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‘High hopes’ for trade deal with India: Australian PM Malcolm Turnbull

The Indian Express

Melbourne, December 15, 2016

Australia has “high hopes” of concluding a comprehensive economic cooperation agreement with India next year, Prime Minister Malcolm Turnbull has said.

Turnbull, who agreed to visit India next year when he met with Prime Minister Narendra Modi on the sidelines of the G20 summit in China in September, told business leaders recently that the government had “high hopes” of concluding the Australia-India Comprehensive Economic Cooperation Agreement, Australian Associated Press reported yesterday.

Speaking to a business forum in Sydney, Treasurer Scott Morrison yesterday reiterated that the government was keen to conclude trade negotiations with India. Negotiations were started in 2011 to seal an agreement to cut tariffs, improve trade in services and make it easier to invest.

So far the two sides had almost nine rounds negotiations on Free Trade Agreement.

The 9th round covered key issues including market access for goods, services and investment, rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, legal and institutional matters and dispute settlement.

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India waiting for dates from EU to negotiate Free Trade Agreement: Nirmala Sitharaman

The Indian Express

New Delhi, December 17, 2016

India is waiting for dates from European Union to negotiate the long pending Free Trade Agreement as well as a fresh Bilateral Investment Treaty, Commerce and Industry Minister Nirmala Sitharaman said on Saturday. "I am waiting for dates to talk about both (FTA and BIT)," she said at a function here organised by industry body Ficci. The proposed Broadbased Trade and Investment Agreement (BTIA) or FTA has been pending for long. "We have repeatedly asked for dates for negotiations with the EU... This FTA has gone through several stages," the minister said. She indicated that the delay in resuming talks could be because EU is now looking more at getting the investment treaty "quickly done".

The European Commission (EC) had raised concerns over negotiations for a fresh Bilateral Investment Treaty (BIT). Sitharaman said the government has come out with the revised model text for BIT and all existing investment protection agreements will be null and void from March 31, "so we want countries to do that".

Launched in June 2007, BITA negotiations have seen many hurdles with both sides having major differences on crucial issues like intellectual property rights, duty cuts in automobile as well as spirits and a liberal visa regime. On other FTAs which India is negotiating, Sitharaman sought feedback from industry chambers on those and ways to increase share of India in the global trade to 3.5 per cent by 2020 from about 2 per cent currently.

She also expressed concerns about the increasing protectionism in the world. "There is very high degree of protectionism across the globe," she said adding India is opening up but in a calibrated manner.

Talking about quality and standards of products, she said Indian industry needs to increase standards and its compliance to boost its competitiveness in the world market. Sitharaman further said that the Commerce Ministry will soon call the meeting of Board of Trade to discuss issues related to exports.

Exports rose for the third straight month in November, recording a growth of 2.29 per cent, though the trade deficit shot up to about two-year high of USD 13 billion mainly due to increase in gold imports.

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Commerce and Industry Minister Nirmala Sitharaman to chair BoT meet to discuss exports

The Economic Times

New Delhi, December 20, 2016 : Commerce and Industry Minister Nirmala Sitharaman will chair the meeting of 70-member Board of Trade next month to discuss ways to boost exports, which has been largely languishing in the negative zone.

It will be the second meeting of the reconstituted Board of Trade (BoT), an official said.

The meeting assumes significance as exports have started showing positive growth since September this year. It grew 2.29 per cent in November.

The official said that issues like impact of demonetisation on exporters would figure in the meeting.

The objective of the BoT is to have continuous discussion and consultation with trade and industry. BoT is a top advisory body on trade.

The BoT advises the government on policy measures relating to foreign trade policy in order to achieve the objective of boosting India's trade.

The Board's last meeting was held in April this year. In that meeting, the ministry had said that it would focus on six areas, including reviving SEZs and according priority sector status to export credit, in order to boost overseas shipments.

The reconstituted BOT comprises 19 members from industry and academia (non-official members); 31 heads of trade and industry associations (ex-officio members); and 20 top officials including 13 secretaries to government of India, Deputy Governor of RBI, Railway Board Chairman and National Highways Authority of India Chairman.

Besides, the Director General of Foreign Trade is the member secretary of the Board.

The non-official members include ICICI Bank Ltd BSE 0.83 % MD and CEO Chanda Kochhar and Biocon Chairman and Managing Director Kiran Mazumdar-Shaw.

The terms of reference of the BoT include reviewing export performance of various sectors, identify constraints and suggest industry-specific measures to optimise export earnings.

Since December 2014, exports fell for 18 consecutive months till May 2016. Shipments witnessed growth only in June this year, but again slipped in July and August. Exports started recording positive growth from September.

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Farmers demand 40% duty on wheat imports

Amiti Sen, Business Line

New Delhi, December 20, 2016 : The Centre's decision to scrap import duty on wheat should be withdrawn immediately, farmer leaders from Punjab, Haryana, Madhya Pradesh, Uttar Pradesh and Outer Delhi--all members of farmers' body Bhartiya Kisan Union (BKU)--have demanded.

Instead, a 40 per cent cess should be imposed on imports to prevent distress sale during harvest, they suggest.

“The decision taken at a time when many farmers have more or less completed their sowing is cruel and anti-people and will lead to distress sale during harvest,” said Ajmer Singh, State President, BKU Punjab, addressing a press conference on Tuesday.

Wheat farmers say that there was actually no shortage of the cereal in the domestic market and the scarcity was artificially created by hoarders. “Farmers have sold their wheat for Rs. 1,200 per quintal to private buyers and it is now selling for much higher in the open market. The price has shot up due to hoarding which is what should be targeted by the government,” said Yudhvir Singh, National General Secretary, BKU.

The government has estimated wheat production at 93.5 million tonne for 2015-16, Lakhoval, pointed out, adding that even if the estimates were not fully met, production would be enough to meet the national consumption demand of 87 million tonne.

“The removal of import duty on wheat does not make much sense, apart from benefiting the Australian Wheat Board,” Lakhoval added.

The BKU has already written to Prime Minister Narendra Modi asking for imposition of 40 per cent import duty on wheat, but has not received any response.

The government had completely scrapped import duty on wheat earlier this month after reducing it to 10 per cent from 25 per cent in September.

Private millers have already imported more than 1.72 million tonne of wheat from Australia, France and the Ukraine this year since September.

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India, Kyrgyzstan initiate Bilateral Investment Treaty talks

Nayanima Basu, Business Line

New Delhi, December 20, 2016 : India and Kyrgyzstan initiated talks to conclude a Bilateral Investment Treaty (BIT) that will seek to boost investments between the two nations and protect investors' interests.

An agreement to conclude the BIT was also signed, including six other pacts between both countries following a bilateral meeting between President of Kyrgyz Republic Almazbek Atambayev and Prime Minister Narendra Modi here on Tuesday.

According to a joint statement issued after the meeting, both leaders agreed to explore new mechanisms to further strengthen economic ties between the two countries.

“They noted with satisfaction that the Bilateral Investment Treaty had been initiated earlier in the morning on December 20, 2016,” it said.

Both leaders also directed their respective officials to develop a comprehensive roadmap for a five-year timeframe elaborating details on how to expand bilateral trade between both sides.

“President Atambayev and I agreed on the need to connect our economies more deeply. To this end, we will work to strengthen bilateral trade and economic linkages, and facilitate greater people-to-people exchanges,” said Modi.

India and the Kyrgyz Republic will be marking the 25th anniversary of establishment of diplomatic ties between the two countries in March 2017.

President Atambayev urged Indian industry to explore investment opportunities in the Eurasian Economic Union (EaEU).

Both leaders also talked about expeditiously concluding the long-pending India-Eurasian Economic Union free trade agreement (FTA).

Defence cooperation

Both nations also plan to expand the joint military exercises. The ‘Khanjar’ series of India-Kyrgyzstan military exercises has become an annual event. In March 2015, Khanjar-II exercise was held in Kyrgyzstan. Now Khanjar-IV exercises are scheduled to be held in February-March 2017.

India and Kyrgyzstan are jointly constructing the Kyrgyz-Indian Mountain Training Centre in the city of Balykchi, in Issyk-Kul District of Kyrgyzstan. This centre will provide instruction and training for personnel of the armed forces of the Kyrgyz Republic as well as host Kyrgyz-Indian joint mountain training exercises.

The Central Asian nation bordering China is strategically important for India and both countries have been steadily ramping up defence collaboration.

Modi had visited Kyrgyztan in July last year during which a pact for boosting defence cooperation was inked.

The joint statement said the two leaders noted the challenges posed by terrorism and extremism globally as well as in the Asian continent, and emphasised the importance of ensuring a stable and secure environment for peaceful economic development.

“In this context, they also called for the adoption by the United Nations of the draft Comprehensive Convention on Combating International Terrorism,” it said.

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Donald Trump creates new trade body within White House

The Indian Express

Washington, December 22, 2016 : US President-elect Donald Trump has created a new trade body within the White House that would report directly to him and roped in an economist and a billionaire – both known for their anti-China stance – for his economic team. The formation of the White House National Trade Council further demonstrates Trump’s determination to make American manufacturing “great” again and to provide every American the opportunity to work in a decent job at a decent wage, the presidential transition team said.

The council would be headed by economist and University of California-Irvine Professor Peter Navarro, who would serve as Assistant to the President and Director of Trade and Industrial Policy, the team said in a statement.

“Navarro is a visionary economist and will develop trade policies that shrink our trade deficit, expand our

growth, and help stop the exodus of jobs from our shores,” it said, adding that he has been instrumental in challenging the prevailing Washington orthodoxy on so-called free trade.

According to the transition team, the mission of the National Trade Council will be to advise the President on innovative strategies in trade negotiations, coordinate with other agencies to assess US manufacturing capabilities and the defence industrial base, and help match unemployed American workers with new opportunities in the skilled manufacturing sector.

Later in the day, Trump announced to appoint billionaire investor Carl Icahn to serve as special advisor on issues related to regulatory reform. Icahn was one of Trump’s earliest supporters, and his intimate knowledge of what businesses need to grow and thrive makes him a trusted voice in developing President-elect’s ‘America First’ economic agenda, the media statement said.

“Icahn will be a leader in helping American entrepreneurs shed job-killing regulations that stifle economic growth,” it said. In a report, The Wall Street said the announcements “offer clues about how Trump will attempt to flesh out his distinct economic agenda that fuses traditional Republican principles of lower taxes and regulation” with a more populist approach on trade, immigration and manufacturing.

The Democratic National Committee deputy communications director Eric Walker alleged that this is a quid-pro-quo 25 years in the making. “In the early 1990s, Icahn came to Trump’s rescue as his casino business was failing. Today, Trump made Icahn the regulatory czar of his administration,” he said.

“The corrupt nature of this arrangement cannot be understated. Voters who wanted Trump to drain the swamp just got another face full of mud,” he added.

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Don’t see any diminution in bilateral ties with India: US

The Indian Express

Washington, December 22, 2016 : Asserting that India is an important partner for the US, the outgoing Obama Administration has said that it does not see any “diminution in the strong bilateral relations” that the two countries have enjoyed till date. “It goes without saying that because India is such an important partner and such an important power that I see no diminution in the strong US-India bilateral relations that we’ve enjoyed to date,” State Department Spokesman John Kirby told reporters yesterday.

“I am not going to use the podium to talk about advice that Secretary of State (John) Kerry may give to his successor,” Kirby said when asked about the future of India-US relationship under the new administration.

“We obviously believe in the strength of our bilateral relationship with India. It is vital and important on so many different levels and we will certainly do all that’s required of us by the transition team to provide them the context and information about that relationship with India for them to make their own decisions,” he said.

“I simply wouldn’t predict or get ahead of how the next administration is going to interact with India,” Kirby said.

The State Department also refrained from answering questions related to demonetisation drive by the Indian government.

He described this as an internal matter of India.

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Gujarat farmers return to isabgol with an eye on export market

Rutam Vora, Business Line

Washington, December 22, 2016 : Rabi sowing is on in full swing, and among the winter crops, isabgol or psyllium is gradually gaining traction among farmers in Gujarat. The sowing season is far from over, and already the sowing of isabgol in the State has exceeded the three-year average acreage.

According to the Gujarat government’s agriculture department data, the area under isabgol was 9,700 hectares as on December 13, against the three-year average of 8,900 hectares.

Strong export demand and an assured market have incentivised farmers to take to this crop, which is used in medical applications, besides confectionery and bakery items in Europe, the US, Mexico and Pakistan.

Gujarat’s dwindling share

With about 1.2 lakh tonnes of isabgol production every year, India is the leading producer of the crop.

But Gujarat's share of the country's overall isabgol production has gone down from 35 per cent in 2008-09 to about 20 per cent now. On the spot, isabgol fetched ₹ 2,100-2,300 per 20 kg at Unjha, whereas the processed isabgol husk is priced at ₹ 150-180 per kg, depending on quality.

A quintal of isabgol seed yields about 25 kg of husk, which is primarily used as a laxative.

Climate risks

AU Amin, in-charge of the research station at Jagudan, Sardarkrushinagar Dantiwada Agricultural University in North Gujarat, explains why farmers diversified into producing isabgol.

“There is a climatic risk due to unseasonal rains in winter,” says Amin.

“It causes damage to the crop and loss to the farmers. Therefore, farmers gradually shifted to other crops. Also, the price was less remunerative. However, there is a huge scope for value addition of the crop.”

The university is in the process of bringing new non-shattering seeds to withstand climatic adversity.

Earlier this month, Prime Minister Narendra Modi had, during his visit to Deesa, called for innovation and value-addition in isabgol to make it more remunerative and attractive to farmers.

Modi recalled that he had suggested to Verghese Kurien, father of the White Revolution, that he should find a way to harness the commercial potential of isabgol. “And he made an ice cream from it and sold in Anand,” Modi said.

‘No incentives’

However, traders are disappointed by the lack of incentives from the government to take up research and trials for value addition in the crop.

“We are small units and cannot afford heavy investments in R&D for value addition. There are no incentives from the government for small units to undertake such activities,” said Chirag Patel of Satnam Psyllium Industries in Unjha.

Besides Gujarat, Madhya Pradesh and Rajasthan are the key growers of the commodity.

“Most of the arrivals come from Rajasthan and Gujarat. Prices have been stable, and we expect the production too to remain stable next year as there has been no sharp jump in the acreage,” said Patel.

According to trader sources, about 90-95 per cent of India’s isabgol production is exported.

According to DGFT data, India exported 29,343 tonnes of isabgol in 2011-12; 32,465 tonnes in 2013-14; and 32,325 tonnes in 2014-15.

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India not to impose penal import duties on aluminium

Amiti Sen, Business Line

New Delhi, December 27, 2016 : India has terminated its investigation on imposition of safeguard or penal duties on imports of aluminium products.

The decision has been taken as pressure on the country not to impose the levy came from affected nations such as Russia, Malaysia and the UAE and the EU.

The decision is significant as the Directorate General of Safeguards had initially proposed a five per cent provisional safeguard duty on unwrought aluminium products for 200 days in April this year after investigating complaints from domestic producers such as Vedanta Ltd, Hindalco, and Balco, which demanded additional protection against imports.

The duty was, however, not imposed at that point of time following protests from exporting countries, and DG Safeguards continued with its final investigations.

“The Directorate General of Safeguards has terminated investigations for imposition of safeguard duty on unwrought aluminium products on the ground that alleged serious injury or threat of such injury to domestic industry during the period of investigation could not be established,” a government official told *BusinessLine*.

Performance not hit

DG Safeguards, in its final report this month, observed that while imports of unwrought aluminium had increased in absolute terms as well as in relation to production during the period of investigation, it had not affected the performance of the domestic industry.

“The market share, production, domestic sales and productivity of the domestic industry had improved and capacity utilisation was almost at 100 per cent during the period of investigation...hence no protection is required under the safeguard law,” the report concluded.

The WTO allows imposition of safeguard duties on imports of items over and above the regular customs duty if there is a surge in its imports causing disruption for the domestic industry.

EU stand

The EU, in a meeting of the WTO Committee on Safeguards in October, pointed out that in the case of unwrought aluminium products, India's injury determination for the local industry was not conclusive and that the increase in imports was not sudden and sharp as required under the Safeguards Agreement.

While imports of the products have increased from 2,42,533 million tonne (mt) in 2011-12 to 4,32,370 mt in 2015-16 pushing up market share to 15 per cent, it has not resulted in a significant dent in the domestic industry's market share which is close to 50 per cent.

Increased scrutiny

The decision of the DG Safeguards, communicated to the WTO recently, comes at a time when there is increased scrutiny by countries on the way India imposes safeguard duties.

Last week Japan dragged India to the WTO against safeguard duties on certain hot-rolled steel products extended earlier this year.

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India journeys from multilateral to bilateral

Suhasini Haidar, The Hindu

New Delhi, December 27, 2016 : Donald Trump's win in the U.S. presidential elections, Britain's Brexit vote, Russia's successes in Syria, Chinese actions in South China Sea and North Korea's testing of H-bomb parts — in the uncertainty that 2016's most dramatic moments unleashed on the world, Indian foreign policy took a decided step away from multilateral platforms to focus on bilateral relations to shore up its place in the world.

From the United Nations (U.N.), to the Non-Aligned Movement (NAM), to the Nuclear Suppliers Group (NSG) to BRICS, SAARC, SCO and others, the Modi government seemed to make limited headway. This has led officials to argue that it was India's bilateral engagements that were propelling it forward, as with the U.S., West Asia, or Japan; or holding it back, as with China and Pakistan.

“Global blocs and alliances are less relevant today and the world is moving towards a loosely arranged order,” said Foreign Secretary S. Jaishankar in an address to the press this year, shortly before India announced that Prime Minister Narendra Modi was going to drop out of attending the Non-Aligned Summit in Venezuela.

The decision was significant: except for one occasion in 1979, an Indian Prime Minister has always attended the NAM summit which it helped found. The decision seemed not just bound by the decision to move away from the bloc, that has been seen as less relevant in the post-Cold War era, but also not to upset India's partnership with the Obama administration that was at odds with Venezuelan President Maduro. At the previous summit in Teheran in 2012, the UPA government had chosen to ignore pressure from the U.S. to give NAM a miss.

Blocked at world bodies

With the U.N., the government has felt “frustration” at its inability to move on issues important for India. No headway was made on India's bid for a permanent Security Council seat, on the Comprehensive Convention on International Terrorism, or on specific requests to ban Pakistan-based terror group chief Masood Azhar, leading India's envoy to the U.N. Syed Akbaruddin to say the world body suffers from a “mix of ad hocism, scrambling and political paralysis”.

Similar frustration was felt when India's bid to join the Nuclear Suppliers Group was scotched not once but twice in the year, due to China's objections. Despite making the NSG membership the centre-point of all of Mr. Modi's high-profile summits with countries ranging from Brazil, South Africa, Mexico and Switzerland to New Zealand and other members of the 48-nation body, the government will have to wait for next June to take its request forward.

In an unusually direct statement, the MEA blamed the failure on “one country” that created “persistent procedural hurdles” to India's ambitions.

Meanwhile, India's attempts to introduce Pakistan-specific anti-terror strictures into the the BRICS declaration at the Goa summit came a cropper too, bringing into sharp light India's limited options when it comes to multilateral organisations like BRICS, RIC (Russia-India-China) and the Shanghai Cooperation Organisation (SCO) which are dominated by the growing Sino-Russian partnership.

One-on-one deals

The bright spots for Indian foreign policy, instead, came from its strengthened bilateral relationships: most notably with the US, that saw the Prime Minister's address to the U.S. Congress, the signing of the Logistics Agreement, and India's agreement to join the Climate Change convention. As the year drew to a close, President Obama signed the Defence Bill that names India a "major defence partner" — a designation that seems most akin to a strategic ally without being one. Another leap forward came from Gulf countries such as Saudi Arabia, Qatar, and the UAE, which are forging closer ties with India despite their OIC reservations, and from Iran and Afghanistan. Russia remains ambiguous, as 2016 saw it draw closer to Pakistan with military exercises and an interest in the China-Pakistan economic corridor.

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African soybean imports hit Indian farmers, industry rises in protest

Nanda Kasabe, The Financial Express

New Delhi, December 27, 2016 : African soybean imports into India have begun to pose a serious threat to the country's farmers. Significantly, top industry sources claim that these imports do not meet the current plant quarantine rules of the country.

This season, some 40,000 tonnes have already been imported into India in the last six months as opposed to 20,000 tonnes imported last year. India has reported a bumper production of around 114 lakh tonnes this year because of which farmers are concerned over falling prices.

Moreover, these imports have been done at zero duty incentives given to least developed countries and they are being done in violation of the existing plant quarantine rules, industry experts pointed out.

According to D N Pathak, executive director, Soybean Processors Association of India, the association has been following up the issue with the government.

In spite of regular follow up and reminders, no action was ever taken to stop the illegal import.

This has encouraged the importers, as a results of which, much higher quantities have been imported this year, he said.

On one hand, the country has enough soybean for export while on the other hand it is being imported into the country. These imports are mostly happening through private traders, according to industry experts.

In a representation sent to the ministry, the Association had stated that soybean is being imported into India from various countries and sought to seek information from the government in case the imports have been cleared illegally without a relaxation in the rules or a specific permission from the government office.

The Association in its representation has urged the government to take strict and immediate action against such imports, impound the consignments immediately and also issue instructions that illegal imports do not take place any more.

Pathak pointed out that farmers from Madhya Pradesh have already begun to protest against these imports. Maharashtra farmers have also expressed dissatisfaction about these imports since soybean prices have taken a beating after the demonetisation move of the government and they are forced to sell the commodity at Minimum Support Prices (MSP). Soybean production in the country is expected to touch 114.91 lakh tonnes in 2016 from 70 lakh tonnes a year back because of good weather and rains, SOPA has said.

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Commerce Ministry rides out in support of struggling exporters

Amiti Sen, Business Line

New Delhi, December 27, 2016 : As exporters struggle in a stagnant world market, the Commerce Ministry is signalling help in the form of more incentives in the next fiscal year. Aimed especially at labour-intensive sectors such as engineering products, leather, textiles and chemicals, the sops will, however, depend on the Commerce Ministry's request for more funds being accepted in Budget 2017-18.

The Ministry has already petitioned the Finance Ministry, and its list of demand includes enhanced annual allocations that could be pumped into the merchandise export incentive scheme (MEIS).

The MEIS, under which exports of specific products and to identified markets are eligible for direct sops in the form of duty-free scrips, started off in April 2015, with an annual budget of ₹ 18,000 crore. This was subsequently increased in tranches to ₹ 23,000 crore.

The scheme's coverage was also increased to 7,103 items from the initial 5,012.

“We have asked for a substantial increase in allocation, but don't know how much the Finance Ministry can spare. Once the allocation is made in the Budget, we can work on expanding the scheme,” a Commerce Ministry official told *BusinessLine*.

Demonetisation effect

“Despite the small increase in shipments in recent months, exporters are continuing to struggle. Demonetisation has led to instability in many sectors, especially the labour-intensive ones. There is definitely a need for more incentives, and this can be given through MEIS,” the official said.

The duty-free scrips equivalent to 2 per cent, 3 per cent or 5 per cent of the value of exports can be used for duty-free import of inputs.

The scrips can also be sold to other importers if the exporter earning them does not intend to import.

With India's exports having had a bad run all through 2015-16 and for much the current fiscal year, exporters are looking for a booster shot in the Budget.

In 2015-16, exports declined 15.85 per cent to \$261 billion and stayed flat in the April-November 2016-17 period at \$174.92 billion. World trade, which grew 1.7 per cent in 2016, will expand between 1.8 per cent and 3.1 per cent in 2017 as against earlier predictions of a 3.6 per cent growth, according to the latest WTO projections.

Apart from higher incentives, exporters also want the government to refrain from taxing the assistance provided under the schemes. The Engineering Exports Promotion Council, in its pre-Budget memorandum, said that since the incentives are taxed at the normal rate and exporters are getting benefits discounted at 67 per cent, the purpose of giving incentives is not being fully met.

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Demonetisation, protectionism worry exporters as they brace to face 2017

Arun S, The Hindu

New Delhi, December 26, 2016 : The main concerns of India's exporters, as they brace themselves for yet another tumultuous year in international trade, are the problems locally due to the demonetisation-triggered cash crunch, as well as the rising support for protectionism in Europe and the U.S. owing to the backlash against globalisation.

Goods exports to the U.S. and the European Union nations — that are India's traditional and main markets for its shipments — had accounted for 16 per cent and 17 per cent respectively of India's total goods exports of \$263 billion in 2015-16. However, in what could hurt India's exports, the incoming administration in the U.S. is widely expected to announce protectionist policies given President-elect Donald Trump's statements that America's manufacturing sector has been severely hit by their policies and trade agreements promoting free-trade. In Europe, the Netherlands, France and Germany are going in for general / presidential elections in 2017, and parties and politicians backing policies that are protectionist and anti-immigration are gaining mileage. Then, there is the negotiation of the terms and conditions of Britain's exit from the European Union to watch out for. "The outcome of Brexit negotiations and polls in EU countries, especially Germany, will have a bearing on the overall sentiments on global trade. If the EU disintegrates, it will add to the uncertainties in global trade, impacting India's trade as well," said Ajay Sahai, director general and chief executive officer, Federation of Indian Export Organisations – the apex body for Indian exporters. Also, if there are more rate hikes by the U.S. Federal Reserve in 2017, it will lead to a flight of capital from emerging market economies (other than India) and weaken their currencies, in turn hitting the competitiveness of India's exports, he added.

Weak recovery

Plagued by the lingering feeble external demand, India's goods exports had contracted from December 2014 to May 2016, but then registered positive growth for the first time in 18 months with a 1.97 per cent year-on-year growth in June. However, it immediately fell back into negative growth territory in July and August before recovering to post positive growth from September onwards. The 2.29 per cent growth in November was, however, less than 8.22 per cent growth in October.

Japanese financial major Nomura, in a recent report, had said demonetisation has hit export volumes much more than imports, and that the cash crunch induced by demonetisation has hurt cash-intensive export sectors such as gems & jewellery and textiles. Ashok Rajani, Chairman, Apparel Export Promotion Council, said: "While demonetisation is a step in the right direction, exporters (in the textiles sector that employs many workers on a temporary or seasonal basis) are a troubled lot as of now with several workers finding it difficult to open bank accounts (to get their wages on a non-cash basis)." Pointing out that many migrant workers in Delhi, Tirupur (Tamil Nadu) and Karnataka are returning to their villages,

he hoped the government would take measures soon to provide relief. Small and medium firms, including those catering to overseas markets, are facing difficulties in raising working capital with the cash crunch hitting their informal sources of finance. Turning to the scheduled commercial banks for working capital would not only be a difficult proposition given their small size, but would also increase their cost of funds when compared to cheaper funds from informal sources.

While the demonetisation became effective November 9, trade data for the month showed that exports grew at a much slower pace than imports (2.29 per cent growth versus 10.44 per cent) leading to a trade deficit of \$13 billion, the highest since \$13.08 billion in July 2015. The Centre is slated to hold a meeting with the state governments early January on measures to boost exports and then follow it up soon with a meeting of the Board of Trade (the government-industry body for providing suggestions on trade policy measures). The impact of demonetisation, especially on the labour-intensive export sectors, is likely to top the agenda. The government will also seek a response on whether the \$900 billion goods and services export target set to be achieved by 2019-20 will be feasible given the slowdown in global trade, and if the target should be lowered to a more realistic level. The Centre will also hold stakeholder consultations on the mid-term review of the Foreign Trade Policy 2015-20 so that measures — including on market- and product-diversification, reduction of transaction costs, support to labour-intensive and sensitive sectors as well as ensuring credit at lower cost — can be taken when the policy is announced in September 2017.

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‘India, China must redouble efforts to expand trade’

The Hindu

New Delhi, December 21, 2016 : India and China must redouble their efforts to deepen mutual trust as well as to expand trade and investment ties, according to a senior Chinese official.

“We must redouble our efforts to find ways to deepen mutual trust, strengthen communication, properly handle differences, diversify our trade and expand trade scope, encourage mutual investment so as to promote mutually beneficial cooperation,” Li Baijun, Counsellor, Embassy of China in India, said at a seminar organised to promote the 'China Import and Export Fair' — also known as the ‘Canton Fair.’

The Indian government had repeatedly taken up with Beijing the “difficulties” faced by Indian exporters in getting market access for their goods and services in China, as well as India’s widening goods trade deficit with China. India’s goods trade deficit with China has ballooned from \$1.1 billion in 2003-04 to \$52.7 billion in 2015-16.

Mr. Li said the 121st session of the 'Canton Fair' – to be held from April 15-27, 2017 in Guangzhou (China) -- is a concrete step taken by the Chinese Government to promote that country's trade with other countries.

Sluggish trade

In the last session of the Fair, there were over 1.8 lakh overseas buyers from more than 200 countries, and among them 8,500 were from India, he said. "Currently, world economic growth and trade are sluggish and the financial market is still turbulent. Under these circumstances, both China and India play very important roles in world economies... China's development provides huge opportunities and potential for India," Mr. Li said. Indian and Chinese governments can and should play the role of facilitators in the bilateral trade and economic cooperation, he said.

Speaking on the occasion, Ajay Sahai, Director General & Chief Executive Officer, Federation of Indian Export Organisations, said: "India's rising trade deficit with China is a cause of concern... While China accounted for 16.22 per cent of India's imports, it only contributes to 3.45 per cent of our exports, a figure which further came down to 3.10 per cent in April-September, 2016."

Mr. Sahai said one of the big challenges has been the difficulty in getting market access for India's pharmaceuticals, medical and diagnostic equipment, agriculture and food processing products in China. "The registration is both time consuming and prohibitive (in China). The mutual recognition agreement between the two countries is nowhere near the sight," he said.

Banking sector

Banking sector also poses a challenge as not many Indian banks are present in China, Mr. Sahai added. Stating that both the countries need to leverage their advantage for mutual benefits, he pointed out that some Indian companies in auto-component sector are doing their research & development and innovations in India and passing on the prototypes to China for mass production both for catering to Indian and Chinese markets.

"These kinds of experiments would be successful in many other categories as well." Mr. Sahai said India can look for opening services trade with China besides IT/ITeS, adding that joint venture possibilities should be considered in tourism, alternative systems of medicine, and consultancy.

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