a view to reduce the number of controversies over claims for patent rights. With the increasing trend in the bio-technological inventions and human genome mapping, the vital issue of concern is whether a product produced by a micro-organism is patentable or the process is patentable. In the absence of clear definition of micro-biological process in the TRIPS Agreement, the country needs to draw a distinctive line between the product of human intervention leading to novelty and those already existing in nature.

Patenting living organisms, especially resources and seeds that have been developed or passed on as traditional and public knowledge is a debatable and controversial issue. Under the TRIPs Agreement sui generis system of legislation would provide the mechanism for protecting new plant varieties. The effective enforcement of IPRs would be done through a transparent judicial procedure and border control measures.

"New use for a known substance" could not be patented earlier; however the new patent law provides that "mere new use for a known substance" cannot be patented. The word 'mere' restricts the scope of non-patentability subject matter and widens the scope of patentability. This has the potential of opening the flood gates for product patents.

To conclude, the Third Amendment is to harmonize the Indian Patent Act of 1970 with the TRIPS Agreement. Significant modification made by the Patent Act is to provide retrospective effect to the patent rights for mail box applications. These changes are made after wide consultation to bring the TRIPS compliance in the national legislation. The effective safeguards for public health concerns in the new law assure the availability of products at reasonable price through compulsory license and for revocation of patents for non-working in India as well as in public interest.

The provision that expands the ground for pre-grant opposition would help to curb the fraudulent and frivolous patents. The grounds of pre-grant opposition would include novelty, inventive step and industrial applicability, non-disclosure or wrongful mention of source and geographical origin of biological material; and anticipation of invention by knowledge, oral or otherwise available in public domain. Companies should be allowed to oppose patents before they are granted.

There is a hope that the safeguards to prevent ever greening of patents, pre-grant opposition and careful scrutiny of the Mail Box facility would help the domestic industry to grow. In order to ensure public interest for achieving laudable objectives of 'Health for All' and to provide for pragmatic approach to health care programmes, it is necessary that domestic pharmaceutical industry is facilitated to play effective role in health care sector. For achieving this objective, in-consonance with Articles 7 & 8 of TRIPs Agreement and Doha Declaration on Public health, Government will have to ensure smooth role of domestic industry in patented products / processes. Similarly long patent term and exclusive rights on imports should also be flagged for review in WTO and TRIPS Council. Finally, government must help in strengthening the basic R&D activity in the country through direct funding and strengthening of the tax concessions so that the industry is able to gear itself to meet global challenges of uniform patent system of TRIPS Agreement.

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> *"The impact of technoglobalism in India so far indicates that access to highly talented human capital is going to be the most important factor. The challenge is how to continue to tap the incredible dynamism of global R&D so that Indian institutions and companies can assume the leadership in creating high-wage jobs and building new industries."*
>
> – *R.A.Mashelkar*

Floriculture as a Viable Business

D. Ravinath*

1. Introduction

India's agriculture policy has been consistent - that it should be competitive. Commercial floriculture, one of the economic options, for this purpose is a development that is progressing on a fast track compared to countries like Kenya, Columbia and a host of other countries. The commercial potential of the floriculture industry is evident from its marked growth in export of floriculture items. Indian floriculture has started with much promise, but faces shortcomings like high cost imported greenhouse and production technology, improper planting material and poor infrastructure. Actually the major strength of India is its ability to learn and indigenously manufacture most of the input requirements for setting up a floriculture venture. This will reduce the level of imports as well as the project cost. With this hypothesis in the backdrop an analytical study was initiated to focus on floriculture as a viable business proposition in and around Pune, one of India's major floriculture centres. A summary is presented here.

2. Study Objectives and Design

The study is based on data collected from sample units in Pune region of Maharashtra - seeks to determine various financial and non-financial aspects that influence the viability of units and also presents an in-depth analysis of the commercial, infrastructural and governmental factors that have an impact on the viability of the floriculture units. The study ends with various structural and policy oriented suggestions to pave the way for the floriculture units to stay viable.

3. Indian Units Strengths

The strengths of Indian floriculture include the favourable geographical situation, soil and environment, labour costs and the recent investment culture of Indian companies. It is this culture that led to a spurt in the growth of floriculture units in and around Pune. Countries like UK, USA, Germany, Netherlands, France and Switzerland emerged as the major buyers.

4. Indigenisation

Indigenisation has scope in every sphere of technical requirements in terms of greenhouse and equipment. The only problem faced by the units having opted for Indian greenhouses is corrosion of the steel structure. Much of the progress of the Indian Floriculture industry so far has been due to the expertise of foreign consultants and the use of imported planting material and greenhouse technology. Most of the growers are of the view that the only way of reducing the role of foreign consultants is by developing expertise within the country and by indigenizing foreign technology. This can be made possible by developing a link between the agricultural institutions and the growers. Graduates from Agricultural Universities should be given practical training in floricultural farms. Technical staff members in the farms are of the view that floriculture units would not have faced so many problems if they had combined the foreign expertise with the Indian technology. This would have resulted in a better adaptation of the foreign technology to Indian needs. Several units have indigenously constructed green houses and procure equipment under the technical assistance from their collaborators and this has sharply reduced the per hectare cost of investment which eventually increases the profitability. The cost of maintenance and replacement of green house parts and equipment may pose problems to the exporters, but these costs can definitely be brought down from their current levels if an indigenous green house industry emerges. In most of the units, the planting material is still being imported for various reasons and advantages, we will have to concentrate and develop our plants where the cost factor would subsequently be reduced.

Most of the exporting units expressed the non-availability of indigenized poly propylene sheets capable of withstanding stress due to climatic conditions.

* Asst. Professor, GITAM Institute of Foreign Trade

5. Infrastructure

Production of good quality roses has increased significantly. But mere production of good quality flowers is not enough for exporting and realization of price. Good infrastructure to handle these flowers and transporting them safely to the destination market without deterioration in product quality is essential for the realization of good returns in the international market.

Infrastructure for harvesting, post harvesting operations, storage and transportation of the produce is very important. Agencies should take up this matter with the government and help to provide facilities like cold storage and refrigerated vans to store and transport the produce. Agencies like APEDA are also setting up cold storage plants, but taking into account the growth in produce that is going to take place, many more units should come up in advance to take care of the projected growth.

APEDA and West India Floriculture Association (WIFA) should interact with other official agencies to get things done faster. Banks and financial institutions mainly provide them loans and undertake working capital financing. Floriculture is basically an agricultural activity, the risk factors associated with floriculture ventures are higher than those associated with industrial ventures.

Inadequate infrastructure is posing problems since flowers and foliage are highly perishable items. Exporters are incurring heavy losses due to lack of proper refrigeration system at the airports. WIFA and the government should help build such infrastructure to ensure the viability and survival of the floriculture business.

6. Equity Participation

Floriculture, despite using high technology, is still dependent on nature. In this context, it is important for funding banks and financial institutions to participate in equity of floriculture projects. This would encourage risk sharing and also reduce the burden of interest in projects.

The construction of roads from the project site up to highway should be taken up by the government as an incentive to the growers, since this is an additional cost that the grower has to bear. The government may bear this cost as it is also a social cost leading to the development of rural areas. Planners should realize floriculture's potential not only as a foreign exchange earner but also as an important employment- generation activity in the rural areas.

7. Cargo Space

A major handicap in India is inadequate cargo space. This creates hurdles in transporting flowers to foreign markets. Adding to the problem is the high freight rates of the airlines. Here the government can play an important role by giving priority to flower export during festive seasons by giving 20 to 30 per cent subsidy on freight rate. Added to this the handling of these delicate and fragile flowers at airports was really shocking in comparison to that of flowers which are handled at Netherlands.

Exporter's access to cargo space needs to be increased particularly on peak requirement days such as Valentine's Day. The regional associations of exporters such as NIFA, WIFA and SIFA should explore the possibilities of entering into contracts for cargo space with airlines. Considering the nature of floriculture industry and the critical finance of operational units certain per cent of the power cost should be reimbursed to the units. Exposure to high temperatures at cargo terminal is primarily due to the inspection process and palletisation. The time taken from farms to the overseas market should be substantially reduced and this can be achieved through simplification of the process for inspection and the palletisation. Dialogue should be opened with international airlines, customs and Airport Authority of India to reduce the time taken at airport prior to shipment.

Consumer needs keep varying and therefore new cultivars and new species of flower would fetch better prices and gain consumer acceptance. This would need integration of R&D. Keeping in view the interests of all stakeholders, technology needs to be expanded further with focus on quality planting material and marketing.

Planting material is imported. Some Indian companies and nurseries have started providing planting material. Plant import from foreign firms has to be gradually reduced. Indian firms have to be encouraged to develop infrastructure facilities for producing good quality, disease free plants.

8. Patent Laws

Patent laws play a very important role in importing planting material from other countries. Most of the material is patented and the importer will not have any right to multiply and sell them to others without written permission from the breeder or the exporter. The government should take note of these things and formulate patenting laws to protect the rights of our breeders and check the indiscriminate movement of these materials.

9. Packaging

Packaging is an important aspect in the flower trade and much depends on the proper method of packaging to ensure garden fresh quality of flowers reach the consumers with the same freshness as it were when it was cut.

It should be kept in mind that attractive packaging could make a high quality product even more appealing. There is a need to compare the various packaging alternatives, the associated cost and potential results which may be obtained with better presentation.

10. Potential for Indian Varieties of Floriculture

Since India in general and Pune in particular, has tremendous potential for export of floricultural products, priority should be given to:

1. Introduction of popular exotic varieties for export purposes.
2. Multiplication facilities of elite planting material.
3. Generation of new novel varieties through somaclones.
4. Production of healthy and superior plants in China Aster, Marigold, etc.

11. Greenhouse Design

Growing quality roses does not mean only use of good fertilizers and inputs. It means growing roses under perfect greenhouse conditions. Negligence leads to the adverse effect on the flowers qualitatively and quantitatively. To grow quality roses the essential things are perfect greenhouse conditions, design of the greenhouse, ventilation, etc. It is not a matter of just putting a certain amount of money in greenhouse. It is a matter of cost effectiveness. With minimum cost, one can establish good projects, by having a perfectly designed greenhouse, with an eye on details like how best polythene is placed on the top of the flowers and so on. To improve our quality of flowers, we must have a specialist team to watch the export of flowers from India and a quality control inspection team from government. With proper scrutiny from the government, every project today will start growing good flowers. Efforts should be made to strengthen our supply chain management and logistics for an efficient delivery mechanism.

Green houses, which are being produced and installed locally, are fairly good in quality. Flower production through Greenhouse technology is a viable proposition, provided the farmers are organized for marketing and choose the crop as per the market needs.

12. Market Information

There is a serious dearth of information pertaining to overseas markets. With the result Indian growers do not know the preferences of customers in markets abroad in terms of varieties, size and packaging.

Marketing is the key to the success in floriculture industry. The major markets, wholesalers all over the world are looking for uniformity in variety, colour, size, stem length, bud size, etc. We also need to get more reliable information regarding quality and volumes. There has got to be consistency and reliability on supply. We need to diversify to capture larger markets. One of the main strengths of the Indian grower is the large domestic market, which is still untapped. The flower culture has started developing in this millennium across the country where flowers and bouquets are being exchanged as a gesture and token of gift or appreciation for different occasions. The government should encourage this sector as it is a huge buck earner with an equal opportunity for employment.

This is a major impediment to effective marketing and market servicing. It is not possible for any single grower to commission a study for collecting this kind of information. Hence, APEDA should commission studies aimed at collecting relevant marketing intelligence, targeting each market separately. Co-operative and concerted efforts should be initiated in the desired direction.

13. Research

Technical research in India should focus on adoption and improvement of facilities and cultivation procedures. Since floriculture in India is in the initial phase, the development, acquisition and implementation of technology should be financially supported by the government and other concerned agencies. The learning cost has proved to be very expensive for the amateurs as well as the professionals of this business.

14. Floriculture as an Agriculture Activity

The foremost policy change dictated - by the past experience is to treat the entire floriculture activity as an agricultural activity (which enjoys many concessions from the government). The only difference between agriculture and floriculture is that the later uses high technology like polyhouses and refrigeration. But soon the technological inputs in the entire agricultural activity will have to be upgraded and modernised on more scientific lines. Declaring floriculture as agriculture will not only be a logical step, it would also ensure benefits like income-tax relief to the growers and free them from many procedural hassles and unnecessary regulatory provisions like Pollution Control Act.

The government approach at present is not homogenous and there is considerable delay in whatever little they are doing. The shortcomings in marketing, financial support and zone specific research in floriculture are deterrents.

15. Growers' Associations

For the development of the industry on sound basis, what is required is institutionalising of the experience which was gathered from the projects that are already in production. Growers Associations could provide a strong platform for dealing with the needs of this nascent and budding industry by sharing their experiences. They could also follow up with the agencies at the state and national levels to sort out various issues.

For revival of sick units, the management must be given to experienced entrepreneurs. At the same time, if any unit is on the verge of becoming sick, early action should be initiated before it becomes completely sick.

16. Institutional Support & Synergy

APEDA (Agricultural Processed Food Products & Export Development Authority), National Horticulture Board (NHB), Agriculture Ministry and Commerce Ministry can work together and bring synergy develop to this budding industry. And the nature of scrutiny should not be restricted to review of projects from the point of view of adherence to government policies and limited technical appraisal but ensure their technical and financial viability. The process of approval should emphasise on maximising promoter's contribution and personal involvement of promoters. The government should also come up with a single window clearance so as to facilitate the entrepreneurs to take an initiative in developing and in anticipating the demand in the global market in most of the countries world over. In addition selection of appropriate location, entrepreneur's exposure to agriculture business and the likes should be emphasised.

17. Suggestions

The economy has witnessed various revolutions in the field of agriculture, which has helped in facilitating the needs of economy at large and mankind in particular. We are into the Golden Revolution where we have to concentrate our efforts in increasing our resources and in capturing wider markets. We are just 0.1 per cent of the total floriculture market, this is one such industry where there is a huge potential. If this sector has to grow further and we have to tap the vast market. The following prescriptions would help this budding industry to bloom.

Entrepreneurs on their part should scout for locally available engineering firms for construction of greenhouses so that the cost of the project can be substantially reduced. Since setting up cold chain facilities involves high cost, which is beyond the capacity of small growers, they could consider creation of such facilities on community basis. The cost could be shared by the growers in a particular area who would be the beneficiaries of these facilities.

With regard to the units which have suffered on account of replacement of varieties due to pest and disease attack, banks could consider rescheduling of repayments for such units.

The flower markets are highly unorganised at present. Presence of a large number of players in the distribution chain leads to reduction of profit margin for the growers. There is a need to develop a suitable marketing system that would not only reduce the number of players in the chain but also provide marketing support by making available market intelligence for important flowers in major markets. This would enable growers and others concerned to do advance planning. The practice that is adopted in the Netherlands is the auction system where the grower directly sells it to the buyer and from the auction center it reaches the destination where the customer buys it finally. A similar system has been adopted in Bangalore and plans are on to develop Gultekdi in a similar manner for the well being of these growers who suffer from and are deprived of the profit margins.

The quality of flower reaching the consumer or the end user depends not merely on efficient production technology, but on its post harvest management as well. The price for the flower is determined by the condition in which the flower is supplied to the end user. For its success a cut flower entrepreneur should give as much importance to development of appropriate and functional post harvest handling procedures, keeping in mind the market demand and the time it takes to reach the market and modes of transportation modes used so as to have a cost effective production system.

Consortium approach has to be adopted by the units for branding, packaging, transportation, quality control, supply assurance, market development, market promotion and R&D. This would benefit the units on the cost front through synergetic advantages.

Exports being a priority sector, effective policy interventions by government are necessary. One finds that incentives provided by the government of India to flower growers, are no match to those enjoyed by flower exporters in countries like-Kenya, Zimbabwe, Latin America and Sri Lanka. Much needs to be done for the Indian industry to consolidate its gains and make it viable.

Some of the measures needed to give fillip to floriculture are:

1. Encouraging the establishment of viable units of around 7-15 hectares.
2. Unnecessary procedures hampering export business should be removed.
3. A very close linkage must be built among government, research institutions and flower growers.
4. Assistance should be given for flower market development.
5. Greater efforts to provide infrastructure.
6. Reduction in air freight charges
7. Reduction in interest rates by banking institutions.
8. Waiver of excise duties on domestic sales.
9. Focused research in key areas.
10. Single window clearance from government.
11. Participating banks should consider a rehabilitation package.
12. Purchase of planting material.

Concluding Remarks

In the early 90’s the expected minimum project cost per hectare for green house cut flower industry was Rs. 2.50 crores. Today its cost has come down drastically where it stands at Rs. 0.50 crores per hectare. This has been possible because of the concerted efforts being made by floriculturists, floriculture associations (regional level as well as at the national level) government organizations, APEDA, NHB, financial institutions, scientists, engineers, etc. Floriculture business has become a viable proposition. The time has come for the flower to bloom. ▪

Beyond Creating Value

A Supply Chain Management Perspective

Sarvottam Darshan*

Ask a customer "what do you want?" and the simple, instantaneous reply would be "Good product" at "minimum cost". The implication for corporate management would be a strategy that calls for added value at low price.

Businesses are increasingly focusing on creating more value for the customer at competitive prices. It is interesting that the customers themselves are participating in the process, albeit indirectly. This has been often facilitated by such practices as the shift from 180 degree feedback to 360-degree feedback. The process has been nurtured by an environment that is hyper-competitive in which businesses find it extremely difficult to develop, deliver and sustain values consistently unless they move beyond simply creating value.

How does a business create value? It is through product innovation, product differentiation, better service and many more. But then this is what most organizations are trying to do, so where exactly is the difference? Developing a competitive edge leads to creating value but with growing competition such an advantage may not exist for long. So the challenge lies in continuously innovating and differentiating to sustain competitive pressure in almost any area of operation, as long as the final objective is kept in view: delivering the best product at the lowest price.

Supply chain is one area where the opportunity for value creation is immense. This is because it touches business from one end to the other, i.e. suppliers on one end to the customers on the other. Particularly in the Indian context there is both a need and necessity to identify such opportunities. West is going head over heels with leaner, demand and technology driven integrated supply chain strategies while in India these concepts have just started having some meaning. We still place orders to the suppliers based on expert's opinion, our suppliers are mostly disorganized, and purchases are spot buying with little or no focus on the uncertainties of tomorrow. Amidst this disorganized state is a huge opportunity to cut costs; the need is to move out of the status quo we enjoy living in. A classic example to support this proposition is that of Ford Motor Company. Beginning in the early 1990s, Ford began to actively try to decrease the number of suppliers the company dealt with directly. They shifted to developing long term relationship with select capable suppliers who formed "tier one", who in turn were responsible to manage relationship with a larger base of small suppliers i.e "tier two". In exchange of the closer relationships and long-term commitments, Ford expected yearly price reductions from suppliers. This strategy helped Ford reduce its interaction with a huge number of suppliers to a small-dedicated group without loosing its price negotiation advantages. Apart from cost cutting benefits a dedicated vendor can help reduce the delivery time to customers while decreasing procurement uncertainties. The essential jobs for developing such a dedicated vendor system would include imparting proper training to the select vendors, investing in infrastructure and developing trust and relationship with the vendors. This in turn calls for the organizations themselves getting prepared for the job.

Employees are the resources that enable and deliver the promise set by the business to the customer. In the Indian supply chain context little has been done to utilize this resource optimally. Indian industries need to invest to develop skilled employees with the ability to handle supply chain with latest technologies like RFID, Demand forecasting, business intelligence etc. It is important as such an investment will finally lead to a workgroup with a better understanding of supply chain. Training in latest technology, soft skills, stress management need to be imparted to develop a supply chain relevant mindset. A simple demand forecasting ability can reduce supply chain costs drastically by creating downstream demand visibility. Chevron Texaco, a US based Petrochemicals Company, used demand driven supply chain network with the help of its skilled manpower to strategize its supply chain. They made demand forecasts and accordingly planned their supply chain. The results were, Chevron's downstream profits

* MPIB Student. The author acknowledges guidance from Prof. K. Ranganathan, GITAM Institute of Foreign Trade

jumped from $290 million to $662 million on the same refining capacity and number of retail stations. The investment the company had to make to enable this process was $15 million per year for 10 years. Further it is the human mind that creates values, nourishing and nurturing it is vital for consistently creating values. This can be some food for thought. Internal strength thus generated can help channelize the resources well through the distribution network, where the next scope of value capturing, delivery and sustainability lies.

Distribution network is the interface between business and customer and so is a crucial medium of creating and delivering value. It remains to be recognized in India that distribution channels can generate quality information from the customers, markets and competitors. Historical data, real time data from the distribution channels has brought about a sea change in the way retail giants like Wal-Mart perform their operations. The benefits are better demand visibility, shorter order-to-delivery cycle and better customer service; all at low costs. The key lies in identifying proper channel members and training them in generating information. In the Indian context distribution channels are not that well organized and require a lot of investment and structuring. This becomes even more crucial with businesses maturing to a more customer centric stage because of the realization that the entity driving businesses today is the customer.

Value creation is determined and measured to day by the customers. Customer's responses lead to identification of latent needs, which in turn helps create values. Organizations are increasingly focusing on customers and their needs to identify the scope of developing a competitive advantage. This is one way organizations are capturing and delivering values. Customer relationship management, which aims at maintaining, which aims at maintaining long-term beneficial relationship with the customer through various strategic maneuvers, helps sustain value for the organization. For supply chain it means first hand, authentic information. The entry of private players in the Indian telecom sector has seen good use of this tool to create, deliver and sustain value. Increasing competition and shorter differentiation span should force other sectors also to focus on even better utilization of this tool to create value for the customer. A comprehensive study of consumer behavior from time to time is essential to identify value creation opportunities. Such an analysis can help organizations match their resources with the customers' requirements, and that will create value both for the customer as well as the organization. The overall objective is to generate value for participants beyond the organization's premises.

The value creation process would not be absolute without it giving back to the resources it will be utilizing for creating the value. This is essential because like the principle of conservation of energy, which states that energy lost is equal to energy gained in an isolated system, the total value of a business system should also be maintained. Let us call this "The principle of Value Creation", i.e. businesses should give back some value to the resources they are utilizing for value creation, namely the Society and its environment, to sustain the values that have been created. It is essential to replenish these resources, lest they get exhausted and there remains little potential for further value creation. Further it usually improves the chances of an organization performing better, hence helping it in sustaining the value created. In a recent research conducted by Harvard professors it was found that only 4 out of 95 companies in their sample showed a negative relationship between social and financial performance. The core belief here is that companies concerned with both profit making and providing social benefits- creating value and delivering value - outperform businesses that focus exclusively on financial gains. What if the principle of value creation is violated? A compelling argument is that companies that do not embrace a strategy for delivering value with values do so at the risk of losing competitive advantage, brand equity, and a leadership role in the global marketplace.

Finally, organizations should appreciate the fact that the job does not just stop at creating values; it stretches beyond to capturing, delivering and sustaining it. How these goals are achieved may differ from organization to organization. Participation from various supply chain members is necessary and equally important is to give back to the society and environment, which provide the basic resources for generating values. Sustainability will also depend on anticipating the future as stated by Rowan Gibson "We need to rethink the future will not be a continuation of the past. It will be a continuation of the past. It will be a series of discontinuities. Linear thinking is useless in non-linear world. Competing for future is about competing for opportunity share than market share. The questions we have to ask ourselves are: what a share of future opportunities can we capture with our current portfolio of core competencies."

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The old and young in Japan today

S.Srilalitha*

In terms of international competitiveness rankings, Japan was at the top during 1989 – 1991, according to the World Competitiveness Year Books. In subsequent years, Japan's rank continued to be high, hovering around the first and second positions. After 1996, however, it started to slide down rapidly. Japan ranked 23rd in 2004 while Singapore catapulted to the 2nd rank! The slide in competitiveness coincided with two significant socioeconomic changes in Japan: (i) Shifting population structure, with fewer children being born while the aged population is growing; and (ii) intensifying competition with other North East Asian and South East Asian economies.

According to a recent *Statistics Report of Japanese Health Ministry (Kosee-Shoo)*, by 2015, more than a quarter of the population will be 65 or older, while the proportion of population in working ages will drastically come down. For instance, the number of Japanese between ages 20 and 29 will drop in *absolute* terms by more than 4 million. In other words, a rapidly *decreasing* number of young and middle – aged workers will have to support a *growing* number of elderly.

Of course, the aging problem is typical of many industrialized countries. For example the percentage of 65 + population is: 17.7 in Italy, 17.3 in Sweden, 16.2 in Germany, 15.8 in France, and 15.6 in U.K. Japan, however, is in a relatively less favorable position with the 65 + making up 17.9% of total population.

In addition to the aging problem, the attitudes of the young workers are fast changing. Modern students and young workers seem to lack the "Confucian values" that underline the legendary Japanese virtues of loyalty, hard work and respect for elders. The young Japanese call themselves **Shinjin Rui** (**New Breed)** a term used for the first time in 1985 when 'Asahi' (Japanese journal) ran a series of interviews with a sample of youth.

The Shinjin Rui are identified with the value system of "Kojinshugi" (individualism) above everything. In addition, they prefer to avoid three Ks: Kiken (danger) Kitsui (hardships) and Kitanai (dirty-messy) when they look for jobs. Trade, media, banking, hotels and tourism industries are their favorites. Manufacturing jobs are far down the list and work in manufacturing is becoming passé among Shinjin Rui.

The internationally reputed Dentsu Institute recently recorded the preferences of Shinjin Rui as follows. First the preference in regard to work objective is "money"; many listed "good salary" as a goal of work. Second, for loyalty, they have attachment to occupations; they do not have attachment to companies and they hardly extend any support to lifetime employment system. Thirdly, their focus is on interesting and exciting work and they aim for early promotion.

White Paper on Labour 2000, brought out by the Ministry of Labour (Roodo-Shoo), estimates that about 1.5 million people are free-style workers engaged in part-time work. In fact, the proportion of short-term employees, part-timers and casual laborers has been increasing each year.

In accordance with the globalization of the economy, Japanese companies have begun to adopt U.S style, result–oriented wage systems in which performance and ability are the determining factors and not seniority and age. Nevertheless, there is still resistance among Japanese employees to the shift. Companies are continuing their search for a Japanese–style, moderate, result-oriented wage system that is acceptable to workers in particular and the society at large.

The low birthrate, freelancing and increase in free-style work mean a change in the system that worked until now. Historically speaking, up to 1970s, the campaign of *"Shokusan Kogyo"* (increase production and promote industry) has done miracles. In Japan the entire social framework, including political and administrative institutions are being shaken by the fact that many members of the younger generation are spending their lives drifting from one job to another and with no attachment to the workplace. Now there is a great need to rebuild a social system that supports individuals while also valuing the independence of younger generation (Shinjin Rui) in order to regain Japanese competitiveness in new industries if not the old, that have already migrated to the rest of East Asia. ◘

* Asst. Professor, GITAM Institute of Foreign Trade. The author gratefully acknowledges guidance from Dr. Bhanoji Rao, Emeritus Professor, GIFT.

GIFT NEWS

Seminars/Workshops of the Quarter

- *'International Business and the 'New World Order': The Role of Defence, Military Power and Geopolitics'* organized on 5th January, 2005 at GIFT Seminar Hall by Dr. Sharif As-Saber, Department of Management, Monash University, Australia.

- *'Balanced Business Score Card (BBSC)'* For Senior Executives of RINL, Visakhapatnam on 12th February at RINL.

- *'Round Table on Union Budget 2005-06'* on 2 March at GIFT Seminar Hall. Sri. V. Seetaramaiah, GITAM Vice President and Chartered Accountant, Chaired the Session. The discussants were Prof. D. Panduranga Rao, Director, Institute of Transport Management, Andhra University, Visakhapatnam, Sri Garuda Pattabhiramaiah, President, Shipping Agents Association, Visakhapatnam, Sri Mohan Rao, Executive Member, Vizagapatam Chamber of Commerce & Industry and Sri G.R.Kumar, Chartered Accountant.

- *'WTO, Rules of Origin, and IPRs'* a half-day workshop for Customs Officials at Customs House, Visakhapatnam on 29 March 2005.

Diploma in Business Entrepreneurship Launched

GIFT in association with Entrepreneurship Development Institute of India, (EDI) Ahmedabad, has started One Year Open Learning **Diploma in Business Entrepreneurship** (Through correspondence & Personal counseling). Enrollment for the Second Batch is also on. This Diploma provides basic education to start one's own business enterprise.

GIFT is an offshoot of Gandhi Institute of Technology and Management (GITAM) located in the port city of Visakhapatnam on the east coast of the country, a city that hosts several large industrial organizations – Visakhapatnam Port Trust, RINL, LG Polymers, HPCL, Marine Products Export Development Authority (MPEDA), Visakhapatnam Special Economic Zone (VSEZ), Office of the Joint Director General of Foreign Trade (JDGFT) and Customs Authorities. Established in 1997 in academic collaboration with the Indian Institute of Foreign Trade, Ministry of Commerce & Industry, Government of India, GIFT offers a two year Masters in International Business (MIB), the flagship programme of the Institute. An integrated business school with teaching, training, consulting and research as the four pillars of its activity base, GIFT has serviced a host of organizations related to foreign trade like APEDA, SIDBI, FAPCCI, Tobacco Board, Horticulture Board, CONCOR, various chambers of commerce, SMEs and prospective entrepreneurs in the fields of export marketing, export finance, foreign exchange risk management, commodity futures; logistics and supply chain management, entrepreneurship development; and WTO agreements and implications for business. The Centre for Entrepreneurship is a new initiative of the Institute. As part of its social responsibility, GIFT has taken up sponsored research and brought out the Visakhapatnam Development Report 2003.

GIFT brings out this quarterly publication GLOBAL VISTAS to provide analytical articles and commentaries on issues relating to international trade developments, and WTO and related trade issues. We at Global Vistas invite contributions with a word limit of 2000 words from academics, trade and industry that are of contemporary relevance.

Contributors may contact

The Editor, Global Vistas
GITAM Institute of Foreign Trade
Gandhinagar Campus, Rushikonda
Visakhapatnam 530 045
Ph : 2790505, Telefax : 2790036
Email: mvlakshmi@gift-india.org

Ten Years of WTO

2005 marks the 10th anniversary of the WTO. The creation of the World Trade Organisation in 1995 marked an important advance in multilateralism. Member countries undertook substantial obligations and legal responsibilities that foster interdependence, as free trade was seen to promote development. And it was for the first time ever that traditional trade negotiations spread into new and sensitive areas of domestic economic policy-making - sectors like agriculture, services and intellectual property. The impact of the WTO regime - often equated with globalization by some - is today a highly contentious issue, especially in terms of the development dimension.

When the General Agreement on Tariffs and Trade (GATT) came into force on 1st January 1948 it had only 23 contracting parties. At the conclusion of the Uruguay Round, the negotiations involved over 120 governments, and the WTO now has nearly 150 members. And several other countries are in line seeking membership. The WTO regime leading to intense competition, is today seen to have wider ramifications. Has WTO - as a facilitator of liberalisation and free and fair trade-promoted pro-poor growth and development?

At this critical juncture one only needs to accept the reality of the WTO regime; and develop a clear strategy to make the WTO regime in the era of the rapid pace of globalization work for the poor. The Cancun Meet is just a demonstration, an important turning point in the negotiations where the developing countries shared their concerns and played a more assertive role. As the Director General stated in his annual report 2004, referring to the Doha Development Agenda- "success in the DDA should result in large annual welfare gains, much of which would accrue to developing countries and help to alleviate poverty".

However, the WTO regime is neither a magic offer to compete and gain globally nor a 'panacea' for all economic ills. Many problems emanate from the domestic environment and are the consequences of problems or handicaps in other areas like failed education, poor training and health systems, inadequate infrastructure and above all corruption. To put it simply, there is a crisis of governance in India and a failure to integrate 'core' India – the rural and urban poor with the development agenda. Only when this is done can India reap the benefits of the WTO regime. As Amartya Sen argues, the cultivation of basic human capabilities is more important for economic development than the various market oriented reforms that are routinely recommended to the developing world. To quote UN Millennium Project Task Force report on Trade for Development "… Trade itself is no "silver bullet" solution… it can be a powerful weapon in the fight against poverty if accompanied by complementary changes in domestic and international policies." A credible strategy therefore rests on two pillars: the creation of a good investment climate - free from corruption - to propel growth; and the empowerment of poor people to enable them to take part in that growth through enabling their access to health and education.

- The Editor

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