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## WHOSE BASMATI IS IT?

Basmati is an aromatic rice grown in Northern India and Pakistan.

In September 1997, Rice Tec, a small food technology company based in Texas, United States, was granted a patent by the US patent office to call an aromatic rice variety developed in USA Basmati. India challenged the case, arguing that basmati is a unique aromatic rice grown in Northern India, and not a name Rice Tec could claim. In fact only inventions can be patented. Consequently, the US patent office accepted India's basic position, and Rice Tec had to drop 15 of the 20 claims that it had made. Of the remaining claims, Rice Tec managed to evolve three new varieties of rice for which it got a patent from United States Patent and Trademarks Office (USPTO), as India had not objected to these. The ruling has not handed over Rice Tec the basmati brand. Rather, it provides it a patent for superior three strains' of basmati developed by cross-breeding a Pakistani basmati with a semi-dwarf American variety.

According to the WTO Agreement, geographical indications like basmati can be legally protected and their misuse can be thus prevented. The unfortunate thing is that Government of India has not taken timely steps for protecting our geographical indications and bio-diversity. Although a Geographical Indication of Goods Bill was introduced in Indian parliament in 1999, even at the end of 2001 it had not become an Act.

### QUESTIONS

1. Can any of the following, viz, turmeric, neem and the name *basmati* be patented? Substantiate your answer.
2. Evaluate the role played by Government of India in preventing the misuse of the name basmati.

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## THE SENSEX

That the BSE *Sensex* crashed by 140 points, causing a fall in the investor wealth by Rs. 25,000 crore (due to the fall in the market capitalization) the day the *Economic Survey 2000 – 01*, which indicated the possibility of an economic slow down, was presented in the Parliament is an indication of the importance of economic factors to business. It is interesting to note that four days later when the Finance Minister presented the Union Budget for 2001– 02, which was widely regarded business friendly and which claimed to initiate the second generation economic reforms, the *sensex* soared by 177 points. However, on the second day the *sensex* nose-dived by 176 points reacting to the news of sustained weaknesses in technology stocks across the globe and certain vicious rumours.

The stock markets all over the world took a severe beating following the terrorist attack on the World Trade Centre and the consequent military actions. Although the *Sensex* made some recovery for about a week around mid October 2001 largely because of positive government measures and sustained purchases by FIIs. However, the mounting fears triggered by the spread of the deadly anthrax disease and concerns about bio-terrorism triggered panic selling in most European and Asian markets, leading to chain reactions on Indian bourses. The bellwether *Sensex* tumbled 62 points or 2 per cent to close below the psychologically important 3,000-mark at 2,981 on 18<sup>th</sup> October, putting an end to the seven-day 279 point rally which had led to a 10 per cent rise of the *Sensex*. However, on the next day, equities staged a smart recovery, once again lifting the *Sensex* above the psychological mark of 3000 to about 3017 encouraged by Governments liberalization share buyback conditions.

While the anthrax scare caused a set back to the stock market in general, shares of pharmaceutical companies which produce anthrax antidote ciprofloxacin like Ranbaxy, Dr. Reddy's and Cipla gained significantly. The price of Bayer India scrip increased by 52 per cent in 10 days ended 17<sup>th</sup> October following the news that the Chennai based Indian Syntans group was increasing its stake in Bayer through open market purchases.

### QUESTIONS

1. Discuss the factors affecting *Sensex*.

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## GLOBALISATION OF POP CULTURE

Cultural barriers is one of the most talked about in international business problems. It is, however, very interesting to note that cross-border transmission of culture is very rampant. Many politicians, sociologists and others are highly critical of the invasion of the Western culture in the developing countries. The export of American culture is interpreted as means to spread American imperialism. The Coca Cola culture or the corn flakes culture or the pop culture the term which has come to be very broadly used to include, besides the pop music and associated thing, the Western products and styles such as foreign jeans, cola drinks, fast foods, Hollywood movies and the like the youth, particularly, are crazy about, has fast spread to the developed and developing countries.

The emergence of culture as economic goods that can be traded – crafts, music, films, TV programmes, software, books, tourism etc. — has contributed very substantially to the globalisation of culture.

A UNESCO study shows that world trade in goods with cultural content—printed matter, literature, music, visual arts, cinema and photographic, radio and television equipment— has grown tremendously. For the United States the largest single export industry is not aircraft, computers or automobiles—it is entertainment, in films and television programmes. Hollywood films grossed more than \$30 billion worldwide in 1997, and in 1998 a single movie, *Titanic*, grossed more than \$1.8 billion.

As the *Human Development Report 1999* points out, the vehicles for this trade in cultural goods are the new technologies. Satellite communications technology from the mid 1980s gave rise to a powerful new medium with a global reach and to such global media networks as CNN. The development of the Internet is also spreading culture around the world, over an expanded telecommunications infrastructure of fiber optics and parabolic antennas.

The Report referred to above points out that the global market for cultural products is becoming concentrated, driving out small and local industries. At the core of the entertainment industry—film, music and television—there is a growing dominance of US products, and many countries are seeing their local industries wither. Although India makes the most films each year, Hollywood reaches every market, getting more than 50 per cent of its revenues from overseas, up from just 30 per cent in 1980. It claimed 70 per cent of the film market in Europe in 1996, up from 56 per cent in 1987—and 83 per cent in Latin America and 50 per cent in Japan. By contrast, foreign films rarely make it big in the United States, taking less than three per cent of the market there.

will expand their environmental business by 10% a year, producing a market of US \$ 178 billion, compared with a 3% to 5% growth in developed economies, which will still hold the lion's share of the market (perhaps US \$ 773 billion).

Statutory requirements in North America, the impact of the North American Free Trade Agreement (NAFTA) and the demand for environmental services on the United States-Mexico border will be key driving forces for changes in environmental legislation and environmental standards required by consumers worldwide (ISO 14000) also mean opportunities for both foreign and domestic firms in the environmental services field. The European Union (EU), split between a generally mature system in the North and a developing infrastructure in the South, recently emphasized that EU candidate countries also need to take measures to harmonize existing legislation with EU environmental legislation.

In Asia, national and local governments are increasingly feeling growing public pressure to take concerted action. Improvements have been made in the past decade in the corporate sector with approaches such as the adoption of environmental management systems. This trend is expected to continue as companies perceive these environmental credentials as beneficial to their export strategies.

In China, environmental agencies face skills shortages and difficulties in enforcing compliance within a largely state-owned industrial sector. With continuing industrialization and government environmental protection initiatives, however, it is estimated that the Chinese market will grow by 10%—faster than in other developing countries—to reach US \$ 15 billion in 2010 from US \$ 5 billion in 2000.

In India new laws have been enacted in recent years, but the regulatory framework remains weak. The main market driver in India is therefore expected to be infrastructure development in the municipal and energy sectors. In all, the environmental services market is expected to be worth US \$ 7 billion in India by 2010.

In South America, Brazil and Chile have the most advanced regulatory frameworks, but the enforcement framework is still developing. Future growth is expected to be led by infrastructure and privatization projects, along with stronger enforcement of environmental legislation. Current estimates put the regional market at US \$ 15 billion by 2010.

Central and East European countries report that environmental degradation has been falling since the start of transition to market economies, even in the most polluted areas. Further development of the environmental industry is currently limited by lack of funding. By 2010, the market is expected to reach US \$ 23 billion. The market drivers include continuing reforms in legislative and administrative frameworks, continuing privatization, major investment in the environmental infrastructure, industrial and energy sectors, and the availability of funding through various aid programmes.

Environmental services, as distinct from the equipment or resources market, account for about 50% of the total market, 22.6%, water treatment services for 14.3%, consulting and engineering for 5.9%, and remediation and industrial services, 3.3%. Given the increasing demands on industry to improve its environmental management, this whole sector is expected to grow by 7% to 10% a year.

Looking at the sector more closely, the United States generates about 80% of worldwide hazardous waste, and is therefore the largest market for hazardous waste equipment and systems. Those most in demand include treatment chemicals, and incineration and processing equipment.

The recycling market has been growing at 7% to 13% a year over the last decade and this rate is expected to continue. Technologies showing increasing demand include ultra-filtration for reducing oil and solvent usage, vibratory cleaning in microelectronics for reducing sludge production, and processes such as neutralization, detoxification and evaporation. Market drivers include the enforcement of environmental legislation and the obligation to meet higher recycling targets set by European countries, the United States and Japan.

### BOX C.14.1 : COMPANIES AND THE ENVIRONMENT: WIMBY AND NIMBY

It is often not clear why a company moves its operations from one country to another, no matter what it says. "Real" reasons such as cheap labour, weak labour unions, unenforced health and safety regulations, low environmental regulations and standards may all be cited by critics. The idea that industries would move to other countries to escape regulations at home and find an open door elsewhere has been dubbed the "WIMBY" (Welcome In My Back Yard) phenomenon, as distinct from "NIMBY" (Not In My Back Yard).

Before the mid-1990s several WIMBY cases were documented. More responsible businesses conversely use their investments in developing countries to transfer knowledge and technology that comply with the highest environmental standards:

- General Motors (GM), through its Delphi subsidiary, has invested more than US \$ 1 billion in Mexico, employing 75,000 people. Following three years of voluntary audits in all its plants to monitor environmental best practices and compliance with Mexico's health and safety regulations, the company received a "clean enterprise" award from the Mexican Government.
  - Most of the GM plants treat their waste waters to a standard that enables the water to be recycled and reused by manufacturing processes or for agricultural irrigation.
  - Other materials (plastics, cardboard, solvents and other chemicals) are recycled. The company follows its own environmental guidelines, which are often tougher than those required by Mexican law.
  - In 1997, GM launched a pilot project with local authorities in Mexico to keep track of all hazardous waste products, using a computerized system to prompt companies to arrange for the correct disposal of hazardous wastes.
  - Following industrial investments by multinational companies around the world, end-of-pipe technologies have been exported to developing countries.
  - Companies in various industrial sectors are adopting Corporate Environmental Reporting: they range across electricity-generating and distribution companies, government departments, water supply and sewerage companies, aviation companies, industrial conglomerates, engineering and construction firms and food retailing businesses.
- These trends create business opportunities for the environmental services sector.

In water and waste-water management — which accounts for up to 40% of the total environmental market, spending on the market definition used — the strongest demand is expected to be for automatic systems, secondary and tertiary treatment facilities, and waste-water technologies, particularly computer monitoring systems, aerobic systems for removing contaminants, and air injection for ground-water clean-up systems. Air pollution control has developed rapidly over the past 20 to 30 years. However, there is little international trade and the sector is dominated by a handful of large firms. The highest growth rates in the next decade are expected for technologies such as microbial cleaning processes, electro-membrane technologies, catalytic converters, flue gas desulphurisation, and wet and flue gas scrubbers. The main industrial sectors driving this increase in demand will be the petrochemical, steel, car and energy industries.

In 1998, OECD produced a report on "The Global Environmental Goods and Services Industry", listing the factors likely to influence future competitiveness:

- **Technological innovation:** It has been estimated that 50% of the environmental goods that will be in use in 15 years do not currently exist.
- **Quality and service performance:** The ability to adapt to clients' needs and to produce effective and easily managed products.

- **Marketing and export strategies:** These will need to respond to increasing globalization and new market opportunities.
- **Flexibility in production:** As regulatory requirements are modified, rapid and low-cost changes in products will be required, Conventional economies of scale and cost are less important as factors. Large firms with wide competence are increasingly necessary. Tailor-made solutions dependent on performance and innovation can be more important than price.

The adoption of worldwide environmental standards will expand international markets. Privatization and deregulation of utilities such as water and electricity will expand the opportunities for foreign firms to participate. Consolidation of the industry and increasing firm size will also increase internationalization.

Though industries from Germany, Japan and the United States have the largest shares of most international markets, small countries such as Finland and Norway have very internationally-oriented industries that export some 50% of their production. Australia, Canada and the United Kingdom are now increasing their efforts to expand environmental exports.

## QUESTIONS

1. What are the factors driving the growth of the environmental services business?
2. What are the factors influencing the competitiveness in the environmental services business?
3. Discuss the scope of the developing countries in the environmental industries?