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INDIAN IMPORTERS CHAMBERS OF COMMERCE AND INDUSTRY

Monthly Newsletter

1. TRADE NEWS

A) INDIA, JAPAN PLAN TO DEVELOP 'PACIFIC, INDIAN OCEAN' CORRIDOR

India and Japan hope to put in a place a network connecting the Pacific to the Indian Ocean as they eye joint development of infrastructure and capacity building projects in this vast region, with a special focus on Africa, in the backdrop of China's growing ambitions across Asia and Africa. A key aim of this mechanism is also to utilize India's political network in Africa and Japanese funds to finance a variety of projects across the continent. Japan has announced a $30 billion public and private support for infrastructure development, education and healthcare expansion in the African continent over the next three years beginning in 2016. This amount is in addition to $32 billion that Japan pledged to Africa over a five-year period in 2013. India, which announced a $10 billion line of credit at last year's India-Africa mega summit in Delhi, has been involved in several development and capacity building projects across the continent, besides making investments across sectors from agriculture to telecom. It is also focusing on enhancing strategic partnership with Japan including defence ties.

B) EXPORTS UP 9.6%, GOLD IMPORTS DOUBLE

India's merchandise exports rose sharply with 18 out of the 30 export sectors registering a growth in outward shipments on the back of a high base effect. Exports in October stood at $23.5 billion, or about ₹ 1,59,000 crore, a 9.6% increase over $21.4 billion a year ago. Imports too rose 8.1% to $33.7 billion, or about ₹ 2,28,000 crore, from $31.1 billion, leaving a trade deficit of $10.2 billion. Gold imports more than doubled to $3.5 billion in October from $1.7 billion in the year ago period. Overall the trade balance has improved. Sectors including carpets, marine products, gems & jewellery, coffee, engineering goods, tobacco, meat, dairy & poultry products, textiles and ceramic products and glassware have in a major way contributed to the growth in exports during the month. India's bullish exports have come at a time when Chinese exports fell for the seventh consecutive month in October due to weak demand. Oil imports rose 3.9% while non-oil imports were up 9.2%. Taking merchandise and services together, overall trade deficit for April-October is estimated at $20.8 billion which is 53% lower than $44.2 billion in the year ago period. Non-oil, non-gold imports, seen as a measure of domestic demand and strength of the economy, rose 1.9%.

C) WITH 14.8 % AVERAGE ANNUAL GROWTH RATE, INDIA STOOD FIRST IN THE WORLD IN THE EXPORT OF FISHERIES PRODUCTS

The aim of Blue Revolution scheme is to increase the fish production and productivity by 8% annual growth rate and to reach 15 million tones mark by 2020. Fish farming will have three benefits firstly, increase in the farmers income secondly, there will be progress in the country's export and GDP and thirdly it will ensure nutritional and food security in the country. In fish production, India *is constantly at the second position after China. Fisheries are a big sector in the country and around 150 lakh people are engaged in fisheries business. India has first place in the world in the area of shrimp fish and it is the largest exporter of shrimp fish. Taking all fisheries production together, there was estimated 10.8 million tones fish production in the country in year 2015-16, which is around 6.4% of total fish production of the world. India is the second largest country in the world to produce fish from aquaculture (42.10 lakh tones). It contributes about 6.3% in global aquaculture. From the last decade, where the average annual growth rate of export of fish and fisheries production in the world remaining 7.5%, Indian remain at the first place with an average annual growth rate of 14.8% in the export of fisheries product. Department of Animal Husbandry, Dairying and Fisheries has prepared a National Fisheries Action Plan 2020 (NFAP) for the next five years to increase fish production and productivity and to achieve the target of blue revolution. In this Action Plan all the different fisheries resources of the country like ponds and tanks, wetlands, brackish water, cold water, lakes reservoirs, rivers and canals and marine sectors are included.*

D) INDIA SET TO ZIP PAST GERMANY AS NO.4 AUTO MARKET NEXT YEAR

India will overtake Germany to become the world's fourth largest market in domestic car sales for vehicles by 2017. According to IHS, in 2017, India will sell 3.8 million passenger vehicles (up from 3.3 million in 2016), while Germany will sell 3.64 million (up from 3.62 million). The growth comes on the back of a fast growing economy, adequate financing availability, decreasing unemployment, increasing disposable incomes, and rising consumer expectations. According to IHS, India will overtake Japan to become the third largest car selling country by 2020 – leaving China and the US ahead of it. By then 39 of 55 car makers will be making cars here, boosting exports, too. Production in India is also expected to jump from its current 6th ranking to 4th, trailing just behind US, China and Japan. On the other hand, India's rise is also making global brands bring global products to India.

2. FDI

A) COMMERCE MIN SEEKS FDI BAN IN TOBACCO SECTOR

Commerce and Industry Ministry has moved a proposal for the consideration of the Cabinet to completely ban foreign direct investment in the tobacco sector. The government does not want to encourage foreign investment for the production of cigarettes or other things (in the tobacco sector). However, the move could have a possible impact on farmers who are growing tobacco.

3. ECONOMY

A) INDIA MULLS NEW FORMULA OF DUTY CUTS TO CURB TRADE DEFICIT WITH CHINA

In a move to contain its rising trade deficit with China, India is mulling ways to reduce further onslaught of Chinese goods entering its market by reducing and delaying duty concessions to China. India may maintain a separate negative list of items on which it will give limited or no tariff concessions to Chinese imports under the Regional Comprehensive Economic Partnership (RCEP) trade agreement. The new approach of differential treatment comes in the wake of India's burgeoning trade deficit with China. In 2015-16, India's exports to China were $9 billion while the imports were a staggering $61.7 billion leaving a trade deficit of $52.7 billion.

4. PAN INDIA

A) INDIA RISES TO SECOND SPOT ON GLOBAL BIZ OPTIMISM INDEX

India has moved up by one spot to be ranked second in a global index of business optimism, based on policy reforms and the adoption of goods and services tax (GST), according to the latest Grant

Thornton International Business Report. Indonesia took the top spot, with the Philippines coming in third. The improvement in the optimism ranking in the recent past clearly reflects that the reform agenda of the government and its efforts on improving the climate for doing business are having an impact. The programs and initiatives introduced by the Government of India, as well as its focus on building relationships with all major economies, has enabled India to become a bright spot in the global economy.

B) FERTILIZER COUNCIL ICFNR TO ADOPT INTERNATIONAL BEST PRACTICES IN RESEARCH

Indian Council for Fertilizer and Nutrient Research (ICFNR), which was established last month and aims to operate on the lines of Indian Council of Agricultural Research (ICAR) and Indian Council of Medical Research (ICMR), will adopt international best practices in research to ensure farmers get good quality fertilizers at affordable rates., Areas of operation of ICFNR include promotion of research in area of fertilizer manufacturing technology, use of raw material and innovation in fertilizer products, eco-friendly micro nutrients and pesticide coated slow release fertilizers, bio-fertilizers & organic fertilizers and their derivatives. India is the second largest consumer of fertilizers in the world after China. Indian fertilizer requirement is largely dependent on imports - around 25% in case of urea, around 50 % in case of natural gas (feedstock), more than 50 % in case of phosphate and around 100% for potassic fertilizers. India is also dependent on foreign players for sourcing of technology & licensing and technological up-gradation. ICFNR will have a governing council and an executive committee for monitoring the progress in the field.

C) INDIA TO BE MOST DIGITISED ECONOMY IN 7 YEARS

The world will go cashless and India will move quite rapidly to a digital payments economy. Digital transactions will be a game changer, reducing inflation, interest rates and transaction fees. Nordic countries use very little cash and are now moving debit cards to cell phones. In Kenya and other countries digital payments have increased. The number of shops in Kenya that accept mobile payments has gone up super high. There are places in America where you can't park your car even if you have cash.

D) TEXTILE MACHINERY INDUSTRY TO TOUCH RS 35,000 CRORE IN 5 YEARS

India International Textile Machinery Exhibitions Society (India ITME Society), has predicted that the market size of India's textile machinery industry is expected to increase to Rs 32,000-35,000 crore (US$ 4.7-5.1 billion) in the next five years, from the current size of Rs 22,000 crore (US$ 3.2 billion), based on Make in India, and various other incentives for the manufacturing sector introduced by the Government of India. The Indian textile sector is one of the largest contributors to India's overall exports, contributing 11% (US$ 40 billion) to the total outbound shipments in FY 2015-16, and is expected to touch US$ 223 billion in size by 2021. The sector is also the second largest employer in the country after agriculture.

5. GOVERNMENT CIRCULARS AND POLICIES

A) GST SLABS FIXED AT 5%, 12%, 18% & 28%

A four-tier GST tax structure of 5%, 12%, 18% and 28%, with lower rates for essential items and the highest for luxury and de-merits goods that would also attract an additional cess, was decided by the all- powerful GST Council. Zero-tax rate to apply to 50% of items in consumer inflation basket (CPI), including food grains used by common man. The lowest rate of 5% would be for common use items while there would be two standard rates of 12% and 18% under the Goods and Services Tax (GST) regime targeted to be rolled out from April 1, 2017. Highest tax slab will be applicable to items which are currently taxed at 30-31% (excise duty plus VAT). Luxury cars, tobacco and aerated drinks would also be levied with an additional cess on top of the highest tax rate. While the Centre proposed to levy a 4% GST on gold, a final decision was put off. The long-delayed tax, which would transform Asia's third largest economy into a single market, is expected to boost revenues *through* *better compliance while making life simpler for business that now pay a host of federal and state levies*.

B) QUALITY CHECKS FOR PICKLES, CHUTNEYS BEFORE EXPORT

India is likely to extend the ambit of the Export of Fruit and Vegetable Products Rules that prohibit fruit and vegetable product exports without a certificate to countries which require such a document to 15 categories of processed foods. In order to reduce rejections faced by exporters of products made from fruits and vegetables, India has put in place a set of quality control rules in cases where importing countries ask for such kind of a certification. Shipments of processed fruit and juices declined 2% to $216 million from $220 million. Major export destinations were the US, the Netherlands, Saudi Arabia, the United Kingdom, and the United Arab Emirates. India is the second largest producer of fresh vegetables in the world after China and accounts for about 15% of the world's production of vegetables. Rules mandate exporters to prepare, process and preserve products at all stages based on good manufacturing and hygiene practices.

C) SEBI EASES PAN VERIFICATION FOR FPI

To ease the PAN verification process at the time of account-opening of Foreign Portfolio Investment (FPI), Sebi said intermediaries can verify the PAN of FPIs, online through a website authorized by the Income Tax department. However, FPIs would have to provide the copy of the PAN card to their intermediaries within 60 days of account-opening.

D) SAFEGUARD DUTY IMPOSED ON CERTAIN STEEL IMPORTS

Government has slapped safeguard duty on import of certain steel products to protect domestic manufacturers from cheap in-bound shipments. The safeguard duty has been imposed on import of hot rolled flat sheets and plates (excluding hot rolled flat products in coil form) of alloy or non-alloy steel. The effective duty rate would be calculated after deducting the value of the goods and the anti-dumping duty payable when the import price is below $504 per tonne, said a Revenue Department notification. The duty arrived at would be 10% in the first year and will gradually reduce to 6% by 2019. A 10% ad valorem minus anti-dumping duty payable will be imposed on imports up to November 22, 2017.

E) GOVERNMENT REMOVES EXCISE DUTY ON POS MACHINE MANUFACTURING

The government announced the removal of excise duty on goods for manufacturing point-of-sale (PoS) machines that are in great demand as merchants are compelled to use them in the wake of the currency crisis."POS machines will be exempted from 12.5% excise duty and 4% SAD (special additional duty) till 31 March 2017. With this the cost of such devices would come down by 16.5%. The government now plans to bring one million terminals in the next three months. It would certainly accelerate usage of cards on PoS. The PoS machines are hand-held devices that are being increasingly.

6. GLOBAL BUZZ

***A)* CHINA BUILDS WORLD'S HIGHEST ROAD TUNNEL TO CONNECT TIBET**

China completed work on the world's highest road tunnel costing about $170 million on the Sichuan-Tibet highway which will shorten the time to reach Tibet by two hours. The seven-km long tunnel, situated 6,168 metre above sea level, passes through the main peak of Chola Mountain. This will shorten the time from Chengdu, capital of Sichuan province, to Nagqu in Tibet by two hours, and will avoid the most dangerous section on the highway. Built at a cost of 1.15 billion Yuan (USD 170 million), the seven-km long tunnel only takes 10 minutes to go through. The *highway will be able to accommodate 4,000 to 5,000 vehicles a day, as compared with around 1,500 now. Built in 1951, Sichuan-Tibet Highway was China's first highway in Tibet.*

B) **CHINA WEAKENS YUAN TO EIGHT-YEAR LOW**

China weakened the Yuan's fix against the dollar to a nearly eight-year low as the surging dollar put further pressure on the unit. The Central People's Bank of China set the value of the Yuan – also known as the Renminbi – at 6.8495 to the greenback, down 0.30%. The unit has reached a series of six-year lows in recent weeks in the face of a greenback rising on expectations of sharper US interest rate hikes. China only allows the Yuan to rise or fall 2% on either side of the daily fix, one of the ways it maintains control over the currency. China only allows the Yuan to rise or fall 2% on either side of the daily fix, one of the ways it maintains control over the currency. But analysts and officials say that Beijing is now intervening in the opposite direction, and trying to prop up the unit's value against a strengthening greenback. China is trying to push for the internationalization of the Yuan and if the market lost its faith in the unit, the process could become more difficult. The International Monetary Fund in October officially included Yuan in its elite SDR reserve currency basket, a symbolic coup for Beijing policymakers.

C) **BANGLADESH, SRI LANKA TO SIGN FTA NEXT YEAR**

According to a statement issued by the Commerce Ministry of Bangladesh, Bangladesh and Sri Lanka have agreed to sign a free trade agreement. The total bilateral trade between the two countries has grown from more than two fold from US$ 48 million in 2010 to US$ 131 million in 2015. Sri Lanka's exports to Bangladesh too saw a steady increase in the past five years. A greater portion of Lankan exports to Bangladesh is represented by cotton (26.1%) followed by Man-made staple fibers (13.1%), plastic articles (12.1%) and knitted/crocheted fabrics (10.9%). Among Sri Lanka's imports from Bangladesh are Pharmaceuticals (31%) followed by Rice (29.3%), Electric accumulators (6.3%) and apparel and garments (6%).

D) **IRAN, NOT SAUDI, IS INDIA'S TOP OIL SUPPLIER**

Iran overtook political rival Saudi Arabia as India's top oil supplier, shipping data showed, just ahead of a producers' meeting this month to hammer out the details on output cuts aimed at reining in a global glut. Iran used to be India's second-biggest oil supplier.

E) **NEPAL BANS NEW INDIAN RS 500 AND RS 2,000 NOTES**

Nepal Rastra Bank on banned the use of India's new currency notes of Rs 500 and Rs 2,000 denomination, terming them "unauthorised and illegal". These two currency notes were issued by the Reserve Bank of India recently after old Rs 500 and Rs 1,000 denomination notes were withdrawn. These new currency notes are not yet legal in Nepal. These notes will be legal in Nepal only when India issues a FEMA notification as per the Foreign Exchange Management Act. India is likely to issue a FEMA notification, allowing people in Nepal and India to possess certain amount of Indian currency. Earlier, a ban was in effect in Nepal till last year against the use of Rs 500 and Rs 1,000 denominations notes. Authorities had lifted this ban after the visit of Prime Minister Narendra Modi to Nepal.

F) **MOST EXPENSIVE WORLD MARKETS**

1.New York's Upper 5th Avenue, 2.Hong Kong's Causeway Bay, 3.Paris's Avenue des Champs Elysees, 4.London's New Bond Street, 5. Tokyo's Ginza.

7. TOGETHER WE PROGRESS

MOU'S

A) *NEPAL CHAMBER OF COMMERCE*

B) *INDIA THAI CHAMBER OF COMMRCE*

C) *ASSOCIATION OF ELECTRONIC TRADING PLATFORMS (RUSSIA)*

D) *FEDERATION OF EMPLOYERS OF UKRAINE*

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

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