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Anti-dumping duty on chemical imports from EU, Iran, Japan

Business standard

28 October 2012, New Delhi:The government has imposed anti- dumping duty of up to $1,537 per tonne on shipments of a chemical used in beauty products, from EU, Iran, Indonesia and Japan, saying it was being exported to India below cost price.

The Revenue Department imposed the duty on import of 'Melamine', following recommendations by the Directorate General of Anti-Dumping and Allied Duties (DGAD) in the Department of Commerce.

Anti-dumping duty is aimed at ensuring fair trading practices and creating a level-playing field for domestic producers vis-a-vis foreign producers and exporters resorting to dumping.

"The anti-dumping duty imposed...Shall be levied for a period of five years (unless revoked, amended or superseded earlier)," the Revenue Department said in a notification.

Earlier, the DGAD had carried out a probe into the imports of the chemical. The investigation found that the product was dumped into India below the normal price and thus caused "material injury" to the domestic industry.

Besides being used in innumerable products of beauty and utility, melamine is also used for laminates as it offers good hardness, resistance to scratch, stain, water and heat.

The notification said while the restrictive duty will be $1,446 per tonne on import of Melamine from Iran, the duty has been fixed at $1,537 from the other three destinations. Anti-dumping duty varies from product to product and country to country.

India initiated 275 anti-dumping investigations between 1992 and March, 2012, involving 42 countries.
The countries prominently figuring in anti-dumping investigations are China, Korea and Singapore and the major product categories on which anti-dumping duty has been levied are chemicals and petrochemicals, pharmaceutical, steel and consumer goods.

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Tea export to Iran picks up, Egypt emerges as new mkt

Rohit Khanna, Financial Express

16 November 2012, Kolkata: Good news awaits tea growers in India. After resolving the payment-route issue, tea exports to Iran have picked up in past few months. On other hand, tea exports to Egypt is also growing at a faster pace.

Iran — the largest importer of tea after Russia, the UAE, UK and US — imports around 75,000 tonne tea each year. India's exports to Iran fell after the US imposed sanctions on exports to the oil-rich country. There is a good demand for Indian tea in Iran, but India started losing out on it with restrictions on payments to the oil producing country.

Mohammad Feissal, the managing director of Shahsavand Zarin co, one of the largest tea growing company in Iran said, “Indian exports to Iran have improved in last few months. We are receiving 100 tonne every month from India. It has grown significantly from 50 tonne in 2010.” Almost 40% of Iran’s tea import comes from Kenya, 10% from Sri Lanka and rest from India.

“Payment is not a problem now. We are hopeful of an increase in Indian export by around 30%,” Feissal said. Meanwhile, Egypt is also looking at stepping up imports from India. The 80 million kg tea market is mainly catered to by Kenya. In 2010, Egypt was identified by the Tea Board as one of the emerging markets for Indian tea export by Tea Board.

Mahmoud El Nahas, head (sector import) of Misr Import & Export Co, said, “We are trying to increase imports from India to 15,000 tonne last year to 17,000 tonne in 2012. Kenya is the largest exporter to Egypt. India can increase its exports to Egypt if it is little proactive,” he said.

While Sri Lanka sells CTC tea at an average rate of $4 per kg, Indian tea is priced between $1.8 and $3.5. “That makes Indian tea a natural favourite of the Egyptian importers,” Nahas said.

Export of Indian tea is likely to decline from 193 million kg to 180 million kg in 2012. Tea production in 2012 may also decline according to a recent study conducted by IMaCS (Icra Management Consulting Services).

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US sanctions to redefine India-Iran trade

Tejinder Narang, Businessline (The Hindu)

4 February 2013: From February 6 onwards, Indo-Iran trade will undergo substantive changes in view of the recently reported US' modified sanctions on Iran, which mandate 100 per cent payment in the currency of the importing country for Iranian products.

Banks and other financial institutions have to carry out stricter due diligence on corporates, their counterparties and trades before processing any payments.

This will affect even traders whose activities are unrelated to Iran. In short, the risk of doing business with Iran will be high. However, the 'challenge' that US' recent action provides is, in fact, an "opportunity" for greater bilateral commercial cooperation between India and Iran.

The immediate implications for India are — all imports, most of it being in crude oil, of about $15 billion (Rs 79,500 crore) — will be paid in "rupees only", instead of the rupee/euro ratio of 45:55 finalised under the 2012 agreement with Iran.

Likewise, Iranian urea will also be accessed under 100 per cent rupee payment, instead of UAE's dirhams, as was the past practice. Massive rupee payments will be credited in India's UCO Bank account held in the name of Central Bank of Iran, from which Indian exports will continue to be financed.
This is subject to Iran's acceptance of 100 per cent payment of their crude, fertiliser or other items in Indian rupees.

Enlarging export basket

However, annual Indian export is around $2.5 billion to Iran, which may be stretched to a maximum $4 billion (Rs 21,200 crore) in a year's time. This will mean surplus credit balance of $11 billion (Rs 58,300 crore) for Iran.

This excess may be mitigated by additional Indian exports, for which both India and Iran have to promptly fix existing snags — proactively increasing commodities in the export basket.

Iran has reportedly sought permission of the Government to invest its surplus funds (arising out of India's rupee imports) in government securities and for financing its imports from third countries. India is reported to be examining this request.

Present projections are that "Iranian rupees" will multiply to Rs 175,000 crore in three years and may have to be auctioned finally at a huge discount, like the disposal of the "Soviet Rupees escrow account" left over under Indo-Soviet "Special Trading Arrangements".

The only way by which this can be prevented is if Indian exports rise exponentially, or investment in Government securities and funding third country exports is agreed upon — all of which might attract US ire.

Fix snags

India's current export composition includes rice, corn, soyameal, sugar, tea, pharmaceuticals, and iron steel products worth $2.5 billion. Rice exporters with an annual business of around $1 billion have suffered on account of large outstandings and unpaid bills in 2011 and 2012 — both through the Dubai route and UCO Bank channel.

Soyabean meal shippers are jittery for the same reason. Wheat export of 3-4 million tonnes has been in a limbo for one year, due to inflexibility on the part of Iran's phyto sanitary authorities.

However, under the modified dispensation, Iran can buy and India can sell everything from pin to cotton, textiles, garments, automobiles, trucks and construction equipment in rupees. Uncertainty of payment is extremely critical for restoring confidence in dealing with Iran. Disbursal arrangements of export payments by UCO Bank are risky, dilatory and financially painful.

Traders have to wait for up to two-three months for a message from Iranian bank for a "debit advice" in rupee account managed by UCO Bank, under Iranian letter of credits (LCs), resulting in disappearance of their margins. UCO Bank seems wary of certifying compliance of the shipping documents with terms of LCs for transmitting payments to the exporters, in spite of a "debit authority" ingrained in LC.

If UCO Bank is so wary, then it could engage the services of three or four Iranian officials on deputation who can be posted in New Delhi, Kolkata or Mumbai and who are conversant with Iranian system of verification of documents.

The Reserve Bank of India or the Government may also step in to allay the Bank's fears. It could involve other banks to ensure competitive services. (Iran has nominated four banks to deal with Indian side.) Under the earlier Asian Clearing Union, or under the Indo–Soviet rupee trade till the 1990s, payments through Indian banking systems were processed promptly.

Routing exports

Iran may also source goods or commodities which India can import in hard currency as "*quid pro quo*". For example, it may be willing to take refined edible oil (palm or soy) in 5 kg consumer packs (whose exports has been cleared on January 31 by Cabinet Committee on Economic Affairs without any quantity limit subject to a minimum export price of $1,500/tonne f.o.b). Ten million tonnes of edible oil is annually imported by India from Indonesia, Malaysia, Brazil and Argentina.

Export of refined sugar in rupees from the raw sugar imported from Brazil may also be feasible at competitive prices, when Indian prices lack export parity. Exports through "Special Economic Zones" in rupees can also be considered for containing trade imbalance.

A new breed of local Indian companies may be formed as facilitation agencies at the behest of Iranian corporates.

These "shell" companies might scout for Indian products and sellers of repute. They will act as intermediation agencies with Indian exporters on behalf of Iranian principals for assuring swift payments.
These entities may receive advance payments or large-valued LCs through UCO Bank for swift transmission of sums to Indian shippers.

(The author is a freelance commodity analyst.)

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India trumps Pakistan's Iran rice trade boom with oil rupees

Reuters

Dubai, 9 March 2013: Iran's oil export revenues are helping Indian rice exporters to claw back some of the lucrative business lost to cross-border truckers in Pakistan as a result of Western sanctions.

Indian rice exports direct to Iran have bounced back, thanks to shippers being paid up front in rupees from a huge pool of oil money owed to Iran by Indian refiners. "Now business is being done directly because Iran is allowed to open letters of credit in Indian rupees because the government has to pay money to Iran for the oil," said Suresh Manchanda, marketing director of a Delhi-based company which exports rice, wheat and sugar globally.

"For the importers back in Iran, Indian rupees are easily available to them via the government, so they can do business in a much easier way than doing business in any other currency," Manchanda told Reuters at the Gulf Food trade show in Dubai. "For all practical purposes the money never leaves anywhere, the money is already in India."

India is Tehran's biggest rice supplier but shipments were held up in early 2012 after Iranian buyers defaulted on payments. Many Indian suppliers then stopped sales on credit. Tightened sanctions on shipping and bank transfers between Iran and India started a boom in Pakistani rice trucked across the remote border into Iran by groups based in Quetta, grains traders from Pakistan and India said at the world's biggest food show last week.

Problems getting paid by private Iranian buyers hit by a slide in the value of the rial also saw the rice flow from India being routed through Dubai, with wholesalers there taking on the payment risk in return for a mark-up.

Before Western sanctions aimed at stopping Tehran's disputed nuclear programme began to bite, Indian official data show rice sales to the Islamic Republic were surging.

They more than doubled in the financial year of 2009-2010 and also rose in value by nearly 35 percent to over $600 million from April 2011 to the end of March 2012, but this was a period when India's overall rice export earnings almost doubled in value globally. Dubai's role in the India-Iran rice trade has withered since oil pool payments started.

From April 2011 to the end of March 2012, $821 million of Indian rice was shipped to the United Arab Emirates, more than anywhere else. But in just nine months from April to December last year Iran imported over $725 million of Indian rice, up 20 percent on the previous 12 months, while Indian exports to the UAE slumped to $287 million, official figures show.

There is effectively no limit to how much Indian rice exports to Iran can be funded by the oil money pool, because even when India's oil imports from Iran fell more than 40 percent from January 2012 to 2013, their value was still nearly $1 billion in one month.

"The new payment mechanism has been helping Indian rice exporters. Competitors in Pakistan don't have any such facility," M P Jindal, president of the All India Rice Millers Association said. "This year we are estimating at least a 10 percent rise in basmati rice exports. Exports are booming, especially to Iran and Iraq."

Pakistan exported around 30,000 tonnes of rice, worth $21 million, directly to Iran in the second half of 2012, a sharp fall from the 12 months to the end of June 2012 when sales approached 140,000 tonnes, according to the Rice Exporters Association of Pakistan (REAP).

Pakistan's rice sales to the UAE, the main shipping route into Iran, also dropped sharply to less than 52,000 tonnes in the second half of 2012, compared to nearly 228,000 tonnes in the previous 12 months, REAP data showed.

Iran relies on imports for about 45 pct of its annual rice consumption of 2.9 million tonnes, according to U.S. Department of Agriculture data.

Iranian buyers prefer Indian basmati rice, but shipping and payment problems faced by Indian suppliers created an opportunity for Pakistani dealers based near the border with Iran to make big profits, rice exporters based in Karachi said.

Those willing to take the risk of trucking goods along hundreds of kilometres of highways of western Pakistan to the remote border area with Iran could charge premiums well above Indian rice prices.

"Last year India had a lot of currency issues and then Pakistan was selling at around a $150 premium over India because India could not sell to Iran directly... It became a monopoly," Mohammad Raza, a Karachi-based rice exporter, said. "This year that's not happening... This year it has shrunk considerably, but it has not completely finished."

The success of India's oil pool for funding exports direct into Iranian ports over the last few months has hit Pakistan's rice truckers' profits hard, slashing premiums to well below $80/tonne in early 2013, he said.

These border traders who have problems getting paid by Iranian buyers are also driving a boom in barter of fuel for food, several rice traders at the show said. "The trucks are not going to Iran. They used to go there but not anymore because the money is not coming from Iran to Pakistan so the trade has virtually stopped," Tariq Ghori, director of Karachi-based Matco Rice Processing Ltd, told Reuters at the Gulf Food trade fair in Dubai last week.

Matco, one of Pakistan's biggest Basmati rice exporters with sales of over 100,000 tonnes last year, and Raza's company were not part of the border food trade boom because the risks of shipping across Pakistan are high and the competition from Quetta-based groups fierce. "They are done by people at the border. They have links with the Iranian people... Family ties, they know each other, speak the same language, so they do the trade," Ghori said.

"Big companies like us, sitting in the big cities, cannot do that trade." Many mainstream competitors shipping out of Karachi still rely on Dubai middlemen buy their product and sell it on to Iran, putting them at a disadvantage to Indian exporters now able to ship direct.

Many Indian rice sales to Iran were also done through Dubai on credit until a slump in the rial in early 2012 prompted several Iranian buyers to default on payments. Since then most Dubai traders will only deal with Iranian buyers paying up front or brandishing a letter of credit from their government to tap the oil revenue pool in India.

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