INDIA'S TRADE NEWS AND VIEWS

1 September to 15 September 2015

WTO's shadow on India's solar industry
The latest World Trade Organisation (WTO) ruling against Indian protection to its solar power industry calls for a policy response. The question is — how India can successfully…

India hopeful of a permanent solution to WTO food security issue by 2017
A year ago, India was viewed as a spoiler at the Geneva-based World Trade Organization (WTO). But now, the table seems to have turned at the multilateral trading…

India seeks WTO members' views on steel import norm
India has sought comments from World Trade Organisation (WTO) members on the Steel Ministry's proposal to make it mandatory for certain grades of stainless steel…

Preferential Treatment by India to Least Developed Countries (LDCs) in Trade in Services in the WTO
India will notify preferential treatment to the LDCs in Trade in Services in respect of: Article XVI of the GATS (Market Access);Technical Assistance and capacity…

Exports of 10 key agriculture products including coffee, rice in negative zone in July
Exports of as many as 10 agriculture products including coffee, rice, spices and tobacco have recorded negative growth in July due to contraction in prices in the global…

Services exports marginally up at USD 13.38 billion in July
Services exports grew marginally to USD 13.38 billion in July this year compared with USD 13.34 billion in the corresponding period last year…

India's exports problem: Global export economy has changed fundamentally
With even non-oil exports contracting for the 8th month in a row – the August contraction was 13.9% versus 1.7% in July – the outlook for exports looks quite terrible. At an overall…

India's export declines in August for ninth month in a row
India's export declined in August for the ninth straight month as some of its major markets imported less due to lower demand, according to government data released…

India's coffee exports up 14 per cent in April-August
Coffee exports jumped by 14 per cent to 1.43 lakh tonnes during April-August period of this fiscal from 1.26 lakh tonnes in the year-ago period despite lower global…

India's diamond industry hit by falling Chinese demand: Gem and Jewellery Export Promotion Council
The country's diamond industry has been affected due to a 40 per cent fall in demand from slowdown-hit China, industry body GJEPC said on Tuesday…

No big yuan effect on India, says economist
Policy makers in India looking to take advantage of the crisis in China may be in for disappointment, if arguments put for- ward by Andrew Freris, chief executive…

Centre imposes 20 per cent safeguard duty on select steel products
The Centre on Monday imposed provisional safeguard duty of 20 per cent on import of certain categories of steel with a view to protect domestic producers from recent…

Aluminium industry asks government to hike import duty
India's aluminium industry on Friday called on the government to raise duties on import of the metal to stem the flow of cheap imports from China…
Veg oil import duty may rise
Vegetable oil import during August touched 1,374,049 tonnes, up from 1,333,480 tonnes in the same month a year ago. The overall import of vegetable oils between…
Gold import bill up 47% in 8 months of 2015
With sharp increase in gold import in August at $4.97 billion, the import bill is likely to end 2015 with 3 year high…

Disclaimer: India's Trade News and Views is a fortnightly e-bulletin that compiles and disseminates India-specific trade related news and featured articles. The stories covered do not necessarily represent the views of the Centre for WTO Studies (CWS) and have been put together solely for informational and outreach purposes.

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.

Comments and queries may be directed to cws@iift.ac.in. *If you no longer wish to receive this email, please reply to this message with unsubscribe in the subject line*

WTO's shadow on India's solar industry

Tulsi Jayakumar, Business Line

September 11, 2015: The latest World Trade Organisation (WTO) ruling against Indian protection to its solar power industry calls for a policy response. The question is — how India can successfully overcome the double standards of the developed world without compromising on its development needs?

The short title of 'India-Solar Cells' dispute (DS456) at the WTO's Dispute Settlements Mechanism fails to reveal the potential for damage that this ruling has on India's energy security needs.

Energy not only plays a key role in powering the economy and thereby growth, it also has implications for both the fiscal and current account deficits.

The dispute stems from India's attempt to promote ecologically sustainable growth, while at the same time addressing the energy security challenge through the 'Solar India' mission (Jawaharlal Nehru National Solar Mission), launched in 2010.

India as a solar hub

India's manufacturing capacity of solar power components at 15MW of ingots and wafers, 848 MW of solar cells and 1932 MW of solar modules in 2012, was woefully inadequate compared to the annual target set under the Mission, of 100 GW of manufacturing capacity by 2022.

The bone of contention lay in the government's attempts to build India as a solar manufacturing hub through favourable regulatory and policy conditions.

This involved mandating Domestic Content Requirements (DCR) to the nascent domestic manufacturing sector. Thus, manufacturers of solar cells and solar modules in Phase I, and solar wafers and thin film modules in Phase II of the Solar India mission, could avail of Viability Gap Funding (VGF) under the scheme.

The scheme itself involved a complex process of open competitive reverse bidding on the VGF, wherein bidders would undertake to supply solar power to the Solar Energy Corporation of India at fixed tariffs of ₹5.45 per kWh for 25 years. This in turn would be supplied to discoms, State utilities and bulk consumers at ₹5.50 kWh for 25 years.

Under DCR, the solar cells and modules made in the power plant were required to be made in India. This provision attracted allegations of prohibited subsidies and violation of the national treatment

principle under the General Agreement on Tariffs and Trade (GATT), Trade Related Investment Measures (TRIMS) and Agreement on Subsidies and Countervailing Measures (ASCM) of the WTO.

Two points are pertinent here:

One, only half of the total manufacturing capacity was available for bidding under DCR; the remaining half was under open bid categories. Thus, up to 375 MW of the total capacity of 750 MW under Phase II of the Solar mission was open to all, and hence provided opportunities to foreign suppliers.

Two, while the VGF was a financial support and comprised 30 per cent of the project's financial cost (to be given in instalments), the government guidelines did not specifically deny such funding for project developers under open bid schemes. It remains a moot point whether such VGF may be treated as a subsidy to developers using local content.

Energy self-sufficiency

Solar energy has the advantage of being available in plenty, with about 5,000 trillion kWh per year incident over India's land area with most parts receiving 4-7 kWh per sq. m per day. It is environment-friendly and cost effective in the long run.However, with the current costs of generating solar power being exorbitant, the incentives for tapping the vast solar energy potential by private producers would be practically nil.

In this context, what is interesting is the US use of multiple incentives for its own consumers to encourage solar energy use, as also local content.

Thus, in addition to a 30 per cent federal tax credit, US consumers can avail of significant state and local incentives to reduce their costs of solar photovoltaic systems.

Can we then approach the problem differently?

There are limited ways in which the problem of national treatment obligation can be avoided. For instance, if the solar energy so produced is procured by the government for its own use, it may not fall within the purview of WTO norms, particularly ASCM.

However, as the Canadian Feed-In-Tariff programme case at the WTO demonstrated, such procurements may yet be challenged.

Given that scalability is important, the government can think of providing incentives to consumers to adopt solar-friendly products in the form of tax credits for all solar power packages for residential or commercial use.

States, additionally, can provide further tax credits.

This should help overcome the national treatment obligation, give a fillip to manufacturers of solar energy, as also inculcate green technology use.

Energy frameworks in India are too crucial to be left to fate and the WTO.

[Back to top]

India hopeful of a permanent solution to WTO food security issue by 2017

Nayanima Basu, Business Standard

New Delhi, September 5, 2015: A year ago, India was viewed as a spoiler at the Geneva-based World Trade Organization (WTO). But now, the table seems to have turned at the multilateral trading platform and India is hopeful that a permanent solution to the food stockpiling programme will be achieved by 2017.

While the talks are still at an early stage, regular dedicated sessions on the issue of public stockholding of grains for food security purpose are taking place in Geneva with full attendance by the developed countries, including the US. Special sessions to discuss the matter are also happening among the countries that run such food stocks programme, a senior commerce ministry official told Business Standard.

According to the decision taken during the ninth ministerial meeting in Bali, Indonesia in December 2013, a permanent solution to the food stocks was to be achieved by December 2015. But the deadline was revised to December 2017 during the WTO General Council meeting in November 2014.

"The ministerial decision to achieve the permanent solution remains December 2017, when the 11th ministerial takes place. However, we are trying to achieve it by the Nairobi ministerial but that looks unlikely although regular talks on this issue is taking place," said the official, who is involved in the talks.

India, China and other developing countries that run food stockpiling schemes basically want the subsidies given to their poor and marginal farmers should become part of the 'green box' of WTO subsidies - meaning these subsidies are not considered to be distorting trade.

Meanwhile, a handful of developed countries have raised concerns over the methodology used by India to calculate the quantum of subsidies it gives to its poor and marginal farmers by way of minimum support price on rice and wheat.

Last year, India notified to the WTO that it has given subsidies worth $56 billion during 2004-05 to 2010-11.

Earlier this year, the US accused India and China of exceeding the WTO limits on farm subsidies, saying these caused trade distortion.

"Increasing support levels gave Indian farmers an artificial incentive to produce more wheat. In fact, India's wheat production increased 35 per cent over those seven years (2005-06 to 2013-14) to record levels. That buoyed world wheat supplies and increased pressure on prices that hurt wheat farmers in other countries," said the US Wheat Associates in a media release.

India, as well as other members of the G-33 grouping, has also turned down a US proposal on a permanent solution. According to India, this could result in a scenario where countries would be dictated what sort of food security models they should adopt.

[Back to top]

India seeks WTO members' views on steel import norm

Amiti Sen & Debabrata Das, The Hindu

New Delhi, September 1, 2015: India has sought comments from World Trade Organisation (WTO) members on the Steel Ministry's proposal to make it mandatory for certain grades of stainless steel sold in the country to have quality certification from the Bureau of Indian Standards (BIS).

"Since the move could potentially slow down imports and also impact the quantities of steel imported, it is important to give a chance to exporting countries to voice their concerns and see if the relevant ones could be addressed," a government official told *BusinessLine*.

Members have been given two months to respond. The proposal will be implemented three months after it is adopted, but no decision has been taken on its adoption.

Under the proposed order, it will be mandatory for manufacturers of identified stainless steel products, mostly used for making utensils and kitchenware, to obtain a valid licence from the BIS for use of the standard mark before starting regular production of such items. Imported steel products also have to conform to the specified standards.

"Upgrading the quality of the stainless steel products for protection of human health and safety," is the rationale given by India for the proposed move in its WTO submission.

The bigger reason, however, maybe to control import of cheap steel. Since BIS will be issuing the licences for use of its standard mark, it is possible to impose some sort of indirect control on indiscriminate imports.

Causing concern

Possible delays by BIS in granting quality certifications could be a cause for concern for exporting countries and they may want to discuss the issue with India.

Last fiscal, steel imports into India grew 71 per cent to 9.32 million tonnes from the previous year. For the same period, India exported just 5.5 mt. The domestic steel industry has been complaining about sub-standard steel, priced cheaply, being imported into the country eating into the business.

"Asking WTO members for comments is an opportunity for countries to articulate their view normally before the measure comes in. We can have a look at their concerns and see if there is any need to change the measure," said Abhijit Das of the Centre for WTO Studies.

Since the quality requirements are the same for both domestic and imported steel, India is not in violation of the 'national treatment' clause of the WTO, which states that foreign companies cannot be discriminated against vis-à-vis local companies.

"Considering the extremely strategic applications of stainless steel, the quality control order, if enacted, will go a long way in securing the interest of the domestic consumers. It will also benefit the public at large, considering the fact that we are exposed to stainless steel in one form or the other in all walks of life," said NC Mathur of the Indian Stainless Steel Development Association, in an official statement.

[Back to top]

Preferential Treatment by India to Least Developed Countries (LDCs) in Trade in Services in the WTO

Business standard

New Delhi, September 9, 2015: India will notify preferential treatment to the LDCs in Trade in Services in respect of: Article XVI of the GATS (Market Access);Technical Assistance and capacity building; and Waiver of visa fees for LDC applicants applying for Indian Business and Employment visas. The preferences will be bound with validity for 15 years from the date of notification by India.

A generous offer in Trade in Services by India should win the country goodwill of LDCs. India has already made a very generous offer to LDCs in the area of Trade in Goods in the form of a Duty Free Tariff Preference (DFTF) scheme. An equally generous offer in Trade in Services will help India preserve and consolidate its leadership position on LDC issues. Further, given the development dimension of the Doha Round of the WTO, it is important that India makes liberal offers to LDCs in Trade in Services also. Moreover, several of the LDCs are located in South Asia while majority are in Africa with whom India maintains special relations.

India's preferential treatment to the LDCs in Trade in Services would involve a cost of Rs. 6.5 crore annually on account of waiver of visa fees and Rs. 2.5 to 3 crore, per annum, for providing training in management and technical consultancy courses to LDC applicants. As regards offers under Article XVI of the GATS (Market Access) is concerned, there are no direct financial implications.

Background

As per the WTO mandate, decisions of the WTO Ministerial Conferences and requests made by the Least Developed Countries (LDCs), developed country and developing country members of the WTO, in a position to do so, were to voluntarily consider providing LDCs preferential treatment in Trade in Services.

[Back to top]

Exports of 10 key agriculture products including coffee, rice in negative zone in July

The Economic Times

New Delhi, September 7, 2015: Exports of as many as 10 agriculture products including coffee, rice, spices and tobacco have recorded negative growth in July due to contraction in prices in the global commodity market.

Cereals, oil meals, oil seeds, fruits and vegetables, marine products, dairy and poultry products too recorded negative growth during the month, according to the Commerce Ministry.

In all, 10 out of 13 main agriculture products that are closely monitored by the Commerce Ministry, were in the negative zone in July.

Exporters body FIEO said that low prices of agri-produce in the global market is one of the main reason for India's declining exports.

"Prices in the domestic market are much above the global prices making domestic market a better option than exports," said Ajay Sahai, DG & CEO of Federation of Indian Export Organisations (FIEO).

During the month, exports of rice, spices and tobacco declined by 6.7 per cent, 2.5 per cent and 3.41 per cent, respectively.

Other products which have reported negative growth include other cereals (71.56 per cent), oil meals (43.81 per cent), oil seeds (30.98 per cent), fruits and vegetables (11.38 per cent) and meat, dairy & poultry products (7.34 per cent).

Decline in these exports is a key factor for overall contraction in India's merchandise exports.

Agri-products account for over 10 per cent of the country's total exports.

As per estimates, outbound shipments of agri-produce in 2010-11 amounted $17.35 billion; $27.43 billion in 2011-12; $31.86 billion in 2012-13 and about $45 billion in 2013-14.

India's exports contracted for the eighth straight month by 10.3 per cent in July to $23.13 billion, pushing the trade deficit to $12.81 billion.

In order to boost agri-exports, the Commerce Ministry is asking exporters to explore new markets and ship value-added products.

Prices of soyameal, a variety of oilmeal, has decreased to $392 per tonne from $509 per tonne in August 2014.

"Our soyameal is costlier by about $100-125 per tonne in the last one year that is why we are outpriced in the global market," Solvent Extractors' Association Executive Directr B V Mehta said.

[Back to top]

Services exports marginally up at USD 13.38 billion in July

The Economic Times

New Delhi, 15 September, 2015: Services exports grew marginally to USD 13.38 billion in July this year compared with USD 13.34 billion in the corresponding period last year.

The value of services imports also increased to USD 7.50 billion in July from USD 6.82 billion in the same month last year, according to the RBI data released today.

The services sector contributes over 60 per cent to the country's gross domestic product.

RBI releases the provisional aggregate monthly data on India's international trade in services with a lag of 45 days.

Services export in 2014-15 stood at USD 167.01 billion, down 4 per cent over the year-ago period while imports were at USD 88.19 billion, up 3.8 per cent over 2013-14 fiscal.

Monthly data on services are provisional and undergoes revision when the Balance of Payments (BoP) data are released on a quarterly basis.

[Back to top]

India's exports problem: Global export economy has changed fundamentally

The Financial Express

September 15, 2015: With even non-oil exports contracting for the 8th month in a row – the August contraction was 13.9% versus 1.7% in July – the outlook for exports looks quite terrible. At an overall level, including oil, April-August exports fell to $110.6 bn this year as compared to $133.1 bn last year. Within this, oil exports fell to $13.7 bn from $28 bn and non-oil to $96.9 bn from $105.1 bn. Given that imports have also collapsed during this period, though, the trade deficit may not be a problem – this was $57.9 bn this year as compared to $57.5 bn, just a marginal change.

There are various reasons for the collapse, some local, but mostly global. In the case of engineering exports which contracted 29% in August, one of the reasons cited is the fact that, while the hike in steel import duty in June made imports more expensive, the government did not commensurately increase the value of the duty drawback – given the 20% safeguards duty imposed a few days ago, the drawback will have to be increased even more, and fast if engineering exports aren't to be further hit. And, despite talk of it for months, the government has still not been able to finalise the interest subvention scheme for labour-intensive exports. Given how exports have been falling for so long, it is unacceptable that the government has not been able to cobble together a plan to combat this in a manner which is not violative of WTO conditions. More so, since the share of manufacturing is high in the manufacturing sector and also plays a significant role when it comes to capital investments by the non-formal sector. It has to be more than a coincidence that, for instance, in the last decade, India's IIP growth was the highest in the years when exports grew at around 25% in dollar terms.

There is, however, a far more important reason for the export collapse, and the government may not be able to do too much in the short run. In the glory days of 2004-08, when global GDP was growing at around 5% per annum, exports were growing at roughly double the pace at 9-10%. Over the past 3-4 years, however, this relationship has broken down and, in some years, global trade has grown slower than GDP. In 2012, for instance, while global GDP grew 3.4%, trade grew just 2.8%; in 2013, it was 3.4% and 3.5% respectively and in 2014, both grew 3.4%. In 2015, while the IMF has projected a lower GDP growth of 3.3%, it is looking at a higher export growth of 4.1%. But that was in July, in the latest update before the G-20 summit, it talked of manufacturing growth in the first half of 2015 slowing markedly over that in the second half of 2014 and of world trade contracting in volume terms

in the second quarter of this year. The reason for the shift in the global export paradigm, according to an article written in the Financial Times by Herald van der Linde, HSBC's head of Asian equity strategy, China has integrated production a lot more over the years, necessitating lesser imports from the rest of the world – the share of imported components in China's total exports fell from a peak of 60% in the mid-1990s to around 35% today. That, of course, also underscores the need for India to jumpstart its trade talks since, only if it is a part of large trading blocs will its exports stand a better chance.

[Back to top]

India's export declines in August for ninth month in a row

The Financial Express

New Delhi, September 15, 2015: India's export declined in August for the ninth straight month as some of its major markets imported less due to lower demand, according to government data released Tuesday. Its imports also declined from a year earlier, helping improve its trade deficit.

The country's exports fell 20.66% from a year earlier to US$21.26 billion in August 2015, compared to US$26.80 billion, a year earlier, the data showed. Its import was also lower by 9.95% in August from a year earlier. India imported US$33.74 billion worth of goods and services last month as compared to US$37.47 billion during the same period last year, according to the data.

Lower exports and much lower imports, however, narrowed the country's trade deficit to US$12.47 billion in August from a month earlier. but wider US$10.66 billion a year earlier.

Trade deficit, is a key parameter that indicates the health of the economy and is the difference between the value of imports and exports.

Lower imports were helped by falling crude oil prices. India imported US$7.35 billion worth of oil, or 42.59% lower than its oil imports of US$12.81 billion a year earlier, the data showed. However, non-oil imports increased by 7.01% to US$26.38 billion dollars, it showed.

Exports were dragged by a petroleum products which fell 44.55% in value terms, and a 43.94% fall in export of cereals. However, a surge in imports of gold, — ahead of the festive season when

consumers buy jewellery — jumped 140% from a year earlier to US$4.95 billion pulling down its import numbers.

[Back to top]

India's coffee exports up 14 per cent in April-August

The Economic Times

New Delhi, September 6, 2015: Coffee exports jumped by 14 per cent to 1.43 lakh tonnes during April-August period of this fiscal from 1.26 lakh tonnes in the year-ago period despite lower global prices, according to the Coffee Board.

In value terms, coffee exports rose about 12 per cent to Rs 2,414 crore in April-August 2015, from Rs 2,148 crore in the year-ago period, Coffee Board data showed.

Coffee exports witnessed a surge despite lower realisation of Rs 1,68,366 per tonne during the period against Rs 1,70,352 per tonne last year.

Export realisation remained lower due to fall in global prices reacting to the currency depreciation in Brazil.

India exports both Arabica and Robusta varieties, besides instant coffee.

Major export destinations for coffee are Italy, Germany, Turkey, Russia and Belgium, among others.

According to the International Coffee Organisation (ICO), while the global coffee market seems to have no immediate supply concerns, stock levels in most producing countries are waning. While there is a moderate buffer in importing country warehouses, this may not be sufficient to cover any significant negative shock to production.

"This could leave the market highly susceptible to a rapid surge in prices, as seen previously in March 2014 and early 2011, if production fails to meet expectations," ICO said in its latest report.

India's coffee production is expected to touch a new peak of 3,55,600 tonnes in the 2015-16 marketing year (October-September) as the crop prospects are encouraging due to adequate rains in most growing states, as per the Board's first estimate.

The country's total coffee output has reached a record 3,27,000 tonnes in the ongoing 2014-15 coffee year

[Back to top]

India's diamond industry hit by falling Chinese demand: Gem and Jewellery Export Promotion Council

The Times of India

New Delhi, September 8, 2015: The country's diamond industry has been affected due to a 40 per cent fall in demand from slowdown-hit China, industry body GJEPC said on Tuesday.

"We are feeling the pinch of slowdown in Chinese demand for diamond jewellery. Our market share in China has come down by 40 per cent due economic slowdown," Gem and Jewellery Export Promotion Council (GJEPC) chairman Vipul Shah told PTI.

India exports mostly polished diamond jewellery to China. "Things have not been great since April as demand has been continuously falling not only in China but other markets as well due to strengthening of the dollar against other currencies," he said.

Falling demand in China and other markets like Middle East due to weak economy has forced domestic traders to cut down production and jobs, he added.

"Right now, there is over dependence on the US market. We are pushing exports to the US markets. All other markets are also difficult right now because world economy is disturbed. Most currencies are trading down as compared to the US dollar," he said.

As per the GJEPC data, India's export of cut and polished diamonds dropped by 13 per cent to Rs 9,625.57 crore in July this year, as against Rs 11,126.02 crore in the year-ago period.

In volume terms, the shipments of cut and polished diamonds fell to 27.97 lakh carats from 32.62 lakh

carats in the said period.

The good news in all of this is that, while exports continue to remain poor, imports are also low—estimates are that the CAD will be within 1.5% of GDP for the year, a number that is easily financed from the likely capital flows. Any export benefits the government may give will help, but there is no reason for unbridled pessimism given the sluggish global situation.

[Back to top]

No big yuan effect on India, says economist

Business Standard

New Delhi September 8, 2015: Policy makers in India looking to take advantage of the crisis in China may be in for disappointment, if arguments put for- ward by Andrew Freris, chief executive officer of Econosis Advisory, a Hong Kong-based advisory firm, prove true.

He says India should rather concentrate on market reforms, infrastructure investments and a substantial revamp of elementary education. These reforms, particularly in elementary education, may not have an immediate impact, but will take years to yield results, he cautions.

Freris argues "there is nothing specific here that could benefit India in terms of pol-icy specifically designed to take advantage of China's problems". He argues that foreigners cannot be attracted to Indian equity markets because of the poor state of the Chinese market. "Foreign investors will buy Indian paper on the basis of its valuation and on the basis of macroeconomic expectations, and not because China is having a crisis," he says.

The recent devaluation of the yuan sent shock waves through global markets. Analysts contend that China is devaluing its currency to improve its export competitiveness. This move, many argue, will have far-reaching ramifications for countries like India.

However, devaluation will have a limited impact on India's export competitiveness because of the little overlap between the countries. The impact of a devaluation will be modest on India's exports says Freris. "Opportunities for India to benefit from, or be harmed by the current woes of China's equity market, are very limited," he says in a research note.

This is because of two reasons. First, India and China have little export product overlap and second the yuan devaluation is too small to make a significant difference.

The author argues the "recent devaluation has been massively misinterpreted as an effort to make Chinese exports more competitive". The larger issue that he raises is "how Indian exports may compete more effectively forgetting this minor 3 per cent adjustment in the exchange rate".

Even if the exchange rate was to change in favour of India, Freris says "it would not make India more competitive vis-à-vis China simply because of the lack of product overlaps".

He says petroleum products and jewellery account for roughly 30 per cent of India's exports. In contrast, over 40 per cent of China's exports are mechanical and electronic goods. Further, unlike India, where agricultural products account for 10 per cent of exports, China exports little or no agricultural produce. This lack of product overlap reduces potential gains or losses on account of fluctuations in the value of the yuan.

Surprisingly though, he discounts sectors such as machinery, metal products, fabrics, textiles, electronics and plastics, arguing these are "subsidiary areas for both economies compared to the main export sectors".

He argues "India's growth benefits infinitely more by policies of market liberalisation, infrastructure investment, and a massive overhaul of elementary education. None of these policies' suggestions will have an immediate impact on growth. Indeed one should talk of decades rather than years, especially over education policy".

On the underlying fundamentals of the Chinese economy, Freris argues the country will not face a severe crisis but is rather going through a cyclical downturn. This view has been challenged by several analysts, many of whom argue that actual growth is much lower than official estimates.

[Back to top]

Centre imposes 20 per cent safeguard duty on select steel products

The Hindu

New Delhi, September 14, 2015: The Centre on Monday imposed provisional safeguard duty of 20 per cent on import of certain categories of steel with a view to protect domestic producers from recent surge in inward shipment, Finance Minister Arun Jaitley said.

“This order (imposing duty) comes into effect immediately and a notification in this regard has been issued. This duty will be applicable for a period of 200 days, during which period the inquiry would be completed by Directorate General of Safeguards (DG Safeguards),” he said.

The duty will apply on specified categories of steel from all countries, he said, adding "over the last few weeks there has been a sudden surge of steel import into the country and therefore DG Safeguards has embarked upon an inquiry."

He said the power of imposing provisional duty, which was used occasionally in the past also, was invoked in view of sudden surge in imports and subsequent injury to domestic producers.

The DG Safeguards earlier recommended imposition of a 20 per cent safeguard duty on certain steel products to protect interests of the domestic industry. The proposal was approved by the Board of Safeguards.

Safeguard duty is a WTO-compatible temporary measure that is brought in for a certain timeframe to avert any damage to a country's domestic industry from cheap imports.

During the examination of applications of major steel producers such as SAIL, Essar Steel and JSW Steel, the DG Safeguards had found "prima-facie increased imports (of certain kinds of steel) have caused or are threatening to cause serious injury to domestic producers..."

Domestic steel producers had complained of a surge in imports of steel products such as hot-rolled steel and other variants from China, Korea, Japan and Russia.

The three players, representing 50 per cent of the domestic production, had moved DGS for imposition of the levy on imports of hot-rolled flat products of non-alloy and other alloy steel in coils of width of 600 mm or more for four years.

The CBEC in a notification said a provisional safeguard duty has been imposed on hot rolled flat products of non-alloy and other alloy steel in coils of a width of 600 mm or more.

The domestic industry had requested imposition of provisional safeguard dutyin view of a steep deterioration in the performance of this industry.

Boost for producers

Commenting on the safeguard duty, India Ratings and Research said the safeguard duty on hot-rolled coils would benefit the integrated steel producers.

[Back to top]

Aluminium industry asks government to hike import duty

The Times of India

New Delhi, September 13, 2015: India's aluminium industry on Friday called on the government to raise duties on import of the metal to stem the flow of cheap imports from China.

An Aluminium Association of India delegation, led by Vedanta Group chief executive Tom Albanese, Hindalco deputy managing director D Satish Pai and Nalco chairman TK Chand, met finance minister Arun Jaitley here to impress upon him the need to hike duties to prevent imports from impacting industry investments of over Rs 100,000 crore.

"We are here to present aluminium industry's case and the difficulty we are facing. Finance minister gave us a patient hearing. He is aware of our situation and we are quite sure that he will take the right decision," Pai told reporters here after the meeting.

Imports accounted for 56 per cent of aluminium consumption in 2014-15, having grown by over 159 percent to 1,563 kilo tonnes (KT) in 2015, compared to 881 KT in 2011, mainly from China and Middle Eastern countries.

China accounts for more than 50 per cent of world aluminium production, while their exports to India have surged by 200 per cent in the last fiscal as compared to in 2010-11.

An official source told IANS after the meeting that the government has asked the industry to provide performance figures of various companies for it to study whether a hike in import duty is necessary.

Commerce minister Nirmala Sitharaman last month told parliament that the government was considering a request for doubling the duty on aluminium imports to 10 per cent, following representations that import of aluminium scrap and the metal's decreasing global prices are adversely impacting the industry in India.

India's aluminium demand has been growing at an annual rate of about 11 per cent, compared to a global growth of 6 per cent. Imports rose 4 per cent to 390,000 tonnes in the first quarter of this fiscal ending June, compared to that in the same period a year ago.

Last month, the Anil Agarwal-led Vedanta subsidiary Balco, said it had shut down its aluminium rolling business owing to a steep fall in the prices, besides dumping of the metal by China, and falling margins.

Vedanta Aluminium also said last month that it has started the process of cutting down its Lanjigarh facility's production by 50 per cent that would impact up to 2,000 jobs.

[Back to top]

Veg oil import duty may rise

Business Standard

Mumbai, September 15, 2015: Vegetable oil import during August touched 1,374,049 tonnes, up from 1,333,480 tonnes in the same month a year ago. The overall import of vegetable oils between November 2014 and August 2015 rose 23 per cent from 9,525,374 tonnes in August 2014 to 11,725,065 tonnes in August this year, according to data compiled by the Solvents Extractors' of India (SEA).

"India is being used as a dumping ground for excessive supply of edible oils in the world market," said B V Mehta, executive director, SEA.

He added the Union ministries of food, commerce and agriculture have recommended an increase in duty on crude oils and refined oils and now it is under consideration of the finance ministry.

According to sources, the decision is likely to be taken in the Cabinet meeting being held in a day or two.

Excessive import has put tremendous pressure on local prices. As a result, Indian oilseeds-growing farmers are in distress and losing interest in the crop. India's dependence on imported oil has further increased to nearly 70 per cent, an alarming situation for the country's food security.

India imported 406,000 tonnes of soybean oil in August 2015, which is among the highest. In the past, high imports had been recorded in July 2015 (349,000 tonnes) and August 2001 (310,000 tonnes).

[Back to top]

Gold import bill up 47% in 8 months of 2015

Rajesh Bhayani**,** Business Standard

Mumbai, September 15, 2015: With sharp increase in gold import in August at $4.97 billion, the import bill is likely to end 2015 with 3 year high.

However, good part is that there is a surge in import of dore or unrefined gold which was 120 tones last year while in first 8 months of the year it has reached 150 tones.

Total gold import in 2014 was $31.2 billion which has increased to $23.98 billion in just 8 months and analysts say another 300 tones or $13-13.5 billion dollar worth gold is likely to be imported in remaining 4 months of the current calendar year.

Imports may remain subdued in September as market has again slipped to marginal discount of $1-2 per ounce and demand is low due to pitrupaksha.

However, "from September to December imports are likely to be around 300 tones or worth $13 billion. Import may still be around Government's comfort level of $35 billion," said Sudheesh Nambiath, Senior Analyst- Precious Metals, South Asia & UAE at GFMS Thomson Reuters.

Gold prices have remained lower this year. From the range of $1250-$1300 per ounce last year they are now trading around $1100. However, after withdrawal of 80:20 import restrictions last year end, imports have increased. Imports did slowed in around May-June on fear of low rural demand due to weak monsoon but fall in prices in end of July has led to sudden increase in imports ahead of festive season.

Increasing capacities of gold refineries in India has led to spurt in import of dore. Refineries are importing it because there is 2% lower import duty on it and they also get refining margins on the dore they convert in to gold bars. From roughly 15% this year dore's share may end higher at 25%. In August Dore import is estimated at 32 tones which is highest ever monthly import.

In India MMTC PAMPS is at present only LBMA certified bullion refinery. However Edelweiss Commodities also hoping to get the similar status in next 2 years and Rajesh Exports is looking to integrate its refinery with Valcambi, its latest acquisition.

"In 2 years' time atleast 3 LBMA refinery with over 500 tones total refining capacities and other small refineries taken together, dore imports will be over half or even more of India's total gold imports,' said D P Jhawar, President and Head of Commodities Business at Edelweiss.

Dore import requires lesseer outgo og foreign exchange as it is cheaper and value addition by refining is done in India. Even government has incentivised it by duty concession. Against 10% import duty for gold, dore attracts 8% import duty.

[Back to top]