07 December 2018

Daily News Pedia

World Intellectual Property Report 2018

The patents granted by India increased from 8,248 in 2016 to 12,387 last year, a/c to the WIPO's World Intellectual Property Indicators 2018 report released in Geneva. Last year's number was more than double the 6,022 patents granted in 2015, according to WIPO statistics.

In 2016, 1,115 patents went to domestic individuals or entities and 7,133 to foreigners; And in 2015, 822 were granted to applicants in India and 5,200 to foreigners.

While India ranked 10th in the number of patents given last year, no Indian company or university figures in last year's global list of the top 50 patent applicants. Pharmaceuticals accounted for 15.7 per cent of the Indian domestic applications for patents last year, the report said.

China's patent authority led the world in the number of patents granted with 420,144 and was followed by the US with 318,829, according to the WIPO. In just a few decades, China has constructed an IP system, encouraged homegrown innovation, joined the ranks of the world's IP leaders – and is now driving worldwide growth in IP filings.

China received 1.38 million patent applications – which are an indication of patents in the pipeline – more than double that of the US, which had 606,956 applications.

Source: PIB.

Exercise Hand-in-Hand

Exercise Hand-in-Hand is conducted annually as part of military diplomacy and interaction between armies of India and China.

The joint exercise for the year 2018 will be conducted from 10 to 23 December 2018 at Chengdu, China. The aim of the exercise is to build and promote close relations between armies of both the countries and to enhance ability of joint exercise commander to take military contingents of both nations under command.

The exercise will involve tactical level operations in an International Counter Insurgency/ Counter Terrorist environment under UN mandate.

Source: PIB.

National Mission on Interdisciplinary Cyber-Physical Systems (NM-ICPS)

The NM-ICPS is a comprehensive Mission which would address technology development, application development, human resource development & skill enhancement, entrepreneurship and start-up development in CPS and associated technologies.

The Mission addresses the ever increasing technological requirements of the society, and takes into account the international trends and road maps of leading countries for the next generation technologies.

It would be a Pan India Mission and covers entire gamut of India that includes Central Ministries, State Governments, Industry and Academia. The Mission will feed the Central Ministries/ Departments and State Govts and also the Industry to effectively use the CPS technologies in their projects and schemes for the benefit of the society.

The mission implementation would develop and bring:

- Cyber Physical Systems (CPS) and associated technologies within reach in the country,
- Adoption of CPS technologies to address India specific National / Regional issues,
- Produce Next Generation skilled manpower in CPS,
- Catalyze Translational Research,
- Accelerate entrepreneurship and start-up ecosystem development in CPS etc.

Source: PIB.

Agriculture Export Policy: Policy to double agri exports

Cabinet approved the Agriculture Export Policy**,** aimed at increasing India's exports to $60 billion by 2022 from the current $37 billion. This is in line with the Prime Minister's vision of doubling farmers' income**.**

Objectives:

- To double farmers' income**.**
- To diversify the export basket and destinations.
- To boost high-value and value-added exports**,** with a focus on perishables.
- To promote the export of **"**novel, indigenous, organic, ethnic, traditional and non-traditional" products.
- To provide an institutional mechanism for market access, tackling barriers, and dealing with sanitary and phytosanitary issues.
- To strive to double India's share in world agri exports by integrating with global value chain at the earliest.
- Enable farmers to get benefit of export opportunities in overseas market.

Source: The Hindu.

Editorial

To Read

Lessons from the World Bank on ease of doing business

The bank's report, 'Doing Business 2019', has to be seen as a pointer to what needs doing, rather than as a record of what stands achieved

The overall league table in the 2019 edition of The World Bank report on Ease of Doing Business (EDB) is what everyone focuses on, so let us start with that (table 1.1). As very widely reported, India now ranks number 77 out of 190 countries, up from rank 100 last year. The reader-friendly table shows the scores on the basis of which these rankings are done and the change from last year. For India to have actually jumped ranks in a field in which only 22 countries actually saw a drop in score with respect to last year is very creditable indeed. Another six stayed at the same score, but these include the likes of New Zealand, Sweden and Germany, who are at the top of the heap. And the jump in India's score is the fifth highest.

The World Bank's annual EDB survey has added massively to the understanding of the functioning of economies worldwide. What follows is not to be construed as criticism of a most commendable effort, but as an attempt at identifying what we can learn from it such that access to jobs and livelihoods can actually be improved across the country.

Coverage in the EDB report is confined to one city in most countries, but two cities in India because of its size—Delhi and Mumbai. But the limitation gets highlighted in something like "getting electricity", which is one of the six (of the total of 10) dimensions on which India is listed as having done significant reform. The report cites compliance by the Tata Power discom to the requirement by the Delhi regulator that commercial electrical connections be completed within 15 days of application. That is good and welcome for those falling within the jurisdiction of the Tata discom in Delhi. However, most of the country lies outside. The report has to be seen as a pointer to what needs doing, rather than as a record of what stands achieved, especially for something as location-specific as getting electricity.

However, there were other reforms that might have had a national impact, some of which I would not have known about otherwise. For instance, under the National Trade Facilitation Action Plan 2017-20, India is said to have "implemented several initiatives that improved the efficiency of cross-border trade, reducing border and documentary compliance time for both exports and imports. Enhanced risk-based management now allows exporters to seal their containers electronically at their own facilities. As little as 5% of shipments must undergo physical inspections. India also invested in port equipment, strengthened management and improved electronic document flow." It sounds so good, it makes me want to believe it.

The report is quite transparent about the fact that it does not look at macroeconomic stability, development of the financial system, quality of the labour force, incidence of bribery and corruption, market size and lack of security. Of these, India might have done reasonably well on macroeconomic stability, and on (domestic) market size. On all the rest, India is unlikely to have garnered a high score. The report also quite explicitly states that it does not cover the informal sector. It is important to remember these stated limitations in the scope of the EDB.

On each of the 10 dimensions that it does look at, a standardised business entity is referenced for that dimension. For instance, on starting a business, the profile of the entity for which assessment is done is a limited liability company (or its legal equivalent) above a certain size (start-up capital 10 times per capita income), including partnerships, but excluding sole proprietorships. The size of the office space has to be 10,000 sq. ft. It has to have between 10 and 50 employees (all domestic nationals). Its company deed must be 10 pages long. The size in terms of start-up capital turnover is not huge, but it is strangely at odds with the large office-space requirement. I have to say that I have trouble visualizing that profile, and those for the other dimensions as well.

The six dimensions, out of the total of 10, on which India is listed as having done positive reforms include "paying taxes", for which the reference period is January-December 2017. (The reference date for all other data is May 2018.) The goods and services tax (GST) was introduced on 1 July 2017, right in the middle of that period.

The EDB exercise does not include indirect (value-added) taxes like the GST in the measurement of the tax burden, on the grounds that they are collected and transmitted, and do not enter into the income statement. However, they are included in measuring the administrative burden of compliance, and the time taken to claim (and obtain) input tax refunds.

The GST contributed positively to the rise in the country score on paying taxes because it replaced multiple taxes. It even contributed positively on the dimension of starting a business, because of easier registration under the GST than under the VAT, which it replaced. What seems to have been bypassed, however, was that service enterprises with an all-India presence, which had to register separately in each state jurisdiction, found the GST infinitely more complicated than the central services tax, which it replaced.

In terms of its actual operation, however, especially in its initial disastrous design (until the corrections over September to November 2017), the GST was hugely burdensome in terms of filing requirements and the business of invoice matching in the face of the collapse of the online tax portal.

However, none of this would have negatively affected the measure for India. To quote the report: "Where full electronic filing and payment is allowed and it is used by the majority of medium-size businesses, the tax is counted as paid once a year even if filings and payments are more frequent." This is an issue the EDB must revisit. Surely, even with electronic filing, the frequency of payments matters. The malfunctioning of the portal should, in principle, have entered into the measure of time taken to file online, but even that does not capture the despair tax filers experienced when they failed to get their tax credits accepted despite several attempts.

The GST was most certainly a positive reform, for the long term. However, over the reference period, it was a time of confusion, most especially for smaller enterprises on the size dimension. It called for a case study in the World Bank report on how not to structure filing requirements and rate structures, which threatened to turn a "good" reform into something that taxpayers found overwhelmingly bad, until the GST structure was corrected. Even from the limited perspective of input tax refunds, this remains an issue to this very day for exporters.

The assessment and scoring on all dimensions is based on questionnaire responses from local experts, usually five or more on each dimension, which in the case of paying taxes, would have been accounting firms and/or business consultants. Without any prejudice to those who sent in their assessments on paying taxes, it is widely known that if there was a single class who profited from the initial confusion surrounding the GST, it was the accountants, and purveyors of information technology packages. The requirement of registration in each state for national service providers was a bonanza by itself for big multinational accounting firms.

In terms of absolute scores, India does not do so badly on paying taxes but, because this is a dimension on which other countries have scored better, India gets pushed down to rank 121. The lowest score and the lowest rank (166) is for registering property, followed closely by the rank for enforcing contracts (163).

Although these positionings for India do not seem implausible or far-fetched, the entire EDB exercise strikes me as one that, in a bid to achieve standardization across countries varying vastly in size, has narrowed its focus on a particular type of enterprise that does not subserve the basic objective, which is to see how far countries have progressed towards providing employment in the domestic private formal sector. There is actually an 11th dimension in the EDB report, which does not enter the scores and rankings, about labour market regulation. This is such a contentious issue that the report wisely steers clear of including this dimension in the formal exercise. However, one feature that the labour market chapter could usefully have dealt with is the fundamental issue of accurate and high-frequency data on employment. The lack of these in India has been a great handicap in coming to grips with the problem of an economy not generating enough livelihoods (let us not call them jobs) for the demographic dividend.

To quote the report: "Faced with cumbersome labor laws that result in complex hiring procedures, stringent working hours or high redundancy costs, new businesses may choose to employ workers informally…." At the same time, the report does not provide a template of the combination of employer flexibility and employee protection that could win the day.

Finally, on credit access, India is listed as having done positive reforms because "India strengthened access to credit by amending its insolvency law. Secured creditors are now given absolute priority over other claims." That is a positive reform, most certainly, and hugely important.

Indeed, the enactment of the Insolvency and Bankruptcy Code was a milestone achievement. However, it does not really capture access to credit across the scale spectrum, even in the two cities of Delhi and Mumbai.

Mains Question

Q: India and EU are "natural partners". Discuss India-EU relationship in various spheres.