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Iran to continue importing more goods from India

Amiti Sen & Richa Mishra, Business Line (The Hindu)

New Delhi, 15 December 2013: Iran will continue to increase imports from India despite a recent deal with Western powers that has eased economic sanctions against it in exchange for curbing its nuclear ambitions.

“A team of senior officials from Iran, who visited India recently, assured us that the West Asian nation is serious about continuing to engage more with India as we had stood by them in its time of trouble,” a Commerce Ministry official told *Business Line*.

The assurance has put to rest speculation that Iran may look at other trading partners more earnestly now that the sanctions regime was ending.

The key reason for the apprehension of a cutback in imports from India, according to industry observers, was India’s stance at the time of sanctions. India, seemingly under the US pressure, had drastically reduced crude oil imports from Iran, while nations such as China had sustained imports within the permissible limits.

The P5 plus One grouping of the major Western powers last month agreed to relax economic sanctions worth \$7 billion in return for Iran’s promise to curb some of its nuclear activities. Iran will be watched (for any escalation in nuclear activity) for six months after which a permanent solution will be worked out, according to the deal.

Exports Doubled

India’s exports to Iran have more than doubled over the last two years and is likely to cross \$5 billion this fiscal, aided chiefly by intensive business-to-business interactions by the two Governments. In fact, to sustain business even during sanctions, India and Iran had put in place a rupee payment mechanism for continuing oil trade. This was because foreign banks had refused to deal with Iran fearing action by the US.

Both nations had then started a joint effort to increase India’s exports to Iran so that the rupee payment for oil deposited in Iran’s account could be gainfully utilised. India imports petroleum products worth over \$10 billion from Iran.

Payment mechanism

There has been buzz recently that Iran wants to do away with the rupee mechanism, while India sought for full payment of oil imports in the rupee. At present, India makes 45 per cent of its oil payments in rupees, which Tehran uses to purchase items such as rice, soyameal, tea, pharmaceuticals, and automobile parts. India pays the remaining trade balance in euros, but this too had been hit due to sanctions. On whether India would seek full rupee payment for oil imports, Minister of State in the Ministry for Petroleum & Natural Gas Panabaaka Lakshmi had informed the Lok Sabha earlier this month that there was no such proposal.

According to Ajay Sahai, Director-General, Federation of Indian Export Organisations, every month letters of credit worth Rs 2,500 crore are being opened (by banks on both sides that are part of the rupee payment mechanism) which demonstrates that things are on the right track. “We are optimistic that exports to Iran would be to the tune of \$5.5 billion this year,” Sahai said.

A delegation of Indian exporters led by FICCI is at the moment in Iran as part of the ongoing efforts to step up exports.

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India favours project exports to Iran to bridge trade-gap

Amiti Sen, Business Line (The Hindu)

New Delhi, 19 December 2013: India is looking at large-scale project exports to Iran for bridging the existing trade gap and fuller utilisation of rupee payment made to the country for oil purchases.

“Project exporters from India including BHEL, SAIL, IRCON and RITES are already in talks with Iranian companies on possible opportunities,” a Commerce Ministry official told *Business Line*.

The Inter-Ministerial Group on facilitating trade with Iran headed by Commerce Secretary S.R. Rao met on Tuesday to discuss ways to boost exports to the country. It was attended by senior officials from the Department of Economic Affairs, RBI and public sector companies including BHEL, SAIL, IRCON and RITES.

China, too, is interested in investing in projects in Iran in lieu of oil payments it owes the country. “We believe that if project exports from India take off, it could actually enable us to make the entire payment due to Iran for oil purchases in rupees,” the official said.

At present, India pays for 45 per cent of oil purchases from Iran in rupees which is deposited in its rupee account in UCO Bank. This is utilised by Iran to make payments for purchases made from India.

The rupee payment mechanism was put in place after foreign banks refused to deal with Iran following the US and EU sanctions on the country for its alleged nuclear activities.

Since India’s exports to Iran was just a fraction of its imports from the country when the sanctions were placed two years ago, it was decided to restrict rupee payment for oil to 45 per cent of the total oil bill. India’s exports this year is likely to cross \$5.5 billion compared to less than \$3 billion two years ago due to the concerted efforts made by both countries to increase goods inflow from India.

India’s purchase of oil from Iran annually exceeds \$10 billion despite the country tapping other oil supplying countries more aggressively following the sanctions.

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Fresh troubles in the offing for India's basmati exports

Sutanuka Ghosal, Economic Times

Kolkata, 27 March 2014: India's basmati exports to Iran have slumped as the Islamic nation has introduced a new set of standard for basmati rice imports. Iran is the largest importer of basmati rice from India and in the current fiscal the country is expected to import 10 lakh tonne of basmati.

Talking to ET, MP Jindal, president, All India Rice Exporters Association said: "Iran has revised their accepted level of arsenic in basmati rice from 150 ppm to 120 ppm (parts per million). Due to this change in the accepted level of arsenic, basmati exports to Iran has temporarily slumped. In addition, the documentation process has also become time consuming. These two issues have slowed down exports to Iran." The rice trade will need time to reduce the arsenic content in basmati rice. In the meantime, exporters have become active to see that business with Iran does not suffer and so they have decided to take a delegation to Iran next month to sort out the issues with Iranian authorities. "We are hopeful that exports will resume from April. Iran is a major market for us," said Jindal.

India is expected to export 40 lakh tonne of basmati rice in the current fiscal. Of this, 10 lakh tonne is expected to be imported by Iran and the rest 30 lakh tonne is expected to go to Europe and Saudi Arabia. "Next year, we are expecting to export around 43 lakh tonne of basmati rice," said Jindal. Rising income levels in the Middle East have also helped boost demand for basmati rice, traders said.

The total rice exports from India is expected to be around 100 lakh tonne in the current fiscal. The international price of basmati is at \$1,450 per tonne in the current fiscal compared to \$1,100 per tonne in 2012-13. In rupees, prices are in the range of 5,400 to 6,200 per quintal compared to Rs2,500 to 3,500 per quintal in 2012-13.

Earlier, Western sanctions forced India to trim oil purchases from Iran but the latter remained a loyal and large customer. As sanctions stalled dollar payments in 2012, Iran started settling part of its oil debt in rupees and Iran was making use of rupee transactions to buy goods from India.

The rupee trade gave India an edge over other rice suppliers such as Pakistan which do not have such huge debts with India. This enabled India to establish a near monopoly in exports. Jindal also pointed out that brown basmati rice is gaining ground in EU. "Better marketing and consumer awareness is driving brown basmati sales. However, it will be difficult for us to give the numbers now. But definitely the segment is growing," the AIREA president added.

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