# INDIA'S TRADE NEWS AND VIEWS
## 1 January to 15 January 2015

**India exports coffee to Italy, Russia, Germany, Belgium and the Arab countries.**
India plans to challenge a World Trade Organisation order that told New Delhi to remove curbs on poultry imports from the US, saying it's important to protect the...

**India exports 4% less coffee, earns 6% more revenue**
India's coffee exports fell 4 per cent to about 3 lakh tonnes in the gone by year but the earnings went up 6 per cent to Rs 4,986 crore, according to the Coffee board...

**Diplomatic Enclave: Packing power into ties**
India and South Korea have been working hard to deepen economic equation.An energised Indian foreign policy establishment took on its interaction with the world in 2014 with prime minister...

**India, US May Sign Big Defence Deals**
Defence Minister Manohar Parrikar on Thursday expressed confidence that India and US will be able to sign big defence deals during President Barack Obama's visit to New

**India textile export subsidy under WTO scanner; end sops soon, says US**
At a time when the textiles sector is reeling under liquidity crunch and poor demand, export subsidies for textiles and garments — the fourth-largest product group in India's...

**Rouble woes: tea industry seeks rupee payment system with Russia**
A sliding rouble has Indian exporters nudging the Commerce Ministry to institute a rupee payment mechanism for trade with Russia. The Indian tea industry, for which...

**India, US to discuss social security, visas ahead of Obama's visit**
Progress on the pending social security agreement with the US that could save Indian IT companies an estimated $2 billion annually and sorting out their visa woes are among issues high on India's...

**Foreign trade policy after Budget**
The government is likely to announce the Foreign Trade Policy (FTP) only after the finance minister presents the Budget for 2015-2016. The much-delayed policy would then be applicable from the next...

**Delays in foreign trade policy hurting small exporters**
Mumbai, January 08, 2015: For Anshul Bansal, a Delhi-based small exporter dealing with fabrics and ethnic apparel, hopes rest on the country's Foreign Trade Policy (FTP) that has been much-hyped and...

**Gold imports rise 8.5% to 849 tonne in 2014**
Despite stringent control on import of gold for most of 2014, these are projected to have risen by 8.5 per cent over 2013, to 849 tonnes from 782 tonnes the year before...

**India turns net importer of iron ore in 2014**
India turned a net importer of iron ore in calendar year 2014, as import far exceeded exports. Domestic steel mills imported little over eight million tonnes (mt) of the key steel-making raw...

**Industry opposes anti-dumping duty levied on pen drives**
The government's proposal to impose anti-dumping duties on Chinese and Taiwanese pen drives is being opposed by the industry, fearing a rise in prices that would result in...

**Oilmeal export down 34% in December**
Oilmeal exports dipped 34 per cent last month to 3.89 lakh tonnes (5.90 tonnes) largely due to disparity in pricing of Indian soyabean meal...

**As Obama comes calling, govt pitches for stronger energy ties**
India is looking to boost energy ties with the United States during President Barack Obama's visit to New Delhi as the chief guest for Republic Day celebrations. Ahead of the visit, the...

**WTO mini-Ministerial at Davos on January 24**
Trade Ministers of India, US and India, US, among other countries, will meet on January 24 on the sidelines of the World Economic Forum Summit at Davosto discuss...
**Stemming the trade deficit**
The BJP government inherited an external sector whose problems seemed to be on the wane. The current account deficit (CAD), which had reached unacceptable levels in FY13, had...
**WTO chief to visit India, govt eyes food security solution**
India is going to up its ante on seeking a permanent solution to the food security issue at the World Trade Organization (WTO) even as its Director General Roberto...
**Rio Tinto hopes to start uranium exports to India in 2 years**
Diversified mining giant Rio Tinto group, one of the largest exporters of uranium from Australia, said on Monday that it expects another year or two before it starts shipping...
**Auto parts sector seeks 10% excise duty**
The auto components industry, on Monday, has asked the Government for continuation of 10 per cent excise duty...
**India's trade deficit with China rises to $37.8 b**
India's trade deficit with China rose to a whopping $37.8 billion last year even as bilateral trade picked up, totalling $70.59 billion, a year-on-year increase of 7.9 per cent...
**Russia seeks stronger defence ties with India**
Ahead of US President Barack Obama's visit to India as the chief guest at the Republic Day function, Russian defence minister Sergey Shoigu will arrive in New Delhi...



*Centre for WTO Studies, 7th Floor, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi - 110016*

*Tel: 91-11-26965124, 26965300, 26966360 Ext-725,710 Fax: 91-11-26853956 Email: cws@iift.ac.in*

*The Centre for WTO Studies was set up by the Department of Commerce, Government of India in 1999. The intent was to create an independent think tank with interest in trade in general and the WTO in particular. The Centre has been a part of the Indian Institute of Foreign Trade since November 2002. The Centre provides research and analytical support, and allied inputs to the Government for WTO and other trade negotiations. The Centre also has its own body of publications, and conducts outreach and capacity building programmes by organizing seminars, workshops, and subject specific meetings to disseminate its work, create awareness on recent trade topics and build consensus between stakeholders and policy makers.*

**India exports coffee to Italy, Russia, Germany, Belgium and the Arab countries**.

Dilasha Seth & Madhvi Sally, The Economic Times

New Delhi, January 02, 2015: India plans to challenge a World Trade Organisation order that told New Delhi to remove curbs on poultry imports from the US, saying it's important to protect the industry that supports livelihood of millions of people in the country.

India had banned poultry imports on account of avian influenza, which WTO called 'unscientific'." We are filing an appeal very soon to the appellate body. We may get improvement in the panel decision itself, which will help us in future," a commerce department official told ET."We are, no doubt, committed to protect the industry in a WTO compliant way," the official said, adding that the poultry sector is growing in many states and has huge employment potential. Fearing loss of business, local poultry players have been pressing the government to take steps to ensure that the US doesn't dump chicken legs, an item that they say Americans usually discard, in the Indian market.

Currently, fresh chicken in retail was selling for Rs 180 a kg and chicken legs for Rs 240 a kg. On the other hand, chicken drumsticks from US come in at around Rs 50-60 a kg.G B Sundararajan, managing director of Suguna Poultry Farms, said the industry was working to provide international quality product at affordable rates.

On the likely threat from the US, he said, "We are adopting wait-andwatch policy. The outcome to the issue can take six months to two years." India is the fourth largest producer of chicken in the world after the US, China and Brazil, with annual production of 3.5-4 million tonnes.Per-capita consumption of chicken in India has been on the rise, with eating habits changing predominantly in the metro cities, driving demand for fresh meat and meat products.

Organised players such as Godrej Tyson, Suguna Foods, Venkateshwara Hatcheries and Alchemist have been expanding their retail base and increasing capacities. Currently, foreign suppliers have no direct access to the Indian poultry market.

Global poultry majors like Pilgrim's of the US, Brazil's Perdigao and Charoen Pokphand Foods from Thailand are keen to enter the country, industry executives said.US-based Tyson Foods entered the Indian market in 2006 through a joint venture with Godrej.

In the 1980s, US poultry breeding company Cobb had a joint venture with Venkateshwara Hatcheries. Also, the Aviagen Group, the world's premier poultry breeder, had set up an integrated backend processing plant in Coimbatore.

[Back to top]

**India exports 4% less coffee, earns 6% more revenue**

PTI, The Economics times

New Delhi, January 02, 2015: India's coffee exports fell 4 per cent to about 3 lakh tonnes in the gone by year but the earnings went up 6 per cent to Rs 4,986 crore, according to the Coffee board.In 2013, exports earnings were Rs 4,692 crore on a volume of comprising 3,12,363 tonnes.

"In terms of volume, coffee exports were slightly lower than 2013 level due to decline in shipment of rubusta variety. But the export realisation was better," a senior Coffee Board official said.The export realisation was Rs 1,65,529 per tonne in 2014, higher than Rs 1,50,215 per tonne in the previous year.

According to the Board's latest data, out of total volume of coffee exports (3,01,243 tonnes), the shipment of robusta variety fell by over 16 per cent to 1,37,013 tonnes in 2014, as against 1,64,214 tonnes in the previous year.

However, the shipment of arabica variety of coffee rose marginally by over 9 per cent to 59,829 tonnes from 54,706 tonnes, while that of instant coffee increased by 79 per cent to 46,028 tonnes from 25,722 tonnes in the review period.

Much of the exports were to Italy (68,442 tonnes), Germany (30,048 tonnes), Russian Federation (22,362 tonnes), Turkey (15,842 tonnes), Belgium (13,862 tonnes) and Indonesia (11,532 tonnes) in the year 2014.A small quantity of coffee was also exported to countries such as Slovenia, Jordan, Ukraine and Malaysia.

Among key exporting firms, CCL Products India shipped 41,067 tonnes of mainly instant coffee, ITC Ltd exported 27,422 tonnes both Arabica and Robusta varieties and Tata Coffee exported 22,948 tonnes of all varieties including that of instant coffee, the data showed. As per the first estimate (post-blossom stage), total coffee output is expected to be 3,44,750 tonnes in the current 2014-15 crop year, as against 3,04,500 tonnes in 2013-14.

[Back to top]

**Diplomatic Enclave: Packing power into ties**

Shubha Singh, Financial Chronicle

January 02, 2015: India and South Korea have been working hard to deepen economic equation. An energised Indian foreign policy establishment took on its interaction with the world in 2014 with Prime Minister Narendra Modi’s high powered diplomatic visits and a new emphasis on economic diplomacy. The success of high-level visits came to be assessed by the billions of dollars worth of investment they were likely to generate.

South Korean President Park Geun-hye was the first high-profile visitor to Delhi in January 2014 and external affairs minister Sushma Swaraj wound up the year's diplomatic calendar by visiting Seoul in December- end. The South Korean President's visit was a high point in the bilateral relationship when the two sides issued a joint statement for expansion of the strategic partnership.

India and South Korea share warm and friendly relations that are officially described as a "friction-free relationship". Its major companies have experience of manufacturing in India, and South Korea is looking to diversify its markets. Many South Korean companies have done well in India's not-too-friendly business environment unlike many prospective investors from other countries. South Koreans dominate the electronics market in India and as external affairs minister Sushma Swaraj said, some Korean companies are household names in India.

South Korea with its trade and economic prowess should be a natural partner for prime minister Narendra Modi's 'Make in India' programme. There are about 300 South Korean companies that have invested roughly $3 billion in India, while Indian investment in South Korea is about $2 billion. That experience should be sufficient grounds for evoking interest among prospective South Korea investors in the Modi government's assurances on creating a new business environment. It is in line for setting up an industrial park in Rajasthan. But the good intentions on both sides need a more targeted thrust for fruition by resolving the niggling issues.

Both sides have made efforts to build up the bilateral partnership. Political and security ties between them have been improving steadily. Manmohan Singh had visited Seoul in March 2012 on the occasion of the nuclear security summit and a number of agreements were signed during the bilateral part of his visit. The Indian government made the special gesture of gifting to the Korean people a sampling of the Bodhi tree in Gaya where Lord Buddha attained enlightenment. It was handed over in a formal ceremony at Korea's National Arboretum in March 2014.

On the Korean side, President Park Geun Hye made her first foreign visit of the year to India in mid-January 2014. The visit had taken place just days before Japanese prime minister Shinzo Abe visited India as chief guest for the Republic Day celebrations. A great deal of strategic significance was perceived in the two back-to-back visits for their potential to push forward India's extended Look East policy.

Indian and South Korean leaders spoke of further expanding their political, security, defence, economic, scientific and technological and Information Technology contacts and enhancing cultural and people-to-people relations. The South Korean President was among the early foreign dignitaries to ring up newly elected prime minister Narendra Modi on July 22 to congratulate him on his victory in the general election. She had invited him to visit South Korea, an invitation that he had readily accepted. Modi had visited South Korea in 2007 while he was chief minister of Gujarat.

The Comprehensive Economic Cooperation Agreement (CEPA) signed in 2010 helped to boost the bilateral trade initially. Trade registered a 70 per cent growth over two years in 2011 to reach $20 billion. But it declined over the next couple of years to about $16 billion in 2013 and is heavily weighted in favour of South Korea. In 2012, the two prime ministers had set a revised trade target of $40 billion for 2015. Both sides agreed that there is considerable potential for further expanding bilateral economic and investment cooperation.

Under the civilian nuclear energy cooperation signed in 2011, the two governments have identified research and development, training of Indian scientific personnel and working together on next-generation reactors as areas of cooperation. India has asked for a level playing field for Indian pharmaceuticals and software exports to South Korea.

South Korea's long delayed mega-crore Posco project is still limping along as the land for the project is yet to be handed over to the company.

The environment and forests ministry had given clearances for the steel project in Odisha just weeks before President Park's visit last year.

A contract for purchase of minesweepers required by the Indian navy from a South Korean company was cancelled in November over irregularities in the deal. The Korean minesweeper deal was one of the issues flagged by President Park during her meetings in Delhi.

The change in India's foreign policy is visible but the momentum generated through high level contact needs to be sustained or else it begins to wane.

[Back to top]

**India, US May Sign Big Defence Deals**

The Indian Express

Bengaluru, January 03, 2015: Defence Minister Manohar Parrikar on Thursday expressed confidence that India and US will be able to sign big defence deals during President Barack Obama's visit to New Delhi for the Republic Day celebrations.

At the Adamya Chetana Seva Utsav here, Parrikar said, "It is quite obvious that defence deals will be finalised during Obama's visit."

"There are many things on the radar and we are working on the shape and size of these deals. We are facing issues in terms of technology, and these are being tackled. But I cannot divulge further details," he added.

Speaking about the frequent ceasefire violations by Pakistan on the border, Parrikar said the government will not take things lying down.

“Whenever there has been a ceasefire violation, we have responded with double vigour. The incident that took place recently was not an infiltration. It was a mere attempt. They attempt to fire at night so that terrorists can sneak in. But we have been alert and have given them a powerful response,” he said.

Several eminent engineers in the aeronautics and space sectors were felicitated on the occasion. They included former ISRO chairman U R Rao, HAL chairman R K Tyagi, Dr C G K Nair, DRDO’s Dr Tamilmani and others.

Union Chemical and Fertilizers Minister H N Ananth Kumar and Law Minister D V Sadananda Gowda and lexicographer G Venkatasubbaiah were among those present.

[Back to top]

**India textile export subsidy under WTO scanner; end sops soon, says US**

Arun S and Banikinkar Pattanayak , The Financial Express

New Delhi, January 03, 2015: At a time when the textiles sector is reeling under liquidity crunch and poor demand, export subsidies for textiles and garments — the fourth-largest product group in India’s outbound shipment basket — could soon be withdrawn if the country heeds concerns raised by nations, including the US and Turkey, at the World Trade Organisation (WTO).

According to the WTO’s Agreement on Subsidies and Countervailing Measures, when the share of a developing country — with per capita income below $1,000 a year — in global exports touches 3.25% in any product category for two straight years, thereby gaining “export competitiveness”, it has to phase out export subsidies for the items eight years from the second year of breach. In case of nations with higher income levels, such subsidies are a strict no-no.

Countries like the US contend that India’s “textiles and clothing” (T&C) exports first breached the threshold in 2005 and remained above the level in 2006 also and it should, therefore, end its export subsidies for these items by January 2015 (see table). India, however, cites the WTO rule book to counter this and insists it has time until January 2018 as the multilateral trade body asked the country to consider phasing out the subsidies for T&C only in 2010.

The WTO rule book says: “Export competitiveness shall exist either (a) on the basis of notification by the developing country member having reached export competitiveness, or (b) on the basis of a computation undertaken by the (WTO) Secretariat at the request of any member.”

India offers export subsidies for T&C under certain heads such as the Focus Market Scheme, Focus Product Scheme (FPS), market-linked FPS, Export Promotion Capital Goods Scheme, interest subvention on pre- and post-shipment export credit as well as tax breaks for special economic zones.

India’s textile and garments sector employ over 35 million people and accounts for over 12% of its total exports.

Sources said India has sought clarification from the WTO on the definition of “product” and the “applicable period of phasing out the subsidy” under the agreement. New Delhi believes that although as a category T&C may have exceeded the stipulated trade share level globally, many items within the group may not have attained export competitiveness, and, therefore, need continued support.

However, the sources said the commerce ministry feels since the new foreign trade policy will be applicable for the 2015-20 period, export subsidies for the textile and apparel sectors should be phased out mid-way, and if possible, much before 2018. This is because India is keen on honouring its WTO commitments on subsidies. Meanwhile, the ministry wants the textile and garment sectors be given subsidies to incentivise production, rather than exports.

The WTO prohibits subsidies linked directly to exports, but it does not bar production-based subsidies. However, subsidies for production fall in the “actionable” category where the affected importing country can impose countervailing duties to offset the disadvantage to its local manufacturers due to the cheaper imported item.

However, since the general WTO norms permit import duty neutralisation for exports, the duty drawback scheme available for the sector will not be affected, the sources said. Moreover, schemes such as technology mission on cotton and the technology upgradation fund scheme are also unlikely to be hit as they are ultimately meant for incentivising production. “If the government decides to stop export subsidies completely in 2015 under international pressure, the textile industry will face serious trouble. Already, even with a drop vis-a-vis last year, domestic cotton prices are still higher than the global levels, and producers are facing problems in passing on costs to consumers in many segments, as demand remains subdued,” said DK Nair, secretary-general of the Confederation of the Indian Textile Industry.

Exports in many textile segments have been under pressure (Cotton yarn shipments dropped 16% between April and October from a year before) due to a poor demand from top consumer China, while the growth in cotton garment exports is also slowing.

[Back to top]

**Rouble woes: tea industry seeks rupee payment system with Russia**

Tomojit Basu

New Delhi, January04, 2015: A sliding rouble has Indian exporters nudging the Commerce Ministry to institute a rupee payment mechanism for trade with Russia. The Indian tea industry, for which Russia was the largest export market in 2013-14, is set to take the agenda forward, with a delegation likely to visit the sanctions-hit country next month.

“We had a session with the Tea Board Chairman on January 1, and the rupee-rouble trading mechanism was one of the measures discussed,” said Monojit Dasgupta, Secretary General, Indian Tea Association (ITA). “A February visit of a delegation, comprising association officials, has been planned to get clarity on the same. We would like to preface our discussion on commercials with our Russian import partners about how such a system might work.”

Data provided by the Tea Board of India for April-September 2014 indicate that Indian tea export to Russia was largely unchanged at about 18 million kg compared to 18.76 million kg a year ago. Prices offered for Indian tea were about ₹161 a kg, down from ₹176/kg in 2013, after a sharp drop in crude prices and the rouble’s value erosion.

*Easing trade worries*

The rupee payment mechanism will allow Russian importers, currently struggling to acquire dollars, to settle payments in rupees with banks in both countries, facilitating accumulation of claims under a central arrangement. India has a similar arrangement with Iran.

“There is already a joint working group comprising members of both central banks who are working on the subject. The ITA has requested the Tea Board to seek an early resolution to the arrangement,” Dasgupta told *Business Line*.

Data for October-December, to be out in January, are likely to reflect an overall drop in Indian tea exports to Russia by about 14-15 million kg this season. “If the rupee payment system is put in place, it will certainly give us an edge in Russia this year,” he added. Sources said the Federation of Indian Export Organisations (FIEO) will soon send a formal representation to Commerce Minister Nirmala Sitharaman on the payment mechanism.

*Less orthodox supply*

Russia imports both higher-quality orthodox, also popular in Iran, and crush-tear-curl tea from India. Dasgupta said orthodox production was lower this season due to poor rainfall between May and August in major tea growing regions, such as Assam and in the Dooars. Short supply has hurt exporters further. Domestic orthodox prices are about ₹192/kg this season, down from ₹213 the season before.

Stiff competition from Kenya, which produced 432 million kg of tea, a record crop for the second consecutive year, is also challenging Indian exporters. Indo-Russian trade in 2013-14 stood at $6.01 billion with coffee, tea and spices accounting for $117 million.

[Back to top]

**India, US to discuss social security, visas ahead of Obama's visit**

Amiti Sen

New Delhi, January04, 2015: Progress on the pending social security agreement with the US that could save Indian IT companies an estimated $2 billion annually and sorting out their visa woes are among issues high on India's agenda during US President Barack Obama's visit later this month.

"US officials have agreed to discuss problems faced by the Indian IT industry in their country, which includes visa restrictions and mandatory social security contribution, prior to President Obama's visit," a Commerce Ministry official told *BusinessLine*.

A team of senior officials from the IT Ministry and Commerce Ministry will shortly leave for Washington for the discussion, the official added.

India is optimistic of some progress on the long-pending social security agreement as it managed to persuade the US to include the topic for the first time in the joint statement issued after the trade policy forum meet in November.

"The US also agreed to inspect the legal problems that may arise while finalising the pact and discuss ways to get around it," the official said.

A totalisation agreement allows foreign workers engaged in the US for less than five years to be exempt from paying social security tax if the workers are contributing to social security in their home country. The US has been avoiding an agreement with India on the ground that social security structures of the two countries were different.

The Commerce Ministry, however, put up a strong argument in favour of the agreement in last November pointing out that there were several common countries with which both the US and India had signed totalisation agreements. “India has signed social security pacts with countries like Canada, France and Germany which also have similar pacts with the US. This means that legal problems in formulating a similar pact between India and the US could be tackled,” the official said.

According to estimates made by the Government and industry, a totalisation agreement could help the IT industry save between $1.5 billion and $2 billion every year.

*Visa curbs*

IT companies such as Infosys and Wipro, based in the US, have also been facing problems due to various visa restrictions, including steep hike in fees for Indian professionals hired by them.

India will ask the US to ensure that the additional visa fees imposed on professionals hired by its IT companies under a Border Security law is not extended beyond 2015.

Prime Minister Modi will also ask Obama to drop certain parts of the Visa Reforms Act of 2013 being debated by US Congress which, if implemented, could result in steep penalties for Indian IT companies hiring a majority of non-American workers.

[Back to top]

**Foreign trade policy after Budget**

Nayanima Basu, Business Standard

New Delhi, January 5, 2015: The government is likely to announce the Foreign Trade Policy (FTP) only after the finance minister presents the Budget for 2015-2016. The much-delayed policy would then be applicable from the next financial year.

This is the first time in 20 years that the government has not issued an FTP. The existing one officially ended on March 31, 2014 and was expanded in phases for the current financial year. Apparently, the ministry of commerce and industry has sent a communique to exporters in this regard and said the sops given in the previous FTP will continue till March 31 of this financial year.

However, the ministry has not made the announcement officially or given reasons for not unveiling the new FTP, rolled out till now for a period of five years, with annual revision.

It is learnt the ministry, ready with a draft FTP, was not able to have its way with the finance ministry, which refused to allocate additional funds for the various incentives schemes planned for exporters, officials in the commerce department told Business Standard.

The finance ministry is already struggling to rein in the Centre's fiscal deficit at 4.1 per cent of the country's gross domestic product, as pegged in the Budget Estimate (BE) for this financial year. The actual number had reached 99 per cent of the BE in the first eight months.

Exporters would like the government to extend some of the other important benefits, such as the three per cent interest subvention scheme.

"The exporting community was looking for the new FTP, as the current policy was up to March 2014. They were not able to plan in advance for future orders," said M Rafeeque Ahmed, president, Federation of Indian Export Organisations (FIEO).

The interest subvention scheme expired in March 2014 and they'd like it to be continued with retrospective effect, as the cost of credit is very high, he said.

The government came to power in May and wanted to give the policy "a brand new look", with a renewed push to manufacturing under the Make in India policy. Also, a plan on how to better utilise free trade agreements (FTAs). According to an internal study by the commerce department, it has been found the rate of FTA utilisation by Indian exporters is the lowest among partner countries.

Merchandise export saw huge volatility in growth till November of the current financial year. While outbound shipments expanded by double digits for May and June, the growth declined considerably in the next few months to reach below three per cent in August and September. Exports contracted five per cent in October but rose 7.3 per cent in November.

Total merchandise exports during April-November, the first eight months of the financial year, rose five per cent to $216 billion, compared to $205.4 bn in the corresponding period of 2013-14, slightly lower than the 6.3 per cent in the corresponding period of 2013-14. Merchandise export missed the target of $325 bn in 2013-14, ending the year at $312.35 bn.

The trade deficit was also slightly higher at $100.6 bn from $96.9 bn in these months.

[Back to top]

**Delays in foreign trade policy hurting small exporters**

P.R. Sanjai ,  Madhura Karnik ,Llive Mint

Mumbai, January 08, 2015:  For Anshul Bansal, a Delhi-based small exporter dealing with fabrics and ethnic apparel, hopes rest on the country’s Foreign Trade Policy (FTP) that has been much-hyped and long-delayed. Bansal and thousands of others like him expect their costs to come down sharply as provisions of FTP 2014-19 will allow them to ship goods cheaper, and help them price their wares more competitively.

According to existing rules, only gifts and free samples are allowed to be sent abroad through the courier route. An exporter shipping merchandise abroad must go to a shipping firm, say DHL International GmbH, and despatch via the cargo option, which is costlier than the courier option. This costs more and entails more paperwork.

The new policy will permit exports of small and low-value goods through the courier route. However, FTP 2014-19, announced by the government in 2012, is yet to be notified by the Central Board of Excise and Customs (CBEC). The impact is felt most by small entrepreneurs who hawk their wares on online market places like eBay. Most of them have no external funding, and high logistics are a major drag. “When we need to send a shipment to the US, for instance, through cargo, a lot of paperwork is needed,” says Bansal, who runs Sanskriti India with his wife. “There is a custom clearance charge levied by shipping companies, of about Rs.1,000-1,500 per package, even if the value of the shipment is not high.

So, the cost is troublesome and we spend a lot of time arranging for the paperwork and getting clearances,” said Bansal, adding to costs. “For implementing the free trade policy, a lot of things need to move and need to be harmonized. With the previous government, it had come to a standstill as the elections approached. Now, we are expecting the current government to implement it,” Bansal said. Currently, very few Indian e-commerce firms ship overseas. Online apparel and footwear vendor Jabong.com is a rare example. International delivery costs Rs.750-Rs.1,000 per package, said Praveen Sinha, co-founder and managing director, Jabong. “So, with the new policy, if internal processes in the freight chain are reduced, then the cost will not be prohibitive, and with a drop in cost, the customer base will also increase,” said Sinha. YepMe, which also sells apparel and footwear, has a division called YepMe World that caters to international clients. Vivek Gaur, founder of YepMe, did not respond to calls and messages for comment. According to Vijay Kumar, chief operating officer of Express Industry Council of India (EICI), the rule hurts entrepreneurs and companies.

EICI represents a cross section of members drawn from international and domestic shipping companies. “The implementation of FTP also relates to the ease of doing business and will help small and micro exporters reach global consumers,” added Kumar. To be sure, the change in rule will benefit courier operators. “In the normal scenario when Indian exporters or e-commerce companies want to ship outside India, they have to go through at least five different vendors in the freight chain to deliver the goods to the customer, such as origin and destination transportation, clearing agent and air transportation, which increases the cost,” said R.S. Subramanian, senior vice-president and managing director, DHL Express India. “Once the FTP is implemented, then these activities can also be handled by courier companies and clearance can be done through courier terminals, which will reduce the operational cost.”

On 22 October, Mint reported that the commerce ministry is working on a proposal to provide incentives to exporters shipping items through e-commerce channels as part of its upcoming foreign trade policy. The move is expected to benefit exporters of handicraft and ethnic clothes among others. Bansal said the policy will have a multiplier effect as the companies can pass on the benefit to the customers, increasing volumes across the industry. According to data from the ministry of commerce, exports by micro, small and medium enterprises (MSMEs) for the 2014 fiscal were at $133 billion, which is 42% of India's total exports. In October, the country's merchandise exports contracted 5% to $26 billion.

[Back to top]

**Gold imports rise 8.5% to 849 tonne in 2014**

Rajesh Bhayani , Business Standard

Mumbai, January 5, 2015: Despite stringent control on import of gold for most of 2014, these are projected to have risen by 8.5 per cent over 2013, to 849 tonnes from 782 tonnes the year before.

Restrictions were removed from November. The monthly average of import from June was 90 tonnes; in November, it was 151 tonnes, for $5.6 billion.

The '80:20' scheme, introduced in the second half of 2013, had damped gold imports. However, from the second half of 2014, "imports were rising due to demand of consumers which was suppressed for several months", said an industry observer. As much as 296 tonnes were imported in the last quarter of the calendar year, the highest after the quarter ending June 2013.

This was despite a sharp fall in December import, estimated at a little less than 30 tonnes, a fall of almost 80 per cent from November. The December import data will be the lowest in the past 15 months. Traders say there is now almost no demand for gold, with the inventory of past months' import still in the market.

"Demand is (now) dull and we don't see any significant improvement for a couple of month, as the expectation is that the government in its Budget might cut the import duty," said Prithviraj Kothari of Riddhi Siddhi Bullion.

Gold was trading in the past month at a marginal $1-2 premium per ounce to its cost of import in the market here.

[Back to top]

**India turns net importer of iron ore in 2014**

Mahesh Kulkarni, Business Standarad

Bengaluru, January 6, 2015: India turned a net importer of iron ore in calendar year 2014, as import far exceeded exports. Domestic steel mills imported little over eight million tonnes (mt) of the key steel-making raw material, as against export of around seven mt.

Major producers such as JSW Steel, Tata Steel and Essar Steel resorted to import of high quality ore, available at almost the same cost as domestically produced lower grade material.

Imports during the year were 8.05 mt. The previous record was 3.1 mt in 2012.

Lack of stocks in the domestic market and falling prices in foreign markets encouraged ore-starved mills to look for imported material. Domestic production has been steadily declining from a high of 220 mt in 2009-10 to about 150 mt in FY14.

JSW Steel imported around six mt out of about 10 mt it plans to import in 2014-15, the financial year having three months more to go. Tata Steel brought in 2.2 mt, while Essar Steel imported half a million tonnes.

State-owned pellet maker Kudremukh Iron Ore Company Ltd imported around 100,000 tonnes from Iran, JSPL imported 120,000 tonnes of pellets from its Oman plant.

In 2013, import of ore stood at a mere 1.2 mt. CY 2012, had seen the previous highest level of imports at 3.1 mt. CY 2011, though, had witnessed just about 600,000 tonnes, according to data compiled by Delhi-based Ore Team Research.

“Conditions have changed through the years and in the process of correcting the illegalities and regularising the mining industry, the judiciary and state governments had to take hard decisions, which has led to these circumstances,” said Prakash Duvvuri, head at Ore Team Research.

As a result, India has turned out to be a net importer of iron ore, as exports have dipped amid declining global prices. India exported barely 7.27 mt in calendar year 2014 against 8.12 mt of imports, he pointed out.

[Back to top]

**Industry opposes anti-dumping duty levied on pen drives**

Rajesh Kurup, Rahul Wadke, Business Line

Mumbai, January 08, 2015: The government's proposal to impose anti-dumping duties on Chinese and Taiwanese pen drives is being opposed by the industry, fearing a rise in prices that would result in grey market spread.

The sector is also confused over the provenance of the devices, while domestic companies' lacking of the ability to manufacture these would impact the demand-supply equation.

The Directorate General of Anti-Dumping & Allied Duties (DGAD) has proposed to levy duties of $3.12 (Rs 199) per unit imported from China and $3.06 (₹195) for those from Taiwan.

DGAD will now send its findings, which were finalised after an investigation for calendar year 2012, to the finance ministry for a final decision.'No rationale'

"This will put a huge burden on the consumers. Also there is no rationale of imposing duty on high capacities such as 32 GB, 64 GB and 128 GB or USB 3.0 technology products where domestic players have no demonstrated presence or capability," said Ashok Chandak, Chairman of India Electronics and Semiconductor Association.

Flash memories, manufactured in Japan and Korea, are the major costs of USB products and these devices mainly are assembled and tested in China and Taiwan, he added.

Anti-dumping duties are imposed to protect the domestic industry from unfair competition, especially on suspiciously low-priced imports or goods below cost prices.

"The bigger worry is that this will result in emergence of grey market in the country, not to mention the direct impact it would have on prices," said Anwar Shirpurwala, Executive Director at Manufacturers' Association of Information Technology (MAIT).

According to industry data, the present demand for USB sticks in India is at about 25-30 million units per year, of which nearly 99 per cent is imports.

*Global firms*

"We are confused as to what is Chinese or Taiwanese. These are all global manufacturers – Japanese, South Korean and US firms – and these companies are assembling these devices," said Vishnu Bhandari, CEO of IT distributor Supertron Electronics. According to the industry, flash drives are IT products covered under WTO Information Technology Agreement List and no custom duty is levied, even though 6 per cent countervailing duty is levied on the MRP.

At present, domestic prices of these drives are at par with global prices, while there are about 20,000 channel partners selling these in the country, according to Suresh Pansari, director at distributor Rashi Peripherals.

[Back to top]

**Oilmeal export down 34% in December**

Business Line

Mumbai, January 08, 2015: Oilmeal exports dipped 34 per cent last month to 3.89 lakh tonnes (5.90 tonnes) largely due to disparity in pricing of Indian soyabean meal.

Soyabean meal prices in India have been holding steady even as they fell sharply in the international markets. This has led to meal exporters quoting higher price.

In the last nine months, export of soyabean meal dipped due to disparities in prices in the international market. On the brighter side, the share of rapeseed meal has increased to 8,95,585 tonnes from 6,82,653 tonne, while that of ricebran extractions export doubled, said the Solvent Extractors' Association of India in a statement on Wednesday.

The average price of soyabean meal has dropped to $483 a tonne in December from $559 a tonne in the year-ago, it said.

The total export of oilmeals in the first nine months of the fiscal was down 42 per cent at 18.41 lakh tonnes (31.90 lakh tonnes).India is one of the leading soyameal suppliers to the South-East Asian countries and is among the major consumers of vegetable oils.

[Back to top]

**As Obama comes calling, govt pitches for stronger energy ties**

Huma Siddiqui, The Financial Express

January 08, 2015: India is looking to boost energy ties with the United States during President Barack Obama's visit to New Delhi as the chief guest for Republic Day celebrations. Ahead of the visit, the ministry of external affairs (MEA) has asked the petroleum ministry to come up with ideas for cooperation in the oil and gas sector, sources told FE.

In their second bilateral meeting on January 25, Obama and Prime Minister Narendra Modi will discuss a range of priority issues, including cooperation in the oil and gas sector. The specific elements of engagement between India and the US would include allowing LNG exports from the US to India and technological cooperation in the field of oil and natural gas.

In 2013, the US had granted conditional authorisation to export domestically-produced liquefied natural gas (LNG) to countries that do not have a free trade agreement (FTA) with it such as India. Both government-owned companies such as GAIL (India) and privately held Reliance Industries (RIL) have invested in shale gas acreages in the US. GAIL has tied up 5.8 million tonnes per annum (mtpa) of LNG imports from the US starting 2017.

According to sources, the MEA has pointed out that the issue of India-US engagement in the field of petroleum and natural gas is an important element of bilateral cooperation and has, therefore, asked the the ministry to prepare a list of areas relating to trade and technology where both sides can pursue their mutual interests.

The foreign office has also sought ideas, inputs and any other specific formulations from the petroleum ministry, which could be included in the joint statement to be issued during Obama’s visit.

India’s partnership with the US is likely to enlist geological assistance to find shale gas and later evaluating ways to make it available for use. Economic viability in extraction of shale gas is a big problem because establishing flow of gas through rocks is tough. A similar partnership was also being discussed in 2010 between India’s then petroleum minister Murli Deora and US deputy secretary of energy Daniel Poneman.

[Back to top]

**WTO mini-Ministerial at Davos on January 24**

PTI, The Economics Times

New Delhi, January 09, 2015: Trade Ministers of India, US and India, US, among other countries, will meet on January 24 on the sidelines of the World Economic Forum Summit at Davosto discuss the road-ahead for the WTO, including the post-Bali programme.

"It will be a kind of WTO mini-Ministerial meeting. About 20-22 trade ministers may attend the meeting. Commerce and Industry Minister Nirmala Sitharaman would participate besides WTO Director General Roberto Azevedo and others," an official said.

The meeting assumes significance as the 160-member body has adopted the much-delayed Trade Facilitation Agreement (TFA) and agreed to find a permanent solution on the issues arising out of the implementation of food security programmes of developing countries including India.

In November, India secured a major victory at Geneva with the WTO accommodating its food security demands, leading to conclusion of an historic trade reform deal.

The official said that the ministers are expected to discuss the post-Bali work programme like implementation of the TFA and pending matters of the Doha Round during the meeting.

WEF's high-profile annual congregation of the world's rich and powerful at the Swiss ski resort town of Davos will this year is expected to host over 300 heads of state and government along with 1,500 business leaders, including more than 100 members of India Inc.

Besides Sitharaman, Coal and Power Minister Piyush Goyal would also attend the WEF event scheduled from January 20-24.

Senior government officials and top business leaders from the country are also expected to attend.

The theme of this year's annual meeting is 'The new global context' and will have Indian industrialist and Jubilant Group head Hari S Bhartia as one of the six co-chairs.

[Back to top]

**Stemming the trade deficit**

Biswajit Dhar, The Financial Express

January 09, 2015: The BJP government inherited an external sector whose problems seemed to be on the wane. The current account deficit (CAD), which had reached unacceptable levels in FY13, had eased considerably in FY14 as the balance on the merchandise trade account saw a significant improvement, of more than 27%. This was achieved through a combination of modest increase in exports and a squeeze in the import bill, the latter being more noteworthy given the immediate past trend. As in the case of most other sectors of the Indian economy, the expectation was that the present government would be able to engineer a sustained improvement in the merchandise trade balance by making the necessary interventions. Realisation of this objective would have been a significant step forward for the macroeconomic stability of the Indian economy, and therefore the performance of the external sector during the first eight months of FY15 assumes considerable importance.

The improvement that the merchandise trade account has seen in the previous fiscal continued into the first quarter of FY15, as the trade deficit declined by nearly a third over the corresponding period in FY14. There was plenty to cheer about as exports increased by more than 7%, while imports had declined by 6%. The better news was that export growth was fuelled by strong performance by the manufacturing sector. Machinery and transport equipment groups were among the top performers: the latter group, having a 9% share in total exports, increased by nearly 34%, and the former, accounting for 6% of exports, expanded by nearly 20%. Textiles and allied products, a group with 12% share in exports, increased by 14%. This expansion was fuelled by impressive export growth in the apparel sub-group and cotton fabrics, which for long were India's areas of strength, but have since lost their competiveness. For once, it did seem that the India's manufacturing sector was getting rid of its frailties and was beginning to find its place in the global markets.

On the import-side, the two largest groups, crude petroleum and gems and jewellery, having a combined share of 38% of total imports, registered steep falls. Import of gold had declined by nearly 57%, as the decision of the previous government to restrict its import continued to show positive results. The UPA government had clamped down on gold imports by adopting two sets of measures. The first was an increase in the import duty, from 8% to 10%. The second was a ruling that only 10 designated banks and other agencies and entities could import gold. These designated institutions had to meet the 80:20 rule, which was that at least one-fifth of every lot of gold imports had to be made available for exports and the balance for domestic use.

However, at the end of the second quarter, India's export growth had started showing signs of moderation. In overall terms, exports grew by less than 5% in the first half of FY15 as compared to the corresponding period in the previous year. Although the exports of major manufacturing sectors continued to grow at a fair pace, all of them, barring the machinery sector, had begun recording slower increases during the second quarter. On the other hand, imports, which till then were lower than the levels recorded in FY14, had also started increasing. One

of the contributors was the import of gold, which had recovered from the steep fall it had registered in the first quarter and was therefore influencing the overall levels of imports. Further, import of crude petroleum had declined by a smaller proportion as compared to that in the first quarter, despite fact that the crude prices had started declining during these months. But despite these developments, the trade balance for the first half of the current fiscal remained below that registered in the corresponding period of the previous fiscal.

Merchandise trade underwent major changes in the two months in the third quarter for which data are available. Trade balance between April and November had mounted and was nearly 4% higher than the same period in the previous year and this had occurred primarily on account of the upswing in imports. As compared to the negative or marginal growth during the first two quarters of FY15, imports have seen an increase by almost 5%. The two largest components of imports after petroleum, namely electronics goods and gold, which together make up for more than 15.5% of India's imports, triggered the import growth. Gold imports surged as the government gave strong signals of easing the restrictions imposed by the UPA government, culminating in the eventual removal of these restrictions, including the 80:20 rule. While in the first half of the current fiscal, the value of gold imported into India was $14.6 billion, in the next two months, the imports were nearly $10 billion. In November 2014, gold imports were nearly six times higher than the corresponding month in 2013.

All this has happened while the export growth has remained flat. While two of the important manufacturing sectors, engineering goods and apparels, continued to grow, a few other sectors, like electronics and cotton yarn failed to increase their exports. In the recent months, the slump in the exports of petroleum products has of course been the single largest factor for the export slow-down. There is no doubt that the large dependence on this sector is beginning to hurt the export earnings as the oil market becomes increasingly bearish.

With the deficit on the merchandise trade account getting back to its familiar upward curve, the government needs to take some urgent steps to prevent the deficit from going out of control. In this context, it must be said that the removal of controls over the import of gold has not been a very prudent step, for this may widen the trade deficit more than the government has been hoping for.

A much bigger area of concern for the government is the moderation of export growth after a relatively promising start to the year. There are still some signs that some of the major manufacturing sectors can perform reasonably well in the global markets and it is therefore necessary for the government, together with the private sector, to evolve strategies for sustaining the export growth. This is one area that needs an effective public-private partnership; hopefully, the two sides can put this partnership in place at the earliest.

[Back to top]

**WTO chief to visit India, govt eyes food security solution**

Nayanima Basu , Business Standard

New Delhi, January 11, 2015: India is going to up its ante on seeking a permanent solution to the food security issue at the World Trade Organization (WTO) even as its Director General Roberto Azevêdo is visiting India this month.

Azevêdo, who is coming to Jaipur to take part in the Confederation of Indian Industry (CII) Partnership Summit from January 15 to 17, will be meeting Union minister Nirmala Sitharaman during the visit. He might visit New Delhi to meet Prime Minister Narendra Modi and others, according to officials. But this has not been confirmed yet.

The director general's visit comes at a time when the date for the next WTO ministerial meeting, the highest decision-making body, has been finalised. The 10th ministerial meet will be taking place in Nairobi, Kenya from December 15 to 18 this year.

During their meeting in Jaipur, Sitharaman is expected to discuss the possible stance India might take in seeking a permanent solution to the issue of food stockholding and farm subsidies.

The meeting in Jaipur will be followed by an informal meeting of trade ministers from the US, Australia and India among others on the sidelines of the World Economic Forum Summit at Davos this month, where it is expected that the post-Bali work programme will be discussed.

Last year in November, the WTO signed its first such multilateral pact since its inception – Trade Facilitation Agreement (TFA). It also simultaneously agreed to grant an interim relief to India and other developing countries on food stocks schemes until a permanent solution to the issue is achieved, which was seen as a major victory by the Modi government.

TFA is expected to inject $1 trillion into the global economy by way of easing global customs norms and facilitating smoother transition of goods across international borders.

Issues concerning the post-Bali work programme will also be discussed by all members during the next General Council meet that is scheduled to take place in February 20 at the WTO headquarters in Geneva.

This will be Azevêdo’s first visit to India since assuming the present role in September 2013. He last visited India early that year when he was running for the post.

*TURNING POINT*

- Union Minister Sitharaman is expected to discuss the possible stance India might take in seeking a permanent solution to the issue of food stockholding and farm subsidies in Jaipur
- The meeting in Jaipur will be followed by an informal meeting of trade ministers from the US, Australia and India among others, on the sidelines of the World Economic Forum Summit at Davos this month.

[Back to top]

**Rio Tinto hopes to start uranium exports to India in 2 years**

Business Line

New Delhi, January 13, 2015: Diversified mining giant Rio Tinto group, one of the largest exporters of uranium from Australia, said on Monday that it expects another year or two before it starts shipping the nuclear fuel to India.

"The memorandum of understanding for civil nuclear cooperation was signed last year but there is still work that needs to be done on certain safeguards about the end use of the uranium. It is an elaborate process and though both sides are committed, I think it will take another year or two before we start exporting uranium to India," said Sam Walsh, group Chief Executive Officer, Rio Tinto.

Walsh added that he expressed interest in bidding for coal blocks in his discussions with Prime Minister Narendra Modi. "Commercial mining of coal is still some way off, but we are open to opportunities," he said.

The group currently has a two way trade with India of about $2 billion.

Rio Tinto is still awaiting environment clearances for its $2 billion iron ore project in Odisha and $500 million diamond mining project in Madhya Pradesh.

"The Madhya Pradesh project is an important one. It has the potential to create 30,000 jobs. We hope that approvals for this and the Odisha iron ore project will come through soon," said Walsh.

He added that over the three meeting with Modi in the last six month, the issue of pending approvals has been raised.

[Back to top]

**Auto parts sector seeks 10% excise duty**

Business Line

New Delhi, January 14, 2015: The auto components industry, on Monday, has asked the Government for continuation of 10 per cent excise duty.

**Growing exports**

With the excise duty concession on auto components expiring on December 31, 2014, the tax rate has gone up again to 12 per cent.

In a representation to the Finance Ministry for Union Budget 2015-16, the Automotive Component Manufacturers Association (ACMA) said such support would help their ambition of growing exports to $35-40 billion and build overseas revenues of $20-22 billion over the next five years.

According to ACMA, the industry aims to cross the $100 billion mark (turnover) and to have at least five Indian suppliers amongst top-global-hundred by 2020. “We expect the forthcoming Budget to lead to creation of a favourable and stable policy environment to boost industrial revival and enable growth in domestic auto sector," said Ramesh Suri, President of ACMA.

The auto sector faced one of the most trying times in the last fiscal — flagging vehicle sales, high capital cost, high interest rates, fluctuating exchange parity, slowing down of investment and infrastructure challenges had adversely impacted the growth of the auto component industry, it said.

It has also recommended for early implementation of GST/phasing out CST and till such time the GST is implemented, CST be reduced to one per cent from existing two per cent.

Due to power shortage, manufacturers have to resort to generating their own power through gen-sets, thus, increasing the cost of production. Therefore, it said such manufacturers be allowed to avail input credit on diesel procured for internal power generation.

"The current depreciation rate on capital goods should be enhanced to 25 per cent from 15 per cent. Further, domestically manufactured capital goods be allowed 40 per cent depreciation.

This will encourage capital investment in the industry," it added.

[Back to top]

**India's trade deficit with China rises to $37.8 b**

The Hindu

January 14, 2015: India's trade deficit with China rose to a whopping $37.8 billion last year even as bilateral trade picked up, totalling $70.59 billion, a year-on-year increase of 7.9 per cent.

According to annual figures released by the China's General Administration of Customs (GAC), the total trade volume went to $70.59 billion from last year's $65.57, an increase of $5.02 billion amid increasing Chinese exports to India.

India-China trade hit all-time high of $73.9 billion in 2011, but declined to $66.57 billion in 2012 and $65.49 billion in 2013.

According to figures released by Chinese customs, bilateral trade increased by 7.9 per cent, halting the decline in the last two years.

But India's trade deficit woes continued, as it mounted as high as $37.8 billion, making it difficult to bridge the gap. The leadership of the two countries have fixed a trade target of $100 billion for this year.

Chinese exports to India surged to $54.2 billion, posting a 12 per cent increase while Indian exports to China decelerated to $16.4 billion, a decline of 3.5 per cent.

Indian exports totalled to $17.04 billion in 2013.

While the trade has increased between the two countries becoming a binding factor in improving relations, the ever-widening deficit has become a major stumbling block, especially for India, whose exports were hit by depreciating rupee and also by declining exports of iron ore which previously was the main stay of Indian exports.

Keeping the gap in mind, India has been pressuring China to open up more in IT, pharmaceuticals and agri-products besides stepping up Chinese investments in India to compensate for the trade deficit.

While Chinese leadership has been promising to open up more for Indian trade, especially for pharmaceuticals, a sum of $20 billion has been committed for investments in two industrial parks in Gujarat and Maharashtra during the visit of Chinese President Xi Jinping to India in September last.

*To step up cooperation*

India and China are in talks to step up cooperation in plans to modernise the Indian Railways, which could further increase Chinese investments in the country.

China is also keen to market its high-speed railway technology in India, and has committed to do a feasibility study this year for Delhi-Chennai corridor.

[Back to top]

**Russia seeks stronger defence ties with India**

Huma Siddiqui, The Financial express

New Delhi ,January 14, 2015: Ahead of US President Barack Obama's visit to India as the chief guest at the Republic Day function, Russian defence minister Sergey Shoigu will arrive in New Delhi on January 21 to meet his Indian counterpart Manohar Parrikar.

During his two-day visit, the Russian defence minister will be meeting Parrikar under a mechanism that was recently created for top-level Russia-India meetings. The two ministers will conduct the 15th meeting of the Russian-Indian Inter-Governmental Commission on Military-Technical Cooperation where they will discuss the fifth generation fighter aircraft, multi-transport aircraft, and Prime Minister Narendra Modi's 'Make in India' initiative.

The two leaders will also talk about the offers, made during Russian President Vladmir Putin's visit to India last month, on producing the 'Kamov' military helicopters in India under the 'Make in India' initiative. Also, India is possibly looking for additional Sukhoi-30MKI fighter aircraft.

While the two ministers will also review the preliminary design for the export version of the fifth generation fighter jet – the PAK-FA, the two are not expected to move forward on having a $11-billion research and development contract for the Fifth Generation Fighter Aircraft (FGFA).

The two countries have set up a joint venture, headquartered in Bangalore to design and develop the medium-payload multi-role transport aircraft. Its founders are Hindustan Aeronautics (HAL), UAC and Rosoboronexport.

Ahead of the Russian defence minister's this meeting, there was a visit by a Russian team to India when they conveyed to the Indian Air Force (IAF) that the basic prototype of the plane was already flying and the Indian version had just a few variations, hence a full-fledged R&D contract was a waste of time and resources.

In September 2013, the two countries were able to resolve the problematic issues on the draft design of the fifth generation fighter, having also agreed to build 200 aircraft worth about $30 billion. President of Russia's United Aircraft Corporation (UAC) Mikhail Pogosyan said in November that FGFA project is among top priority projects for Russia. "The projects of a fifth generation fighter jet and a military transport plane reflect our strategy on creating present-day high-tech products in cooperation with our partners."

The two countries are the largest partners in the field of military-technical cooperation (MTC) – with over 70% of weapons and military equipment used by the Indian Army, Air Force and Navy made in Russia or the former Soviet Union. The Federal Service for Military-Technical Cooperation (FSMTC) estimates the volume of weapons and military equipment supplied to India in 2013 at $4.78 billion.

[Back to top]