Contents

Govt to bring in ‘negative list’ for electronics imports

Shruti Srivastava, Indian Express

12 January 2013: The information technology department is in advanced stages of firming up guidelines to make it mandatory for government departments to procure “at least 30 per cent” of their electronic product inputs such as personal computers and dot matrix printers from domestic manufacturers under the recently-approved National Electronics Policy (NEP) 2012.

For the private sector, the government is understood to be working on a ‘negative’ list of items that cannot be imported due to “security concerns”. Once ready, the final list of items is likely to be banned by the Director General Of Foreign Trade (DGFT), a government official told The Indian Express, adding that the guidelines are expected to be made public before April.

The move, if implemented, will be a huge blow to the manufacturers importing items, or simply components, at a time when nearly 90 per cent of electronic hardware products are imported in the country. Global equipment manufacturers and vendors in segments such as telecommunications and electronics have already raised the alarm over the proposed move.

“The department is defining security threat and a clear list of instruments which may entail security concern. Each government department has been asked to prepare a list of items that have security implications for them. After studying the list, a comprehensive final list would be prepared to be sent to the DGFT,” the government official said, adding that the move is WTO-compliant.

According to Article 21 of the General Agreement on Tariffs and Trade (GATT), a country can ban import of items perceived to be security threats.

The mandatory sourcing norm is aimed at giving preferential market access for electronic products manufactured and designed in the domestic market, including mobile devices and SIM cards, to address strategic and security concerns of the government.

The official said that the department is working on the guidelines for the NEP and the “mandatory sourcing norm for government departments” forms a part of the policy. To start with, the department has put personal computers and dot matrix printers under the category of mandatory sourcing from the local manufacturers. As the policy takes shape, more items will be included in the list.

The NEP was approved by the Cabinet in October 2012 with the aim of raising the turnover of the electronic design and manufacturing sector to $400 billion by 2020 and provide employment to around 28 million people at various levels.

The policy envisages the setting up of Semiconductor Wafer Fabs and its eco-system for design and fabrication of chips and chip components, creation of electronic development fund to promote innovations, incentivise setting up of over 200 Electronic Manufacturing Clusters (EMCs) and provide attractive fiscal incentives across the value chain of ESDM sector through a Modified Special Incentive Package Scheme (M-SIPS).

The policy aims at eliminating the “disability costs” in manufacturing on account of infrastructure gaps relating to power and transportation. The policy also entails setting up of a National Electronics Mission with industry participation and promote the country as a electronic hardware manufacturing hub.

[Back to top]

No curb on cotton exports for now, govt to keep watch

Banikinkar Pattanayak, Financial Express

New Delhi, 22 February 2013: The government is in no hurry to ban cotton exports in the year through September despite a recent spike in the registration of deals, as domestic prices are still much lower than the record levels hit in 2011, official sources said on Thursday. This could be the first year since 2009-10 when cotton exports are unlikely to witness curbs.

In fact, a late evening statement by the commerce ministry said: “The committee (of secretaries) noted that the situation with respect to cotton availability, prices and export is satisfactory and decided that the current dispensation (free trade of cotton) may continue. The committee has decided to keep a watch on the situation and meet as and when the situation warrants.”

A panel of secretaries, comprising the top bureaucrats of the departments of textiles, commerce and agriculture, reviewed cotton supplies following a massive pick-up in export registration of late, as demand from China returned just as fears about a smaller global harvest loomed. The panel met weeks after the state-run Cotton Advisory Board (CAB) had pegged exportable surplus of cotton for the marketing year through September at 8 million bales. One bale equals 170 kg.

“There is no reason to ban cotton exports as of now. Prices are still at resonable levels and way below the elevated levels witnessed in the past two year,” a senior government official told FE, corroborating the commerce ministry’s statement. “There is a slight pick-up in garment exports of late as orders from Europe have started coming in good deal. So I think textile companies shouldn't have any problems in the days to come to manage with the current price level of cotton,” said another official.

A ministerial panel had decided in November that the exportable surplus of seven million bales would be adhered to in the registration of shipment contracts during 2012-13. The panel comprised agriculture minister Sharad Pawar, fm P Chidambaram and textiles and commerce minister Anand Sharma.
India's cotton export registration has reached around 6.5 million bales this year after remaining subdued until December.

[Back to top]

RBI to allow gold imports only for meeting exporters' needs

ENS Economic Bureau

Mumbai, 5 June 2013: The Reserve Bank of India on Tuesday extended the restrictions on the import of gold on consignment basis by banks to all nominated agencies and trading houses to check the alarming trend that has put huge pressure on the current account deficit (CAD). Any import of gold will now be allowed only for meeting exporters' need of gold jewellery, the RBI said in a statement. "All letters of credit (LC) to be opened by nominated banks or agencies for import of gold under all categories will be only on 100 per cent cash margin basis," the RBI said in a notification. Further, all imports of gold will necessarily have to be on 'documents against payment' basis. "Gold imports on 'documents against acceptance' basis will not be permitted. These restrictions will not apply to import of gold to meet the needs of exporters of gold jewellery," it said. On May 13, the central bank had imposed the restriction on banks importing gold on consignment basis. Besides, it has also put restrictions on banks and NBFCs for providing loans against gold coins as well as units of gold ETFs. The import of the yellow metal during the first two months of the current fiscal are estimated at $ 15 billion. Gold imports by India stood at 860 tonnes in 2012. The World Gold Council expects the country's gold import to touch a record level at 300-400 tonnes in April-June period. 'Govt working on further measures'

Even as the Reserve Bank of India put fresh restrictions on high gold imports that have hit the trade deficit, the government on Tuesday said it has further measures to curb demand but said it would take "measured actions" at present. "RBI has taken measures. We should be careful to note that high gold imports are not unique to India. We have to be careful about not being overly heavy handed," the finance ministry's chief economic adviser Raghuram Rajan said when asked whether the Centre would further hike import duty on gold.

[Back to top]