

Monthly Newsletter

1. TRADE NEWS

A) INDIA IS NOW SECOND LARGEST BUYER OF IRANIAN CRUDE

India has become Iran's second biggest oil buyer after exports to India rose sharply to 505,000 barrels/day from an earlier 290,000 tons. During sanction years, India purchased about 20% of Iran's oil exports equal to an average of 200 thousand barrels per day. Essar Oil refinery ranked first in importing crude oil from Iran while the Mangalore Refinery and Petrochemicals Limited (MRPL) came in second. Reliance Petroleum Limited of India purchased a shipment of oil condensate produced at Iran's Forouzan oilfield after a six-year absence. Iran is India's third-biggest oil supplier after Saudi Arabia and Iraq.

B) KENYA GLUT FORCES INDIA TO EXPORT CHEAPER TEA TO PAKISTAN

Indian tea exporters are under pressure to lower prices for clients in Pakistan in face of cheaper imports from Kenya, its largest supplier which has seen a 68% increase in production this year. Pakistan is one of the top three tea importers, with annual consumption of 220 million kg. In the first four months of 2016, Pakistan imported 5.12 million kg of tea, down from the 5.63 million kg it had imported in the year-ago period. Kenya has produced 177 million kg of tea this year, which is 72 million kg more than last year. With this huge production, Kenya is in a position to offer more competitive price to Pakistan than India. Pakistan is offering an average price of \$1.70 per kg for Indian tea, as availability from Kenya is on the higher side. However, fall in exports to Pakistan could be offset by demand from another neighbour, Bangladesh. Bangladesh is ready to buy Indian teas at a price of \$1.90-\$2.05 per kg. It is a good market for Indian teas and is growing. Apart from the traditional EU market, Russia, the US, Pakistan, Iran, Egypt and Bangladesh continue to be focus markets for Indian tea exporters. In 2015, Indian exported 232.92 million kg of tea compared with 199.08 million kg in 2014.

C) EXPORTERS TOO CAN GIVE MADE-IN-INDIA TAG

A section of Indian exporters will be able to certify goods headed for Europe from 2017 to the effect that they were made in India, a measure that will help reduce processing time as well as costs. This facility will be available to traders exporting goods under the European Union's special scheme called the Generalized System of Preferences (GSP), a quota of sorts for each country at low or no duty. To ensure that the quota is utilized by the country it is allotted to, the shipments under this facility need to carry a certification that the goods were manufactured in that country. At present, exporters need to get this certification from accredited agencies. Once the new system kicks in, exporters will be able to directly provide their customers statements on origin by submitting information such as name and contact details through the internet.

D) AFTER 5-YR DREAM RIDE, BIKE EXPORTS SKID

Tumbling crude prices and the resultant forex crisis in a large number of Latin American and African countries has had one unexpected fallout - motorcycle exports out of India have been pushed onto skid row. Bike exports, which had been vrooming for the past five years, are down nearly 11% in the first quarter of the current fiscal, pulling down overall two-wheeler exports by more than 8%. Companies like Hero MotoCorp, Bajaj Auto, TVS Motor and others, which had focused aggressively on exports to these markets, have been hit hard.

E) INDIA – PAKISTAN INFORMAL TRADE

Informal trade between India and Pakistan is an open secret. India and Dubai estimates informal trade to be US\$ 4.71 billion. Of this, India's exports to Pakistan are estimated to be USD 3.99 billion and imports from Pakistan USD 0.72 billion. Though the transaction costs of trading via the informal channel are significantly higher than the formal channel, traders prefer to trade through the informal channel since it is more efficient than the formal channel. Pakistan's negative list of 1209 items is the most important factor behind India's informal exports to Pakistan. Only 137 items are allowed to be exported from India to Pakistan via the Wagah road route. These restrictions gives an impetus for negative list goods to be traded informally from India to Pakistan largely through third countries. Most of India-Pakistan informal trade flows through third country, in particular Dubai. Most agents import the products into free zones in Dubai and re-export it within the stipulated time with fresh documentation and in this way evade duties. Indian bill of lading shows Dubai as the destination and the product is re-exported to Pakistan. Real jewelry including gold, diamonds and precious stones is the single largest commodity traded informally from India to Pakistan accounting for 23% of India's informal exports to Pakistan. This high value jewelry is hand carried either by air through Dubai or even with passengers in Samjhauta Express. Textiles is the second largest item being exported informally even though it is allowed to be exported formally in the positive list. Tobacco, pan masala and pan/betel leaves were also found to be exported to Pakistan informally. There is demand in the Pakistan market for Indian gutka and pan masala. Import of gutka in Pakistan is banned yet Indian gutka and tobacco products can be seen openly in the Pakistan market. Real jewelry, textiles, machinery and machine parts, electronic appliances, scraps, paper, chemicals, tyres and packaged food items together account for nearly 80% of India's informal exports to Pakistan. The combined share of remaining items which includes spices, pulses, 15 consumer durable items, industrial additives, pharmaceutical products, artificial jewelry, pan masala, tobacco products, etc was 20%. About 68% of India's informal exports to Pakistan are routed via Dubai. Informal trade through Delhi-Amritsar-Lahore passenger bus/rail accounts for 26% of the total informal exports. Informal exports through Afghanistan accounts for 4% and cross LoC trade route accounts for 2% of India's total informal exports to Pakistan. Seven routes through which informal trade between India and Pakistan takes place: 1. India-Dubai-Pakistan 2. India-Dubai-Iran (Bandar Abbas)-Afghanistan-Pakistan 3. India-Dubai- Pakistan (Karachi)- Afghanistan-Pakistan (sea and land route)4. India-Pakistan (Karachi)-Afghanistan-Pakistan (sea and land route) 5. India- Afghanistan-Pakistan (air route) 6. Delhi-Amritsar-Lahore (passenger bus/rail) 7. Cross LoC Trade Routes (Uri-Salamabad and Poonch-Rawalkote).

F) CHINA ADDS SPICE TO NUTMEG GROWERS IN INDIA

China may turn saviour for nutmeg growers in India who have been plunged into a crisis with sluggish demand and excess supply. Increased buying by China this year can lift nutmeg prices, bringing relief to growers. The overseas demand has slowed as the global market is witnessing rising supply, particularly with the emergence of Caribbean country Grenada as a prominent producer of the spice. Indian nutmeg prices, which touched Rs 1,000 per kg some years ago with short supply in Indonesia, have crashed to around 400 per kg level, which growers find unprofitable. Nutmeg is mainly used as a seasoning for sweet and meat dishes. Quality problems

in Indian nutmeg like fungus have led to Europe and the US turning to Indonesia and Grenada for supply as the food quality standards in these countries are high. But China doesn't have stringent quality norms. The Asian countries are the chief buyers of Indian nutmeg.

G) NZ AND INDIA SIGN A REVISED AIR SERVICES AGREEMENT

A revised Air Services Agreement was signed between New Zealand and India. The agreement will boost tourism and trade by enhancing air connectivity. New Zealand airlines now have the opportunity to sell seats through code shares on international flights to seven Indian cities - Bangalore, Chennai, Hyderabad, Kochi, Kolkata, Mumbai and New Delhi. Indian airlines, on the other hand, can do so to any airport in New Zealand and Fiji. It also keeps open the door for direct flights between the two countries when airlines consider commercial conditions are ripe.

2. FDI

A) GOVT. MULLING RAISING FDI CAP IN NEWSPAPERS, PERIODICALS

The government is mulling over raising the foreign direct investment (FDI) limit in newspapers and periodicals to 49% from 26% at present. Currently, the FDI policy permits 26% FDI in the publishing of newspapers and periodicals, dealing with news and current affairs through the government approval route.

B) GOVERNMENT PLANS TO ATTRACT MORE FDI IN DAIRY SECTOR

Aiming to double farmers' income in the next five years, the Centre is chalking out a national action plan to attract more foreign investment in the dairy sector. The plan is to increase foreign investment in the dairy sector in the next five years from the current level of around Rs 141 crore. The government wants to supplement farm income by focusing on allied activities of agriculture like dairy, poultry and fishery.

C) RECORD 53% JUMP IN FDI IN 2 YEARS

India saw a record 53% increase in fdi in the last two years as the investment climate brightened due to steps taken to foster growth, price stability and fiscal prudence which also improved the overall macro-economic stability.

3. ECONOMY

A) CYPRUS TREATY: INDIA GETS RIGHT TO TAX CAPITAL GAINS

The country's renegotiated tax treaty with Cyprus will provide for taxation of capital gains in India arising from sale of shares of desi companies. However, all investments undertaken prior to April 1, 2017, will be grandfathered. In other words, a Cyprus resident investor who has invested in Indian shares prior to this date will not have to pay tax on capital gains in India. Cyprus is a major source of foreign fund flows into the country. From April 2000 till March 2016, India received Foreign Direct Investment worth Rs. 42,680.76 crore from Cyprus.

B) INDIA IS WORLD'S FOURTH-LARGEST APP ECONOMY

India is rapidly moving into the mobile app age and is already the fourth-largest mobile app economy. In total app downloads per year, only China, US, and Brazil are ahead of India. The annual figure for India is projected to grow by 92% to reach 7.7 billion downloads this year, and further to 20.1 billion by 2020. The most important thing that is now driving the app economy here is not the number of downloads or the revenue but just the amount of time spent by users on the mobile app. The amount of time Indians spent on apps in the first quarter of 2016 more than doubled compared to that in the first quarter of 2014. In retail apps, the time spent grew by 11.5 times during the same period, driven by e-commerce majors like Flipkart-Myntra, Amazon, and Snapdeal. The time spent on video streaming apps grew by 7.4 times, with YouTube and Hotstar leading the way.

4. PAN INDIA

A) WORLD BANK COMMITS \$1 BILLION FOR INDIA'S SOLAR-ENERGY PROGRAMME

The World Bank Group signed an agreement with the International Solar Alliance (ISA), consisting of 121 countries led by India, and committed to provide \$1 billion in support to Indian solar energy projects. The World Bank-supported projects include solar rooftop technology, infrastructure for solar parks, bringing innovative solar and hybrid technologies to market, and transmission lines for solar-rich states. The cumulative investment in India's solar sector would be World Bank's largest financing in this sector, so far, for any country in the world. The World Bank also signed an agreement to pump funds close to \$625 million for the Grid Connected Rooftop Solar Program under the National Solar Mission. The project will finance the installation of around 400 megawatt of solar photovoltaic power projects. The development of a \$200 million shared infrastructure for Solar Parks Project under a public-private partnership model is also under preparation, said World Bank.

B) JAWAHARLAL NEHRU PORT BECOMES FIRST PORT IN COUNTRY TO IMPLEMENT LOGISTICS DATA TAGGING OF CONTAINER

Jawaharlal Nehru Port implemented the logistics data bank tagging of containers, first of its kind facility, which will help importers/exporters track their goods in transit through logistics data bank service. An RFID (Radio Frequency Identification Tag) tag would be attached to each container which would be tracked through RFID readers installed at different locations providing the 'Visibility' and 'Transparency' of the EXIM Container Movement by covering the entire movement through rail or road till the ICDs (Inland Container Depot) and CFSs (Container Freight Station). This service will integrate the information available with various agencies across the supply chain to provide detailed real time information within a single window and would help in reducing the overall lead time of the container movement across the western corridor and lower the transaction costs incurred by shippers and consignees. This has been one of the important 'Ease of Doing Business' initiatives implemented at Jawaharlal Nehru Port focused towards document, time and cost reduction for the benefit of trade.

C) SHIPPING CORPORATION TO RESUME SAILING TO IRAN

Shipping Corporation of India (SCI) will resume sailing to Iran after a four-year gap. SCI stopped sailing to Iran in 2012 when sanctions targeting Iran's nuclear programme prevented the company obtaining insurance cover for oil and other shipments. SCI had contracts with HPCL, Bharat Petroleum Corp (BPCL) and Mangalore Refinery and Petrochemicals Ltd to ship crude from Iran. India's Iranian oil imports are set to hit a seven-year high in the year, with refiners buying at least 400,000 barrels per day. Iran currently supplies the bulk of its oil to India using its own vessels.

D) INDIA'S SEAFOOD INDUSTRY TO BECOME A BIGGER FISH

Indian Seafood Industry is expecting at least 15% growth in this fiscal as it is poised to benefit from the shortage in the global marine products market because South East Asian countries are yet to recover from the disease attack in the farms. India suffered a setback in 2015-16 when the seafood exports fell 10-15% % due to a production dip and sluggish prices. But now prices have improved encouraging the producers to increase supply. India is currently a major supplier of Vannamei shrimp to US and South East Asian countries. In 2015-16, aquaculture production in the country dropped below 4 lakh tonnes as the prices fell. Scattered occurrence of diseases also hit the supply. This year, so far, the prospects have been good. Farms in some regions like Gujarat, West Bengal, Odisha and West Godavari are doing well. The improvement in shrimp prices in world markets has encouraged farms, mostly concentrated in Andhra Pradesh, to increase harvest. The prices of 30 count shrimp have touched ₹ 500 a kg, up by over 60% from last year.

E) BANGLADESH PACT TO MAKE TRAVEL TO NORTHEAST EASIER

Bangladesh is likely to allow India's passenger and cruise vessels through its waterways soon and help landlocked northeast to have better connectivity. New Delhi and Dhaka are set to sign a memorandum of understanding. India and Bangladesh share 54 rivers and the two have a pact, the Indo-Bangladesh Protocol on Inland Water Transit and Trade (PIWTT), in operation since 1972. Ashugonj in Bangladesh has been declared a "port of call" and "transshipment point" using which India is now transshipping goods to the north-eastern state of Tripura. The Indo-Bangla MoU on the use of Chittagong and Mongla ports by India would further enhance connectivity not only bilaterally but also subregionally when Nepal and Bhutan become part of BBIN.

F) MAYAPURI, HOME TO ONE OF ASIA'S BIGGEST SCRAP MARKET.

About 3,200 units operate in the End-of-Life Vehicles (ELV) industry in Delhi. Of them, 3000 are based in Mayapuri. The ELV sector provides job to an estimated 9,600. End-of-Life Vehicles are an economic and environmental challenge in many parts of the world. In India, that the situation can be turned into an opportunity to handle such vehicles, to safeguard the environment, create and upgrade informal livelihoods, and promote the most efficient and optimal use of components and materials to support resource efficiency .

G) BANGLADESH, INDIA MERGE SOUTH ASIA'S BIGGEST LAND PORT

Bangladesh and India have merged the busiest land check-post at Benapole-Petrapole, easing the movement of people and goods to take their relations a notch higher. Prime Ministers Sheikh Hasina and Narendra Modi opened the new 'Petrapole Integrated Check Post' (ICP) through a video call. This is the second ICP on the India-Bangladesh border after the one in Agartala, Tripura, and the biggest anywhere on India's borders. It will also be the biggest land port in South Asia. Around 70 to 80% of the India-Bangladesh trade passes through Benapole-Petrapole. Trade worth around \$5 billion takes place at Petrapole, which is more than all the other Indian land ports and land customs stations put together. Roughly 1.2 million people and 150,000 trucks cross Petrapole-Benapole every year, according to the Indian high commission in Dhaka. The integrated post is aimed at eliminating infrastructural bottlenecks to achieve "effective and efficient" security, immigration, customs, and quarantine functions. It will also ease cross-border movement of people, goods, and transport. Petrapole-Benapole's handling capacity is expected to double with the commissioning of the integrated post, and the local business community is likely to benefit from reduced transaction time and costs. The Indian government hopes it would also "foster greater economic integration and connectivity between India and Bangladesh". After Petrapole, the next land customs station to be upgraded will be Dawki in Meghalaya, where land acquisition for the project has been completed.

5. GOVERNMENT CIRCULARS AND POLICIES

A) CHEMICAL FROM FIVE NATIONS ATTRACTS ANTI-DUMPING DUTY

The Revenue Department has slapped anti-dumping duty of up to \$168.76 per tonne on import of a chemical used in the textile industry from five countries, including China and Iran, to protect domestic manufacturers. The import restrictive tax has been imposed for five years by the Revenue Department on recommendations of the Directorate General of Anti-Dumping and Allied Duties (DGAD). Imports of the chemical from China, Iran, Indonesia, Malaysia and Taiwan will attract anti-dumping duty in the range of \$83.08 per tonne to \$168.76 per tonne. The chemical 'Purified Terephthalic Acid' was being exported to India from the five countries below its normal value.

B) 5-FOLD HIKE FOR SHOPPING AT DUTY-FREE SHOPS

A new Excise and Customs Board order increased the purchase limit on goods from duty free shops at international airports from Rs 5,000 to Rs 25,000. The order come after travellers

complained that the Rs 5,000 limit was too less and needed to be revised. They cited last year's instruction of the Reserve Bank of India (RBI) that permitted export from and import into the country of Indian currency up to Rs 25,000. The duty free shops operators have also been suggested to display the rate of exchange published by the commercial banks for conversion of foreign currency or the rate of exchange notified by the CBEC on a fortnightly basis for import and export of goods.

C) ANTI-DUMPING DUTY ON CHINESE REFRIGERANT

India has slapped anti-dumping duties on import of a refrigerant from China saying it hurt domestic producers. The government imposed an anti-dumping duty of \$ 1.22 per kilogram on import of '1,1,1,2 - Tetrafluoroethane' or 'R-134a' from China for a period of five years till July 10, 2021, said a notification by the Revenue Department.

6. WORLD NEWSWRAP

A) BANGLADESH GETS DUTY-FREE ACCESS TO 52 COUNTRIES

Fifty-two countries have waived duty on Bangladeshi products. Apart from European countries, Australia, Switzerland, Japan, Turkey, Russia, Norway and New Zealand have allowed duty-free access for all kind of products from Bangladesh except arms and ammunition. The US has allowed duty-free access for 8,620 Bangladeshi products, South Korea 8,778 products, China 4,788 products, Thailand 6,999 products and Malaysia 297 products. The government signed several trade deals, including SAARC Preferential Trading Arrangement, South Asian Free Trade Area, Asia-Pacific Trade Agreement, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation and Trade Preferential System among the member states of OIC.

B) FRANCE PIPS BRITAIN AS WORLD'S NO. 5 ECONOMY

France and Britain were vying for fifth place on the list of the world's biggest economies with France nudging ahead after a renewed slump in the pound in the wake of the Brexit vote. The average exchange rate for the year in question is commonly used for comparisons between countries. But using the current exchange rate, France has pulled slightly ahead. Britain's vote in a referendum to quit the EU has hammered financial markets, rattled businesses and punished the pound. Britain and France, which have similar populations, have swapped positions before in the rankings.

C) U.S. CHALLENGES CHINA RAW MATERIAL EXPORT DUTIES

The United States challenged China's export duties on nine key metals and minerals, arguing they violate Beijing's commitments to the World Trade Organization (WTO) and give an unfair advantage to Chinese manufacturers. The raw materials case seeks to remove China's export duties of 5% to 20% on antimony, cobalt, copper, graphite, lead, various magnesia compounds, talc, tantalum and tin, which it said are key inputs into U.S. industries, including aerospace, autos, electronics and chemicals. The duties impose higher costs on U.S. manufacturers, while Chinese competitors do not have to pay them, encouraging companies to locate production in China.

D) BANGLADESH BUILDS SHIP FOR NEW ZEALAND

Western Marine, a leading Chittagong-based shipbuilder, has built a vessel commissioned by the New Zealand Ministry for Foreign Affairs & Trade. The ship, named MV Mataliki, is part of New Zealand's Aid Programme for Tokelau, a group of islands in the Pacific. Western Marine won the contract after a competitive international tender. The Mataliki is a purpose-built vessel that has been specifically designed to carry passengers and cargo between Samoa and the three atolls of Tokelau, whose population of about 1,400 is entirely dependent on shipping for people and goods, as there are no flights to and from the islands.

E) A CHEAPER WAY TO MAKE SOLAR CELLS

Scientists have found a new, cheaper and easier way to manufacture solar cells, which could challenge the domination of silicon. An alternative material called Perovskite is more efficient and adaptable than previously thought, scientists said. Perovskite is relatively easy to process, and therefore cheaper to manufacture, but also has an efficiency of 22%, close to silicon cells' 25%.

7. INTERESTING FACTS

A) A GOLD BAR ATM?

Forget heading to the ATM for cash - a hotel in Dubai has an ATM that hands out gold bars weighing 10 grams. It even gives personalized gold coins.

B) AN EERIE REASON BEHIND GOLD EARRINGS

Sailors in Europe used to wear gold earrings - not for fashion, but in the event that they drowned and their bodies washed up, the gold could be used as payment to give them a proper Christian burial.

C) TABLE SUGAR WAS CONSIDERED 'WHITE GOLD'

Commercial sugar's origins date as far back as fourth-century India. While the Indians discovered a way to crystallize sugar, the Moors discovered a way to perfect it. In the 14th century, the Moors brought sugar growth and production to the Iberian Peninsula, and plantations were set up throughout what is now known as Spain and Portugal. Eventually, Portugal successfully brought sugar to the New World, and by the 16th century there were more than 3,000 sugar mills throughout South America. The refined table sugar we consider a staple was once so rare and expensive that it was referred to as "white gold."

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

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