

Monthly Newsletter

1. TRADE

A) EXPORT OF SOYBEAN MEAL INCREASES BY 446.38%

The export of soybean meal and its other value added products during January 2017 was 1,55,164 tons compared to 28,398 tons in January 2016 showing an increase of 446.38% over the same period of last year, according to figures released by Soybean Processors Association of India (SOPA). On a financial year basis, the export during April'2016 to January'2017 is 6,01,294 tons as compared to 3,30,702 tons in the same period of previous year showing an increase of 81.82%.

B) US RECOGNISES INDIA AS 'MAJOR DEFENCE PARTNER', CHANGES EXPORT CONTROL LAWS

Recognizing India's status as a 'Major Defence Partner', the US has made necessary changes in its export control laws that would benefit India by facilitating smoother transfer of technologies and arms to it. This new rule makes necessary changes in the export control laws "creates a presumption of approval" for Indian companies seeking to import Commerce Department-controlled military items, except Weapons of Mass Destruction-related goods. This means that only under the rarest circumstances will India be denied licenses. Indian and US companies operating in India can seek VEU status for both civil and military manufacturing, and by doing so not need to obtain individual licenses. Additionally, under the new regulation, Indian companies will not be required by US law to seek approval for the re-export of platforms that contain less than 25% US content. The rule will make business substantially easier for Indian companies in the defense sector, especially those partnering with American companies.

C) DOUBLE WHAMMY FOR TEA EXPORTS

Indian tea exporters are facing uncertainty from two of its major markets Iran and UK. The UK is flooded with cheaper grade tea from Kenya which is spoiling India's chances there. Similarly, India is facing a problem in the payment mechanism with Iran as the country wants tea trade to be conducted in dollars instead of rupees. Exports to the UK post-Brexit may become a challenge given that the pound is becoming weaker while price of Indian tea is going up on account of the rise in cost of production. In 2016, Kenya, which produced 73 million kg of more teas, had sold more tea to the UK market compared to Indian tea. In 2016, Indian exports to UK dropped by 20% to 15.78 million kg. Similarly Iran had imported 22.75 million kg of premium Sri Lankan orthodox teas in 2016.

D) GRAPES BUMP UP FRUIT EXPORTS BY 40%

Triggered by a sharp increase in production, led by grapes, exports of fresh fruit jumped 40% in the first nine months of the financial year on account of a sharp output decline in competing countries. The data compiled by the Agricultural & Processed Food Products Export Development Authority (Apeda) showed fresh fruit exports jumped to 487,441 tonnes (\$403 million) in April-December 2016 against 348,675 tonnes (\$335 million) in the corresponding quarter last year. Apart from grapes, India exports mangoes to a number of European, American and West Asian countries. Exports of grapes from India were estimated to have jumped 15-20% this season, following crop damage in exporting countries such as Chile and South Africa. India also started shipping fruit to China, a market that opened for Indian exporters last year. Another factor for the sharp increase in exports was the entry of large corporate houses that provide special attention to factors such as seeding, field preparations, planting, re-planting, time of harvesting, post-harvest management and marketing. With deep pockets, large corporate houses in fruit management have helped India compete with developed countries that have the best quality produce. The 1st Advanced Estimates of the Ministry of Agriculture has forecast grapes output to set a record of 2.64 million tonnes for 2016-17, against 2.59 million tonnes last year.

E) FIRST CARGO SHIP FROM INDIA ARRIVES IN BANGLADESH

The first container ship from India arrived in Bangladesh's Panagon river port under the Coastal Shipping Agreement signed in 2015, allowing direct cargo vessel movement between the two countries. The ship, 'Shonartori Nou Kalyan-1' reached the Pangaon Inland Container Terminal at Keraniganj, with 65 containers on board. Cargo ships will now reach and depart from Pangaon to India every 15 days. The link between the Pangaon terminal and India will save time and money.

F) COFFEE EXPORTS UP ON GLOBAL PRICE RECOVERY

With less production in Brazil due to drought and increasing demand in global markets, coffee export from India since January 1 has risen around 6% in volume and 15% in value over the same period a year before. Our coffee export and re-export was 46,000 tonnes, as against 43,436 tonnes a year before. In value terms, \$119.2 million (Rs 805.3 crore) from \$103.3 mn (Rs 699.4 crore). India has traditionally been an Arabica market but growers have switched over the years to Robusta, as global demand for this variety has increased — mainly for instant coffee. Robusta is now Rs 7,000-7,200 a bag, from Rs 6,200-6,300 in December (exporters contend Indian Robusta is better than Brazil's in quality). Over the past three-odd years, exporters have been through difficult times due to drops in prices and production and a rise in production cost. In 2016, Arabica shipments from India grew around 18% to 51,648 tonnes (43,785 tonnes in 2015). Robusta export was up around 20% at 201,000 tonnes (167,000 tonnes in 2015).

2. FDI

A) GOVT ABOLISHES TWO DECADE OLD FIPB, TO BRING MORE FDI POLICY EASING REFORMS

Finance Minister Arun Jaitley has proposed abolition of the Foreign Investment Promotion Board (FIPB), a move that sets the stage for more reforms in the FDI policy. The government is yet to announce the modalities of the new system of processing applications, which fall under

the approval route. The government is also considering further liberalization of the FDI policy and will make necessary announcements in the due course. The Department of Industrial Policy and Promotion is expected to release the annual consolidated FDI policy circular by March. The approval mechanism will be put in place for sectors currently under approval route such as retail trade, defence and in-kind (non-cash) FDI investments.

3. ECONOMY

A) DEFENCE BUDGET UP 6% IN 2017-18

Overall defence budget saw a 6.2% increase for the next fiscal year at Rs. 2.74 lakh crore from the current Rs. 2.58 lakh crore, with the capital outlay to cover the modernisation programmes getting a hike of 10.05%. The defence outlay amounted to 12.77% of the total budget. The capital outlay for the three defence services for the purchase of new equipment, weapons, aircraft, warships and other military vehicles stood at Rs. 86,488 crore for 2016-17 as compared to Rs. 78,586 crore for this fiscal year. The money allocated for defence pensions was Rs. 85,737 crore as compared to revised estimate of Rs. 85,624 crore this fiscal year.

B) ECONOMY TO GROW AT 7.4%

Indian Ratings and Research (Ind-Ra) expects the Indian economy to grow at 7.4% year-on-year in fiscal year 2017-18. The growth will be backed by consumption demand and government spending, leading to a growth of 3% in agriculture sector, 6.1% growth in industries and 9.1% growth in the service sector. The final consumption expenditure is expected to grow at 8.9% for the private sector and 9% for the government. The Current Account Deficit (CAD) is expected to be 1% of the GDP in 2017-18, as compared to 0.9% in 2016-17.

C) EXPORTS UP 4.3% IN JAN, BUT TRADE DEFICIT WIDENES

Improved demand from the United States, European Union and Japan helped increase India's exports for in January. A faster increase in imports, however, widened the trade deficit. Imports rose 10.7% to \$31.9 billion during the month, yielding a \$9.8 billion trade deficit in January compared with \$7.6 billion in the year-ago period. Gold imports declined almost 30% to \$2.04 billion in January. As many as 17 out of 30 exporting sectors showed an increase in shipments, but labour intensive sectors such as leather, carpets, and gems and jewellery reported a fall in exports. Exports got a boost from higher crude prices. Among non-oil merchandise exports, engineering goods did well while gems and jewellery, and drugs and pharmaceuticals saw a decline. Oil imports in January saw a 61% spike to \$8.14 billion while non-oil imports were flat at \$23.8 billion. Non-oil, non-gold imports rose 4.2% in January, in line with 4.4% rise in the previous month, driven by coal imports. Trade deficit in first ten months of 2016-17 was \$86.3 billion, 19.82% lower than deficit of \$107.7 billion a year ago. The increase in trade deficit in January 2017 relative to January 2016 is chiefly attributable to rise in crude prices and coal imports, which overshadowed the benefit of shrinking imports of gold, iron and steel, and fertilizers.

4. PAN INDIA

A) THE INDIA-AUSTRIA DOUBLE TAXATION AVOIDANCE CONVENTION

India and Austria signed a Protocol amending the existing Convention between the two

countries for Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. The Protocol will broaden the scope of the existing framework of exchange of tax related information which will help curb tax evasion and tax avoidance between the two countries and will also enable mutual assistance in collection of taxes.

B) INDIA TO BEAT JAPAN TO BECOME THIRD LARGEST DOMESTIC AVIATION MARKET GLOBALLY

The Indian aviation market is likely to overtake Japan this year to become the world's third largest domestic market after US and China. The Indian domestic market is on track to surpass 100 million passengers in 2017. In fact, domestic air traffic could grow by close to 25% in 2018 and approach 130 million passengers. The reasons for the growth are primarily strong economic fundamentals, although traffic has been over-stimulated by low fares.

C) GVK WINS RIGHTS TO BUILD NAVI MUMBAI AIRPORT

GVK Power & Infrastructure Ltd, which runs the Mumbai and Bengaluru airports, has won the right to build Mumbai's second airport in Navi Mumbai, beating arch rival GMR Infrastructure Ltd. GVK, through Mumbai International Airport Ltd, which runs the Mumbai airport, offered to share 12.60% of the revenue of the new airport with City and Industrial Development Corp. of Maharashtra (CIDCO). That was higher than the 10.44% offered by GMR Infrastructure, which runs the Delhi and Hyderabad airports. GVK and GMR were the only bidders in the race for the right to build the Rs 16,000 crore Navi Mumbai airport project that will reduce the burden on Mumbai's congested airport. CIDCO expects the first phase of the airport to be operational by 2019; this will handle 10 million passengers annually. The airport will handle 60 million passengers a year by 2030, when it will reach full capacity. The project requires around 2,268 hectares, out of which 1,160 hectares will be utilized for aeronautical purposes. Mumbai's existing airport is crowded, in terms of both passengers and planes. Many airlines are finding it difficult to get slots at the airport. Domestic air traffic is growing at over 20% annually and touched 100 million passengers in 2016. The Mumbai airport handles about 40 million passengers annually.

D) RAILWAYS PLANS MASSIVE TRACK EXPANSION IN ARUNACHAL PRADESH, CONNECT TAWANG

Union ministry of Railways is readying for building massive railway infrastructure in Arunachal Pradesh, state bordering China. Railways will start survey of three railway tracks linking Tawang. Railways are anticipating these projects will require investment of around Rs 50,000 to Rs 70,000 Crore. These railways tracks include Bhalukpung to Tawang, Silaphatar to Bama and Murkongselek via Rupai to Pasighat. Railways planned to cover the length and breadth of Arunachal by railway network. The union budget 2017-18 has sanctioned survey of construction of new lines from Doom Dooma to Wakro via Simalguri, Namsai and Chowkham (96km), Dangri to Roing (60km), Lekhapani to Deban via Nampong (75 km), Tinsukia to Pasighat via Deomali Lekhapani Jairampur Kharsang Miao, Roing and Dambuk (300km).

E) INDIA EMERGES 12TH LARGEST HOLDER OF US GOVT SECURITIES

India became the 12th largest holder of US government securities at the end of 2016, with exposure worth USD 118.2 billion. With holdings worth USD 1.09 trillion, Japan remained the largest holder of these securities followed by neighbouring China with exposure to the tune of USD 1.06 trillion. After Japan and China, Ireland was at the third place with holdings worth USD 288.2 billion, followed by Cayman Islands (USD 263.5 billion), Brazil (USD 259.2 billion) and Switzerland (USD 229.3 billion). Other nations having more holdings than India were Luxembourg (USD 223.4 billion), United Kingdom (USD 217.1 billion), Hong Kong (USD 191.4

billion), Taiwan (USD 189.3 billion) and Belgium (USD 120.4 billion).

5. GOVERNMENT CIRCULARS AND POLICIES

A) CHEMICAL FROM THAILAND FACES ANTI-DUMPING DUTY

The government is likely to impose anti-dumping duty of up to USD 135.40 per tonne on imports of a chemical used in foam making from Thailand. The move is aimed at protecting domestic players from cheap imports of 'Flexible Slabstock Polyol' from the South-East Asian country. Directorate General of Anti-Dumping and Allied Duties (DGAD), under the commerce ministry, has concluded that the domestic industry has suffered material injury due to the dumped imports from Thailand."The authority considers it necessary to recommend imposition of definitive anti-dumping duty on imports of the subject goods (chemical) from Thailand," DGAD said in a notification. The chemical is used in the foam industry, which is used in upholstery, mattresses, pillows, transport seating and packaging.

6. GLOBAL BUZZ

A) QATAR AIRWAYS LAUNCHES 17-HOUR FLIGHT

Qatar Airways launched the world's longest scheduled commercial service with its inaugural flight from Doha to Auckland. The Boeing 777 flight will take 16 hours and 20 minutes, pass over 10 time zones, five countries and travel 14,535 kilometres (9,032 miles) before reaching Auckland. This will make it the world's longest passenger service in terms of flying time.

B) 68% OF NEPAL FDI WILL BE FROM CHINA

China's economic influence in Nepal continues to grow with Beijing once again pledging the maximum FDI to the Himalayan nation. According to the Nepal government's figures, China accounts for as much as 68% of the FDI pledged to Nepal for the current fiscal by various countries. In 2015-16, China's share stood at 40% of the total FDI pledged to Nepal. According to Nepal's department of industry, China accounted for \$51.77 million out of the total FDI pledge of \$76.39 million for the first half of the current fiscal. The total FDI pledged to Nepal in 2015-16 was roughly \$140 million — while China was the top pledger with a commitment of \$57 million, India stood third with \$18 million. New Delhi's support to Kathmandu couldn't be measured only in terms of the FDI pledged, and India also contributed \$50-70 million every year as aid. Nepal received a commitment of \$600 million in FDI in 2014-15. The sharp fall between the pledges for 2014-15 and 2015-16 is attributed mainly to political uncertainty in Nepal. China's share in the total FDI committed though remained steady. It's also significant that last year, Nepal counted the UK, the US, Japan, China and Switzerland as its top five bi-lateral-development partners on the basis of official development assistance (ODA) disbursement, leaving India out of the list for the first time in five years.

C) WORLD BANK GIVES LEBANON \$200 MILLION TO UPGRADE ROADS

The World Bank has earmarked \$200 million for repairing Lebanon's unsafe roads, signaling a resumption of international aid months after the election of a president following a two-year political vacuum in the tiny Mediterranean country. The international lender said that the funds will be used to repair around 500 kilometers (312 miles) of roads in the first phase of a broader government plan "to revamp the country's crumbling road sector." The project

would "help Lebanon continue to offer basic services both to its citizens and to Syrian refugees in the country."Lebanon is home to some 1.2 million Syrian refugees, the equivalent of a quarter of its own population. Hundreds of millions of dollars in assistance money from the World Bank was held up as Lebanon's long-feuding factions failed to agree on a president for more than two years.

D) RUSSIA WORLD'S TOP CRUDE OIL PRODUCER

Russia overtook Saudi Arabia as the world's largest crude producer in December, when both countries started restricting supplies ahead of agreed cuts with other global producers to curb the worst glut in decades. Russia pumped 10.49 million barrels a day in December, down 29,000 barrels a day from November, while Saudi Arabia's output declined to 10.46 million barrels a day from 10.72 million barrels a day in November. The U.S. was the third-largest producer, at 8.8 million barrels a day in December compared with 8.9 million barrels a day in November. Iraq came in fourth at 4.5 million barrels a day, followed by China at 3.98 million barrels a day. Saudi Arabia's crude exports declined to 8 million barrels a day in December, from 8.26 million barrels a day, the biggest outflow for any month since May 2003. Saudi Arabia boosted oil exports and production last year to the highest monthly averages on record as the global crude market endured oversupply.

E) CHINESE FIRM TO BUY CHEVRON'S BANGLADESH GAS FIELDS FOR \$2B

China's state-run Zhenhua Oil has signed a preliminary deal with Chevron to buy the US oil major's natural gas fields in Bangladesh that are worth about \$2 billion. Zhenhua is a subsidiary of China's defense industry conglomerate NORINCO. A completed deal would mark China's first major energy investment in Bangladesh, where Beijing is competing with New Delhi and Tokyo for influence. Bangladesh, though, holds the right of first refusal on the assets and could block the transaction. The country, via its national oil company Petrobangla, is keen to buy the gas fields and is talking to international banks to raise financing.

7. TOGETHER WE PROGRESS

MOU'S

- A) NEPAL CHAMBER OF COMMERCE
- B) INDIA THAI CHAMBER OF COMMRC
- C) ASSOCIATION OF ELECTRONIC TRADING PLATFORMS (RUSSIA)
- D) FEDERATION OF EMPLOYERS OF UKRAINE
- E) E.M.T.B (SENEGAL)

Disclaimer: This information has been collected through secondary research; IICCI is not responsible for any errors in the same.

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