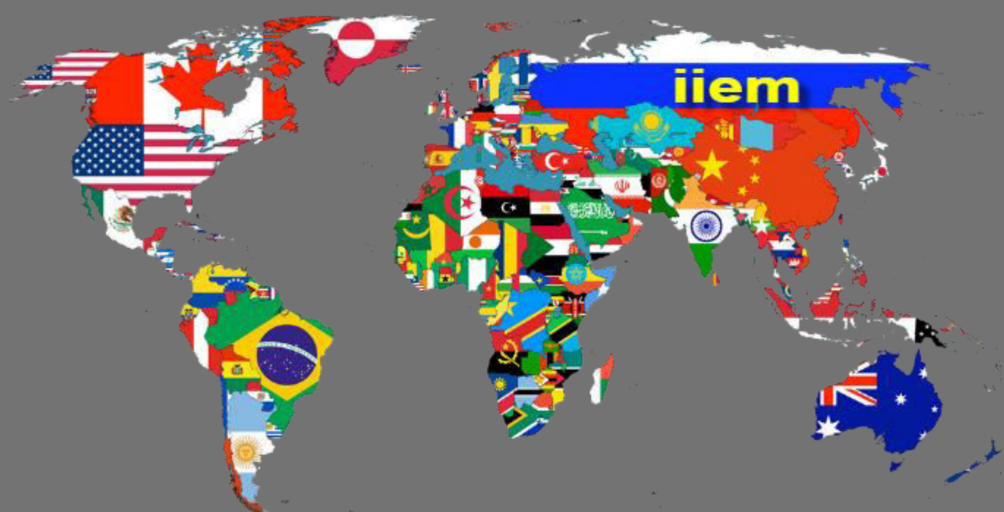
2017

Weekly E-Bulletin

Indian Institute of Export Management

Trade-Taxation-Banking-WTO-Articles-Useful-links

April 3nd week Newsletter



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MARKET PURCHASE SCHEME TO AP RED CHILLI FARMERS' AID

Red chilli farmers, in distress this summer following the collapse of prices in the Guntur market yard, the country's biggest, can now heave a sigh of relief: the State government has formulated the guidelines for a market intervention exercise, which should lift up prices.

According to the guidelines formulated by the State marketing department officials, the market intervention exercise will begin from April 20 and continue up to June 30. However, the market will remain closed from May 12 to June 11 for summer holidays. During that period, the scheme will not be in operation.

Under the guidelines of the scheme, every farmer can get an additional benefit of Rs. 1,500 per quintal, subject to a ceiling of 20 quintals, and the price per quintal should not exceed Rs. 8,000 inclusive of the Rs. 1,500 per quintal being offered by the government.

B/L-17/4/17

UBBER SEEN GAINING FROM GLOBAL CUES

The Association of Natural Rubber Producing Countries (ANRPC) is bullish on the prospects for 2017, on the grounds that favourable trends in the overall commodity markets is expected to be mirrored in the natural rubber (NR) sector as well.

The outlook has improved for China following the withdrawal of US tariffs on Chinese heavy commercial vehicles tyres. The improved economic outlook in the US and Europe also suggests possibilities of faster growth in demand for NR from non-ANRPC regions, says an ANRPC report, on NR trends and statistics.

Besides a balanced demand-supply situation anticipated for the second quarter of 2017, the NR market is expected to gain from a possible improvement in crude oil prices.In the first three months of the current year, ANRPC member countries produced 2.49 million tonnes of rubber, a growth of 2 per cent from the same period a year ago.

KARNATAKA, KERALA SET TO FLOAT GLOBAL TENDERS FOR CLOUD-SEEDING PROJECTS

Forecast of a normal monsoon notwithstanding, the drought affected southern States such as Karnataka and Kerala are gearing to take up the seeding of moisture-laden clouds to generate badly needed rains.

While Karnataka is now facing its fourth consecutive drought, neighbouring Kerala is witnessing it for the third time in a row.

Karnataka Agriculture Minister Krishna Byre Gowda said he has prepared a detailed project report and expects to come out with a global tender soon to carry out the cloud seeding exercise.

"The forecast of a normal monsoon is good news, but we don't want to take any chance," he said. B/L-19/4/17

PLATTS REPORT SEES NO MAJOR DECLINE IN INDIA'S CRUDE OIL IMPORTS

Prime Minister Narendra Modi's wish of a 10 per cent cut India's oil import dependence by 2022 is unlikely to be accomplished, according to S&P Global Platts.Sambit Mohanty, Senior Editor of S&P Global Platts, said , "We don't agree with the fact that India can sharply reduce (crude oil) imports. We still import more than 80 per cent of our crude oil needs.

Given the fact that oil product demand is growing at nearly 8 to 9 per cent, we cannot see how we can substantially reduce imports of the feedstock.

"Mohanty who is the lead author of report on India's infrastructure requirements and commodity projections titled "'Make in India', A new window of opportunity for commodities" spoke to BusinessLine at the launch of the report here on Thursday.

Commenting on the auction of discovered small fields and the subsequent projections of increased domestic crude oil production, Mohanty said, “We strongly feel that the possibility of boosting crude oil output is extremely limited.”

B/L-20/4/17

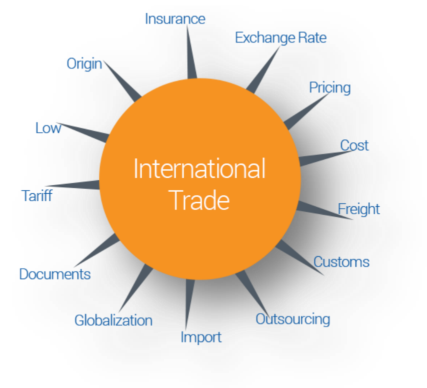
PEPPER GROWERS SEEK MIP TO CURB VIETNAMESE IMPORTS

Pepper growers and traders have urged Prime Minister Narendra Modi and Union Commerce Minister Nirmala Sitharaman to fix a minimum import price (MIP) of $6,000 a tonne for black pepper coming in from Vietnam.

The move comes amid fears that Vietnam pepper will be imported through mis-declaration and under-invoicing, given the huge domestic demand and prevailing high prices.

Such imports may significantly impact domestic growers, who are facing a heavy crop loss now due to erratic weather conditions last year.Kishor Shamji, President of the Indian Pepper and Spice Trade Association (IPSTA) and a veteran exporter, told BusinessLine the organisation has written to Modi and Sitharaman on this.

B/L-21/4/17



TRADE NEWS MERCHANDISE EXPORTS GROW FOR 7TH STRAIGHT MONTH

Merchandise exports jumped as high as 27.6% in March from a year before — growing for a seventh straight month even in the aftermath of demonetisation — thanks to a rebound in the outbound shipments of engineering goods, petroleum products and garments, apart from a favourable base. With this, exports in the last fiscal grew 4.7% to $274.64 billion — a much-needed rise after two successive years of decline. Imports, too, jumped 45.3% in March — aided by a jump in the purchases of petroleum products (101%), gold (329%) and electronic goods (32%) — with merchandise trade deficit touching $10.44 billion.

Despite the latest jump, imports in the last fiscal eased 0.2% to

$380.36 billion. In a comfort for policymakers, non-petroleum and non-bullion exports in March rose an impressive 26%. Even non-oil imports in March jumped a massive 33.21%, suggesting the growing appetite of the economy.

Interestingly, exports of meat, poultry and dairy products grew almost 17% to $429.8 million despite a crackdown on illegal abattoirs in Uttar Pradesh, which accounts for a bulk of the country's beef exports.

The data showed while exports rose to $29.23 billion in March from $22.91 billion a year before, imports jumped to $39.67 billion against $27.31 billion a year earlier.

Also, services exports during February dropped 3.8% to $13.06 billion. Such exports had dropped 1.7% in January. Services imports in February, too, declined 14% to $7.24 billion. In January, services imports had grown 1.4%.

Federation of Indian Export Organisations (FIEO) President G K Gupta said continuous positive growth in exports for more than half a year is not only very enthusing and encouraging sign for exporters, but also for the economy as a whole.

FIEO Chief added that the growth across all major sectors in 25 out of 30 major product groups have not only been positive in March, but sectors, especially iron ore, have continued to show an overwhelming growth.

Increasing imports are primarily on account of high imports of gold, pearls, precious and semi-precious stones which augurs well for gems & jewellery exports in months to come.

"The high imports of petroleum is also reflected in higher exports of petro products. However we need to analyse the reasons for increasing electronic imports," FIEO Chief said.

FIEO

APEX COURT DECISION ON TARGET PLUS SCHEME FOR EXPORTERS APPROVED

The Union Cabinet has approved the implementation of Supreme Court's judgment on eligibility under the Target Plus scheme for exporters that will lead to settling of claims as per original provisions of the foreign trade policy (FTP).

The settlement of exporters' claims will have a revenue implication of 2,700 crore, according to an official release.

"Benefit is being extended to all the applicant exporters eligible as per provisions of the initially notified TPS Scheme under FTP for the year 2005-06 and as per provisions of FTP 2004-09 throughout the country," the release said.

The scope of benefits under the TPS was narrowed after the scheme was implemented but exporters dragged the matter to court arguing that the new provisions could not be applied retrospectively. The Supreme Court in a judgment on the Target Plus scheme in 2015 said that the Centre's notifications making certain products ineligible and reducing the rates could not be applied retrospectively and they would be effective only from the date of their issue.

The claims will be considered as per original notifications till the date of the two new notifications.

"The guidelines and modalities for processing the claims will be worked out by the DGFT in consultation with the Department of Revenue and is proposed to be completed in one year from the date of approval of the Cabinet," the release said.

The corrective measure will bring an end to multiple litigations with the government and the claims under the TPS will be issued as per original provisions under FTP in compliance with the decision of the Supreme Court, it added.

FIEO

DECISION ON TARGET PLUS SCHEME IS GREAT VICTORY OF EXPORTERS: FIEO CHIEF

Hailing the Union Cabinet's approval of implementation of Supreme Court's judgment regarding Target Plus Scheme, President, Federation of Indian Export Organizations (FIEO) said that it was big day for exporters who were fighting for this legitimate benefit for a long time. Mr. Gupta said that this a very encouraging decision of the Government which will provide relief to exporters in their export efforts.

The FIEO Chief explained that the Target Plus Scheme was introduced in 2004-2009 Foreign Trade Policy and the Scheme provided for duty credit of 5%, 10% or 15% of FOB value for exporters who achieved a quantum growth in exports of over 20% or 25% or 100% over last year export figures.

He added that the scope of benefit under the Scheme was narrowed after it was implemented and affected exporters were compelled to move to Court arguing that the new provisions could not be applied retrospectively.

FIEO Chief said that the Hon'ble Supreme Court decided in favor of the exporters and held that the Government's decision to remove certain products from the Scheme and reduction in rates to 5% from the earlier 5, 10 & 15% could not be applied retrospectively and they would be effective only from the date of issue.

FIEO

FIEO TO ENGAGE WITH TRADERS IN NORTH-EAST TO PROMOTE EXPORTS

Apex exporters' body FIEO will spread awareness among traders in the North-East about various outward shipment schemes being run by the government and also organise workshops to address their issues, new FIEO President, Mr Ganesh Kumar Gupta said. The seven states of the region hold huge potential for exports, the Federation of Indian Export Organisations (FIEO) said.

FIEO has been made the main trade promotion agency of this region by the department of commerce, FIEO Chief said. The North-Eastern states including Assam, Manipur, and Meghalaya have direct access to the South East Asian region and from there "we can promote our exports," New FIEO President added. Products which can be exported from the region include horticulture, paper, textiles, handicraft items and agricultural goods. Talking about the overall exports of the country, FIEO Chief said shipments are recording healthy growth since September last year and going by this trend, the exports figure may touch about USD 270 billion.

During the April-February 2016-17, exports have grow by 2.52 per cent to USD 245.4 billion. FIEO President said that demand in certain developed economies such as the US is gradually picking up and it would help in further boosting the country's shipments.

When asked about the impact of Goods and Services Tax (GST) on exports, FIEO Chief said the members are ready for implementation of the new indirect tax regime. "It will make movement of goods hassle free in the country.

FIEO

ERRONEOUS CAUTION-LISTING OF EXPORTERS HURTS SHIPMENTS'

The commerce ministry and Federation of Indian Export Organisations (FIEO) have warned the Reserve Bank of India (RBI) that erroneously 'caution-listing' exporters will severely hurt the country's shipments. They asked the banking regulator to soon address the genuine concerns of the exporting community in this regard. As per RBI norms, exporters would be 'caution listed' if any shipping bill against them remains open for more than two years (from the date of shipment) in the computerised system called Export Data Processing & Monitoring System (EDPMS) — provided no extension is granted by the RBI or an authorised bank. The EDPMS, launched by the RBI in February 2014, is a computerised system for effective monitoring of exports transactions.

Since EDPMS eliminates paper reporting requirement to a great extent, it is considered an 'ease of doing business' reform. The caution-listing can happen in certain cases even before the expiry of the two yearperiod – that is, when authorised banks recommend such an action in instances where an exporter has come to adverse notice of investigative agencies such as the Enforcement Directorate, the CBI and the Directorate of Revenue Intelligence; or other law enforcement agencies; or in cases where exporter is not traceable or not making any serious efforts for realisation of export proceeds.

'8% unrealised' The financial year in this context is 2014-15 as the two-year deadline currently falls on April 20, 2017.

As per official estimates, about nearly 8% of the country's overall (goods & services) export proceeds in FY15 have not been realised so far – meaning, there was no realisation of export proceeds to the tune of $37.5 billion out of India's goods and services exports in FY15 worth $468.45 billion.

The issue was discussed on April 13 by the commerce ministry, RBI, FIEO, Indian Banks' Association, Directorate General of Foreign Trade as well as the industry bodies CII and FICCI, official sources said. The FIEO — the apex body for the country's exporters — said caution-listed exporters are denied packing credit, in turn affecting their exports. Also, caution-listing results in 'nonletter of credit bills' (non-LC bills) not being negotiated. As a result, though goods reach the buyer on time, they have to wait for banking documents (due to the exporter being caution-listed). This leads to delays and huge demurrage charges that have to be paid by the exporters, the FIEO said. Besides, the caution-list is accessed by regulatory and investigating agencies who in turn issue notices/letters to exporters adding to the latter's paper work of exporters. "Therefore, it is necessary that caution list only covers exporters whose shipments are not realised beyond the specified time without any genuine reason," it said.

Errors cause confusion It said in several cases, banks fail to report the transaction (of realisation of export proceeds by exporters) in the EDPMS on time leading to the system erroneously and automatically caution-listing exporters.

Pointing out that caution-listing has also happened due to data errors such as wrong entries of shipping bill number and date, as well as port code - in turn resulting in mismatch of actual exports and their realisation, the FIEO said the deadline of April 20, 2017 should hence be extended for genuine cases by the RBI in consultation with banks.

As per then RBI norms, once related bills are realised and closed or extension for realisation is granted, the exporter should automatically be 'de-caution listed'. The commerce ministry has asked the RBI for an audit of banks on instances of non-reporting of the transaction by them in the EDPMS.

Referring to norms allowing exporters to write-off 5% of their export proceeds (status holder exporters are entitled to write-off of 10%), the FIEO said if the outstanding amount remained within this stipulated limit, exporters should not be caution-listed. The RBI, however, has said "giving extension (beyond April 20, 2017) would be detrimental to the planned process of 'ease of doing business' (initiative) … as well as monitoring of such exports/and exporters…"

FIEO

INDIA, JAPAN DISCUSS WAYS OF INCREASING BILATERAL TRADE, INVESTMENTS

India said Japan is a "natural partner" in achieving the goal of increasing the share of manufacturing in GDP to 25 per cent in the coming years. Both the countries discussed ways of increasing bilateral trade and investments during a day-long conference in Nagoya in Japan.

A business delegation led by Commerce and Industry Minister participated in that event. "India wants to increase the contribution of manufacturing sector to GDP to 25 per cent and Japan is a natural partner in our goals," an official statement quoting Indian Commerce Minister said. Currently the manufacturing sector contributes about 17 per cent to the country's GDP.

The government is taking steps such as improving ease of doing business and relaxing FDI norms to boost the sector. Indian Commerce Minister also met Governor of Aichi Prefecture Hideaki Ohmura in Nagoya. Hideaki acknowledged that the India Conference will further encourage the companies in Aichi Prefecture to invest in India.

Japan said although it is the third largest foreign investor in India (USD 25.2 billion during the April 2000 – December 2016), behind Mauritius and Singapore, it can be considered a top investor as the other two countries are used by companies from across the world to route investments.

Indian Commerce Minister urged the Governor to consider diversification of investment in other sectors such as food processing, textiles, medical equipment, electronics and IT in India. The minister invited Hideaki to lead a delegation of Japanese companies to MSME clusters in India to explore partnership and investment opportunities. At the conference, Indian Secretary DIPP highlighted the unparallelled opportunities and advantages that investors could leverage by making in India.

FIEO

BANGLADESH PM PITCHES FOR MORE TRADE CHANNELS WITH INDIA

Bangladesh is looking to open more trade channels with India, widen footprint of Border Haats and open up routes that were closed during the 1965 war, visiting Bangladesh Prime Minister said.

Bangladesh PM called upon Indian industry houses to invest in Bangladesh, especially in infrastructure projects, power and energy, transport, manufacturing, food and agricultural processing sectors. At a meeting organised by business chambers, Bangladesh PM said the Bangladesh is planning to open more channels of trade, enhance Border Haats and open routes which were closed during the 1965 war, steps that will help take bilateral trade to the next level. “To facilitate further investments, a One Stop Service Act is currently being finalised.

I urge Indian investors to consider possible investments in Bangladesh in infrastructure projects, power and energy, food and agro processing, manufacturing and transport sectors,” Bangladesh Prime Minister said.

FIEO

INDIA-UK FTA WILL MARK 26% INCREASE IN BILATERAL TRADE: REPORT

A free trade agreement (FTA) between India and the UK will increase bilateral trade by 26 per cent per annum, according to a new Commonwealth report. The 'Brexit: Opportunities for India' briefing paper released this week will come as a further boost for the UK government's hopes of striking closer trade ties with India as it exits the European Union (EU).

It concludes that Britain's exports to India will increase by 33 per cent annually following a new deal. "If India and the UK decide to enter an FTA and bring down their tariffs to zero, it is likely to have a greater impact on India than the UK. India's imports from the UK are estimated to increase from USD 5.2 billion to USD 7.8 billion, i.e. almost 50 per cent rise per annum if there was an India- UK FTA post Brexit," the Commonwealth Secretariat report notes.

"A zero tariff regime between India and the UK would lead to some trade diversion from EU countries, when India would prefer importing from the cheaper source," it says in its forecast. The analysis also highlights that India and the EU have been negotiating an FTA since 2007 without conclusion, which also presents an opportunity.

"The talks have continued since the Brexit referendum, however India has made it clear that these negotiations will have to be revisited once the UK leaves the EU," it notes. It adds: "The impending Brexit may further delay the conclusion of this India-UK FTA as India will now have to re-consider and renegotiate the FTAs it holds with the remaining 27 countries of the EU. This provides India and the UK with an opportunity to strengthen their trade and investment relationship. "One way to progress in this direction would be to draw up an FTA between the two countries.

This proposed India-UK FTA may be easier to negotiate than the India-EU FTA, as some of the sticking points in an India-EU FTA may be easier to resolve.

" India has sought improved market access for services in the EU in Mode 1 (information technology-enabled services, business process outsourcing and knowledge process outsourcing) and Mode 4 (the movement of skilled professionals such as software engineers). India has also sought data secure status from the EU, which would enable high end business from the EU to flow into India. The EU, on the other hand, has sought more commitments from India for opening up sectors like insurance and retail, and lowering tariffs in the automobile and wine and spirit sectors. While the EU's concerns and interests - which have stalled the India-EU FTA since 2013 - may not be completely shared by the UK, India may still have some reservations about opening up its automobile sector to the UK, the report cautions. The services industry has been singled as an area of potential as the quantity of bilateral trade between the UK and India in services is currently "minuscule".

"India exports many services for which there is a demand in the UK, and which the UK imports from elsewhere," the report points out.

Although, no trade deals can be done until the UK formally leaves the EU, and much will depend on the negotiated deal between the EU and the UK, as one of the biggest developing countries in the Commonwealth, India needs to take this opportunity and initiate preparations for an FTA with the UK, to be concretised once the UK is no longer a member of the EU," it concludes.

FIEO

INDIA, GEORGIA BEGIN FREE TRADE AGREEMENT TALKS

India has begun the process of negotiating a free trade agreement (FTA) with Georgia and the two countries decided to launch a joint feasibility study for the same. "In this regard, the Joint Feasibility Study Group consisting of the officials of the two countries has been established," commerce ministry said in a statement after Georgia's Minister of Economy and Sustainable Development met India's Commerce and Industry Minister.

The high level group will give its report in six months after discussing the possible scope of a potential FTA and analysing the sensitiveness of specific sectors, while recommending possible ways to address them.

India has a positive trade balance with Georgia. In 2015-2016 the total export from India to Georgia was $82.57 million and import from Georgia was $24.47 million. During the period April -February 2016-2017 India's export to Georgia stood at $83 million as compared with $73 million in AprilFebruary 2015-2016. Imports from Georgia were $28 million viz-a-viz $24 million in AprilFebruary, 2015-2016.

FIEO

INDIA & AUSTRALIA COMMIT TO BEGIN URANIUM EXPORTS, HOLD TALKS ON TRADE PACT

India and Australia committed to begin the commercial exports of Uranium from Australia as well as hold an early round of talks on the proposed comprehensive economic cooperation agreement (CECA). The issue of procurement of Uranium from Australia was addressed by both Prime Minister and his Australian counterpart.

Indian Prime Minister welcomed the passage of a domestic legislation by the Australian parliament, which now allows the export of the nuclear material to India. However, regarding the proposed comprehensive economic cooperation agreement (CECA), the nation's only committed to hold an early round of negotiations.

Discussions in tariff reduction and market access in services have proved to be major sticking points regarding the CECA, talks on which had begun in 2011.

Several rounds of negotiations have been completed for liberalising trade and services regime besides removing non-tariff barriers and encouraging investments.

The latest ninth round of negotiations took place in New Delhi in September last year.

Two-way trade exceeded $12 billion in 2015- 16, a significant fall from the more than $18 billion worth of trade five years back.
India was also Australia's 10th largest trading partner and 5th largest export market in 2015-16.

The RCEP agreement involves the ten countries of the ASEAN grouping and six of its free trade partners - China, India, Japan, New Zealand, South Korea and Australia.

Under the RCEP, India had earlier offered tariff elimination of 42.5 per cent of all traded goods to Australia, while that country has offered zero tariff on 80 percent of such goods. The two leaders also inaugurated a research center on nano and bio technology.

"The Australia-India Research Fund of nearly $100 million has focused on collaborative research projects in the areas such as nanotechnology, smart cities, infrastructure, agriculture and disease control," Indian PM said. Resolving to deepen maritime cooperation, the two prime ministers also recognised that India and Australia share common interests in ensuring maritimesecurity and the safety of sea lines of communication.

FIEO

INDIA ASKS US TO RELAX NORMS FOR GREATER ACCESS TO MANGOES

India has asked the US to relax certain norms related to irradiation for greater access to homegrown mangoes in the American markets, Parliament was informed. Several other agri and non-agri products face non-tax barriers in the US markets.

The phyto-sanitary (related with plants) norms imposed by the US for mangoes from India requires irradiation treatment and inspection prior to the shipment.

"This time consuming and costly process of certification makes Indian mangoes less competitive in the US market," Commerce and Industry Minister said in a written reply to the Rajya Sabha.

Minister said that the government has requested the US to "relax these norms".

India has also sought the option of irradiation at source or upon arrival in the US to provide flexibility for Indian exporters, Minister said. Besides, the country has proposed that US should allow National Plant Protection Organisation to carry out pre-shipment inspection of mangoes to save cost, a process which is currently conducted jointly by India and the US, it added.

Similarly, the US has imposed certain irradiation treatment conditions for pomegranate exports from India. The minister said America has not granted market access to the Indian grapes either.

"The US has granted market access to Indian Litchis after the performance of cold treatment. However, no Litchis have been exported in the last two years," Minister said.

FIEO

VIETNAM LIFTS INDIA'S GROUNDNUT EXPORTS

Exports of groundnuts have jumped by over a third on robust demand from countries such as Vietnam and Indonesia and a bigger domestic crop. However, exporters are apprehensive of sustaining the growth in groundnut shipments, especially after the Government opened up shipments of groundnut oil in bulk quantity as overseas buyers may find it cheaper to import oils.

As per the provisional estimates, shipments were up 34 per cent for the April-February period at 6.53 lakh tonnes over the year-ago period's 4.88 lakh tonnes.

In rupee value terms, the exports for the period were up 35 per cent at 4,910 crore as against 3,652 crore in the year-ago period. In dollar terms, the shipments registered 31 per cent growth at $728.62 million for AprilFeb as against $557 million in the same period last year.

Exporters attribute the rise in groundnut exports to multiple factors, including increased availability of the seeds, competitive prices in the international market and globally acceptable quality. Data from Apeda reveals that exports to Vietnam jumped more than three-fold to 83,361 tonnes in the April-June period as against 18,418 tonnes achieved in financial 2015-16. This is despite Vietnam raking up the phytosanitary issue on Indian exports recently. Indian groundnuts have oil content of 49-51 per cent, whereas the Chinese variety has 46-47 per cent. Far Eastern countries such as Indonesia, Vietnam, Malaysia, Philippines and Thailand are among the large importers of Indian groundnut.

FIEO

UTTAR PRADESH MEAT EXPORTS TAKE RS 4,000 CRORE HIT

The raids on illegal slaughterhouses in Uttar Pradesh have severely affected the state's meat export business and created a serious unemployment problem. According to exporters, orders worth Rs 4,000 crore have been cancelled and 30,000 workers have lost their jobs so far.

UP's meat processing units account for a substantial portion of exports from India.

In the period from April to December 2016 alone, Rs 7,285 crore worth of buffalo meat was exported from the state. Lakhs of people are employed in abattoirs and meat shops.

Of 41 meat processing and export units in the state, 17 have been shut since the new government came to power.

"The raids, coupled with the campaign by overzealous cow protection vigilantes, who have brought transportation of even buffaloes to a standstill, have led to acute shortage of animals, forcing these businesses to shut shop," revealed those involved in the trade.
All India Meat and Livestock Exporters' Association, said, "Around Rs 4,000 crore worth of export orders had to be cancelled because of shortage of livestock.

People in this business are too scared to transport animals," it said. According to industry sources, the main supply of Indian buffalo meat goes to 70 countries, including Vietnam, Malaysia, Indonesia and in the Middle East.

FIEO

SOYBEAN MEAL EXPORTS SEE 578.8% RISE DURING MARCH

The export of Soybean meal and other value added products for March 2017 rose to 1,80,884 tonne compared to 26,645 tonne in March 2016.

This is an increase of 578.85%, according to the figures released by the Soybean Processors Association of India (SOPA).

From a financial year viewpoint, the export during April 2016-March 2017 was 9,90,155 tonne as compared to 3,87,298 tonne in the same period of previous year, an increase of 155.66%.

In terms of the current oil year (October – September), total exports during October 2016 to March 2017 is 9,14,423 tonne against 1,85,770 tonne last year, an increase of 392.23%.

FIEO

RBI PROPOSES SIMPLIFIED FOREX HEDGING FACILITY

Reserve Bank of India unveiled draft guidelines relating to simplified hedging facility for resident entities with foreign currency exposures and non-resident entities with rupee exposures, other than individuals, to enable them to hedge underlying exchange rate risk. The facility is meant for transactions permitted under the Foreign Exchange Management Act, 1999, of up to $30 million or equivalent.

The products that can be used for hedging could be any over-the-counter (OTC) derivatives and exchange traded currency derivatives (ETCD) permitted under FEMA, 1999, except cost reduction structures and swaps, the RBI said. In its draft guidelines, the RBI said customers with total hedging requirement of up to $30 million at any point in time may enter into permitted forex derivative contracts with any bank authorised to deal (or authorised dealer bank) in foreign exchange up to their requirement.

The customers are not required to furnish any documentary evidence to the AD bank for establishing exposure.

Customer will provide the AD bank with a one-time self-declaration signed by the CFO or CFO equivalent, to the effect that the sum total of the outstanding OTC derivative contracts and the outstanding ETCD contracts are backed by underlying currency exposure, either contracted or anticipated.

At the time of booking of hedge contracts, customers may provide information relating to the underlying exposure (no documentary or other evidence is needed), including type of transaction, that is, current/capital account (ECB, FPI, FDI etc.), currency, tenor, and so on. Hedge contracts can be booked with any AD bank provided the underlying delivery takes place with the same bank. Cancelled contracts under this facility may be freely rebooked with the same bank.

FIEO

RBI PROPOSES WHOLESALE, LONGTERM FINANCE BANKS

The Reserve Bank of India (RBI) proposed to float wholesale and long-term finance (WLTF) banks that would fund long-term high-value projects — something similar to the development finance institutions (DFIs) of the past. "Going forward, considering the existing landscape of banking and non-banking services in the country, it is felt that there is a need to explore the possibilities of permitting other types of differentiated banks to facilitate progression to a more mature and deeper financial sector," the central bank said in a draft discussion paper on WLTF banks. The minimum capital required for the bank would be Rs 1,000 crore, considering these banks would be "very large institutions ab initio to take on large exposure to industrial, commercial and infrastructure sector". Therefore, they have to heavily invest in information technology and skill building to mitigate the risks. These banks will focus primarily on lending to infrastructure and small, medium & corporate businesses.

They will also mobilise liquidity for banks and financial institutions directly originating priority sector assets, through securitisation of such assets and actively dealing in them as market makers, the RBI said. The WLTF banks could also act like market makers in corporate bonds, credit derivatives, warehouse receipts, and takeout financing, etc. "These banks will provide refinance to lending institutions and shall be present in capital markets in the form of aggregators," the RBI said, adding the banks could be allowed to take part in investment banking activities as an ancillary of its primary duty of providing "deposits and loan products for wholesale clients and financing of infrastructure sector and core industries".

The bank would be on-tap and the eligible promoters could be anyone who satisfies the fit-and-proper guidelines on floating a regular commercial bank, which means industrial groups and corporate houses will not be eligible to float these banks. These banks should not accept savings deposits, the RBI said.

Only current account and term deposits of at least Rs 10 crore would be allowed, with “reasonable restrictions” on premature withdrawal of these deposits, the discussion paper said. Besides, the banks can issue bonds, locally or abroad, in rupee denomination. The banks will have to maintain the cash reserve ratio, but would be exempted from the statutory liquidity ratio, or mandatory bond holding.

There could also be relaxation regarding liquidity risk and compliance with liquidity ratios such as liquidity coverage ratio. The primary sources of funds for WLTF banks could be a combination of term deposits, debt and equity capital raised from primary market issues or private placement, and term borrowings from banks and other financial institutions. The retail presence, if at all, would be negligible. These would help take out pressures from existing commercial banks that are averse to fund long-term projects due to heavy bad debts in their books. Also, niche banks can bring expertise to the banking system that could lead to enhanced efficiency “in terms of reduced intermediation cost, better price and improved allocation of capital,” said RBI. The creation of specialised wholesale vehicles was proposed by the Report of the Committee on Financial Sector Reforms, chaired by former RBI governor Raghuram Rajan. Later, the Nachiket Mor committee suggested creation of specialised wholesale banks.

FIEO

RUPEE RATTLES APPAREL EXPORTERS

The Indian currency’s appreciation against the dollar for the past three to five months is turning out to be a matter of concern for apparel exporters. Apparel exports in 2016-2017 amounted to $16.9 billion and it might be $17 billion this year.

“For the last two years it is hovering around the same figure. In fact, it is declining in volume terms,” according to Apparel Export Promotion Council (AEPC). The U.S. and Europe, which are the main markets for Indian apparel exports, are seeing tepid demand.

Exports to West Asian countries have also slowed in recent months. The Centre, in June last year, announced a Rs. 6,000 crore package to boost apparel exports.

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FACTORY OUTPUT SHRINKS 1.2% IN FEBRUARY; RETAIL INFLATION AT FIVEMONTH HIGH IN MARCH

Industrial growth contracted unexpectedly in February while consumer inflation quickened to a five-month high in March, a double setback for the Indian economy as it enters the new financial year. Industrial production shrank 1.2% in February against a 3.3% rise in January, data released by the statistics office showed.

Consumer inflation accelerated to 3.81% in March largely due to increased fuel prices, according to data separately released by the department. Industrial growth came in below the consensus expectation of an increase of more than 1%. The decline was broad-based with manufacturing contracting 2%, mining reporting a 3.3% rise in February and electricity generation stagnant at 0.3%. Production of capital goods declined 3.4%, highlighting the continued weakness in investment activity. Consumer goods output fell 5.6% with durables production contracting 0.6% and non-durables reporting an 8.6% decline.

Overall, industrial growth for the AprilFebruary period was 0.4%. The Indian economy is forecast to grow 7.1% in 2016-17 compared with 7.9% in 2015-16.

Retail inflation Meanwhile, retail inflation rose marginally to 3.81 per cent in March from 3.55 per cent in February 2017. It was 4.83 per cent in March last year. Consumer food price inflation however, eased to 1.93 per cent in March as compared to 2.01 per cent in February.

Amongst food items, prices of pulses dipped by 12.42 per cent while retail inflation in vegetables contracted by 7.24 per cent.

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GLOBAL TRADE TO PICK UP PACE THIS YEAR, WTO PEGS GROWTH AT 2.4% IN 2017

Growth in the volume of world merchandise trade is expected to rebound this year from its tepid performance in 2016. World Trade Organisation (WTO) expects global trade to grow 2.4 per cent in 2017 compared with 1.3 per cent in 2016 but only if the global economy recovers as expected and governments pursue the right policy mix. It has further pegged global merchandise trade to grow between 2.1-4 per cent in 2018.

"Weak international trade growth in the last few years largely reflects continuing weakness in the global economy. However, if policymakers attempt to address job losses at home with severe restrictions on imports, trade cannot help boost growth and may even constitute a drag on the recovery," said WTO Director-General after releasing trade statistics for 2016 and projections for 2017- 18.

WTO noted that the unpredictable direction of the global economy in the near term and the lack of clarity about government action on monetary, fiscal and trade policies raises the risk that trade activity will be stifled. "A spike in inflation leading to higher interest rates, tighter fiscal policies and the imposition of measures to curtail trade could all undermine higher trade growth over the next two years," the WTO said in its report.

In 2016, the weak trade growth of just 1.3% was partly due to cyclical factors as economic activity slowed across the board. The most trade-intensive components of global demand were particularly weak last year as investment spending slumped in the United States and as China continued to rebalance its economy away from investment and toward consumption, dampening import demand.

"Global economic growth has been unbalanced since the financial crisis, but for the first time in several years all regions of the world economy should experience a synchronized upturn in 2017. This could reinforce growth and provide an additional boost to trade," it said.

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INDIA, CUBA RESIST PRESSURE ON WTO E-COMM RULES

India has joined forces with Cuba to resist pressure from other members at the World Trade Organization to start negotiations on ecommerce rules. Australia, the EU, Norway and China have stepped up their campaign to include ecommerce in the agenda for the year-end Ministerial meeting in Buenos Aires, and New Delhi is reaching out to countries that share its opposition to the move. At a recent meeting of the WTO's goods council, India and Cuba took the stand that it was premature to discuss multilateral rulemaking in e-commerce, given the digital divide among members, an official familiar with the discussions said.

Several other members such as Australia, Switzerland, Norway, Brazil and Argentina, however, said that an agreement on ecommerce was necessary for the WTO to demonstrate its continued relevance. Enormous pressure "There is a pressure from both developed and developing countries to bring e-commerce formally in the agenda of the WTO negotiations," the official said. "India opposes it because once discussions begin, members could try to include a lot of aspects into it, including market access. It therefore has to work together with like-minded countries like Cuba." Cuba particularly took issue with suggestions to negotiate liberalisation and market access in e-commerce and emphasised that there was no basis for doing so, it added. Electronic commerce was made a part of the WTO in 1998, but in a limited way. Members had agreed to give a temporary moratorium on import duties on digital transmissions.

This moratorium is extended every two years. It was also decided to hold discussions on various aspects of e-commerce, but there was no understanding on negotiating rules.

The stakes in India The e-commerce sector is extremely sensitive in India as the move to allow foreign investment into the e-retail sector has, so far, been strongly resisted by the owners of small stores who argue that it will disrupt their livelihoods. Allowing multilateral rule-making in the area could lead to political destabilisation.

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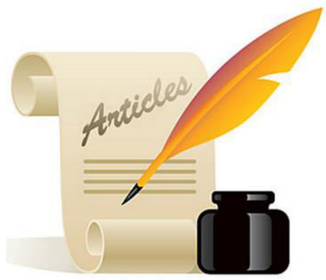

India Set to Export Mangoes to Australia For the First Time

Melbourne: India may export mangoes that meet biosecurity standards to Australia for the first time following revision of protocols to allow them in the Australian economy.

Robert Gray from Australian Mango Industry Association, said the Indian mangoes would be for sale outside of the Australian mango season.

However, the fruit has to meet biosecurity standards including irradiation before they are exported, he said.

Mexico, the Philippines and Pakistan have previously exported mangoes to Australia over the years.

He said India had started exporting mangoes to the US as well, but it was hard to know what type of volumes would be sent to Australia.

"While India is a huge mango-growing country, their export business is a bit like ours," he said. "[India will be] targeting affluent markets, markets where they can place small quantities of very high-value product," Gray said.

"Alphonso is slightly tricky but handled well it is one of the best varieties in India," he said.

"Kesar is the best commercial variety because it has a good price, good flavour, and it handles very well," Khakhar said.

Indian mango exports are likely to surpass last year's level and touch 50,000 tonne mark in the ongoing fiscal, buoyed by strong demand and supply of export quality fruit, India's Agricultural and Processed Food Products Export Development Authority (APEDA) had earlier said.

http://www.news18.com/

Trade associations pitch for export of Indian gold bars

MUMBAI: India's bullion trade is requesting the government to permit export of gold bars made locally as the first step towards establishment of a good delivery Indian gold bar standard analogous with global benchmark London Bullion Market Association good delivery bar.

Two trade associations have suggested different ways to go about export.

The India Bullion & Jewellers Association (IBJA) wrote to the PMO last week requesting the government to relax the minimum value addition norm for export of any gold item from 3% (for handmade) and 1.5% (machine made). Bar refining does not result in value addition of 1.5%.

This automatically disqualifies exports of gold or silver bars.

It suggests that bars made from imported dore, or raw gold, by Indian refiners be allowed for export at international spot rate.

This will help in creating an Indian standard of good delivery that can be used on exchanges like MCX and the planned bullion spot exchange be set up jointly by the Bombay Stock Exchange and IBJA.

Currently, exchanges accept LBMA certifies bars. It will also enable the country earn valuable foreign exchange, IBJA said.

However, the Association of Gold Refineries & Mints (AGRM) said importing bars made from dore is not financially viable as miners typically pay $2 to refiners as refining charges, which does not cover cost overheads for them.

Instead, the association has asked the government to consider export of bars made from gold scrap - resident sales of old jewellery for cash.

“There's profit margin only when refiners sell bars made from dore in India,“ said Rajesh Khosla, MD, MMTC BSE 3.06 % Pamp.

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