



PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

Trade & Investment Facilitator

A stylized world map in dark blue with a light blue arrow pointing from the left side towards the right side, positioned behind the word 'Trade' in the title.A circular logo with the letters 'TIF' in white, set against an orange background, located to the right of the word 'Facilitator' in the title.

We Deliver “Peace of Mind”



For all your Export/Import Shipments

SATKARTM
www.satkar.com

Corporate/Regd. Office

D-193, Okhla Industrial Area, Phase-I New Delhi-110020 (INDIA)

Ph. : +91-11-40770000 (Hunting Line) Fax : +91-11-41802484

Email : enquiries@satkarlogistics.com Website : www.satkar.com

Executive Summary (TIF October 2015)

United Nations' projection for India's exports to do well in 2016 as their shipments are largely directed to advanced economies in Europe and North America that are expected to expand in the coming year is quite encouraging for the country. This is reported in Asia-Pacific Trade and Investment Report 2015 recently released by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

India's exports have registered a negative growth at (-) 24.3% for a consecutive tenth month and facing major challenges of slow down in the global market and a sharp decline in demand from China. At the backdrop, Ministry of Commerce and Industry recently announced increased support for export of various products and included some additional items under the Merchandise Exports from India Scheme (MEIS).

Pertaining to global trade growth, WTO lowered forecast for world trade growth to 2.8% in 2015 from 3.3% in April. These revisions reflect a number of factors that weighed on the global economy in the first half of 2015, including falling import demand in China, Brazil and other emerging economies; falling prices for oil and other primary commodities and significant exchange rate fluctuations.

However, World Trade Organisation (WTO) in its recent flagship report World Trade Report 2015 highlighted that full implementation of the Trade Facilitation Agreement (TFA) reached in December 2013 has the potential to increase global merchandise exports by US\$1 trillion per annum, with developing countries expected to capture more than half of these gains.

In the direction of strengthening international economic relations India has signed 18 MOUs/Agreements with Germany during the visit of Chancellor of Federal Republic of Germany to India in the month of October in various fields including higher education, civil aviation, railways and food safety.

Signing of Trans-Pacific Partnership (TPP) Agreement by Ministers of the 12 Trans-Pacific Partnership (TPP) countries, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam is also a major development at the international level. Though India is not the part of TPP, however it is significant in with respect to global economic and trade dynamism.

In order to increase coverage of digitally signed documents and subsequent phasing out of physical/manual submission of documents, Board has decided that all importers, exporters using services of Customs Brokers for formalities under Customs Act, 1962, shipping lines and air lines shall file customs documents under digital signature certificates mandatorily with effect from 01.01.2016.

Contents

S. No.	Topic	Page No.
1	Developm ents in India's Foreign Trade	5
2	Developm ents in India's Foreign Investm ents	7
3	Developm ents in Bilateral Trade and Investm ents	7
4.	India and W TO	9
5.	Policy Developm ents	10
6.	M iscellaneous	10

1. Developments in India's foreign trade

1.1 Exports

1.1.1 Merchandise exports decline by (-)24.3% in September, 2015 - India's exports for the month of September 2015 stands at USD 21.84 billion as compared to USD 28.8 billion in September 2014 registering a growth of (-) 24.3%. During September 2015, the imports are registered at USD 32.3 billion as compared to USD 43.3 billion in September 2014, registering a growth of (-)25.4%. The balance of trade stands at around USD (-) 10.5 billion during September 2015 as compared to USD (-)14.5 billion for September 2014.

Value of Foreign Trade		USD Billion		
Period	July	August	September	
Exports				
FY16	23.13	21.26	21.8	
Growth (%)	(-)10.3%	(-)20.66%	(-) 24.3%	
Imports				
FY16	35.94	33.74	32.3	
Growth (%)	(-)10.28%	(-)9.95%	(-) 25.4%	
Trade balance				
FY16	(-)12.81	(-)12.47	(-) 10.4	

Source: PHD Research Bureau, compiled from Ministry of Commerce and Industry, Govt of India

1.1.2 August, 2015 services exports stands at USD 13.58 billion - India's services exports for the month of August, 2015 stand at around USD 13.58 billion and services imports stand at USD 7.7 billion in August 2015. The trade balance in services stands at USD 5.80 billion for the month of August 2015.

1.1.3 India's exports will do relatively well in 2016: UN - According to Asia-Pacific Trade and Investment Report 2015 recently released by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) exports from India are expected to relatively do well in 2016 as their shipments are largely directed to advanced economies in Europe and North America that are expected to expand in the coming year. The Asia-Pacific region, which includes India, China, Japan, Russia, and the ASEAN nations, among others, will hold its position as the largest trading region in the world despite the lowering of trade growth prospects due to global slowdown. Countries, heavily dependent on China for their exports, however, will not do well, due to the slowdown in the country's economy.

1.1.4 Buffalo meat exports down by 30% on lower Chinese demand - According to Agricultural and Processed Food Products Export Development Authority (APEDA), India's buffalo meat exports declined 30% during April-June on account of fall in demand from China. The authority also reported that in the first three months of the current financial year, buffalo meat exports were down almost 10% in terms of quantity, and 11% in value.

1.1.5 India's dairy products export are projected to remain stagnant at 30,000 tonnes in 2016: USDA

- According to the US Department of Agriculture (USDA), India's dairy products (non-fat dry milk) exports are projected to remain stagnant at 30,000 tonnes mainly attributed to expectations of high global supplies and low prices. The country's milk output may increase by 4.8% to 154 million tonnes assuming a normal monsoon in 2016, while domestic consumption of milk is forecast to rise by 5% to 62.75 million tonnes in the same period. Thus, overall dairy exports (from India) are expected to be minimal due to high domestic consumption.

1.1.6 Iron and steel exports decline by 41% (y-o-y) to US\$4.57 bn in September

- According to Engineering Export Promotion Council of India, India's iron and steel exports declined by 41% (y-o-y) to US\$4.57bn in September against US\$7.69bn a year ago on account of subdued economic sentiment mainly in the commodities market.

1.1.7 Coffee exports drop marginally to 3,00,522 tonnes

- The Coffee Board reported that India's coffee exports have registered a marginal decline to 3,00,522 tonnes in FY2015 mainly due to drop in global prices. Exports stood at 3,03,250 tonnes in the previous year. Although exports showed a slight decline in volume terms, the shipments have risen in value terms to Rs 5,142 crore in FY2015 as against Rs 4,920 crore in the previous year. The trade decisions pertaining to coffee exports were affected due to high volatility of global coffee prices and fall in currencies of many countries like Brazil, Indonesia and Vietnam as against the US dollar. There were also concerns about slowing economy in China and other countries and its spillover impact on other economies. Even a weak rupee against the US dollar also affected India's coffee exports.

1.1.8 India's tea exports fell 3% during January-August

- The Tea Board reported that India's tea exports in the first eight months of 2015 fell 3% (y-o-y) to 125.91 million kg on account of less demand from Egypt and Iran. Exports to Egypt fell 63% (y-o-y) to 2.35 million kg in the January-August period. India, the world's second biggest tea producer, exports CTC (crush-tear-curl) grade mainly to Egypt, Pakistan and the UK, and the conventional variety to Iraq, Iran and Russia.

1.1.9 Sugar mills speed up export contracts as global prices rise

- A sudden increase in the prices of sugar in global markets has made exports somewhat viable and mills are expediting contracts for delivery in the October 2015-September 2016 crushing season. Indian mills aim to export the full four million tonnes of sugar announced by the government for this crushing season, with or without subsidy.

1.2 Imports

1.2.1 India resumes soymeal imports

- India, which used to be a major exporter of soymeal has entered into contracts to import around 10,000 tonnes, as international prices have dropped sharply below domestic rates. Indian soymeal is selling at over Rs 35,000 a tonne in the domestic market, while the same is available in the international markets at less than Rs 31,500 per tonne, delivered on the port.

1.2.1 September vegetable oil imports up 16%

- According to the Solvent Extractors' Association, vegetable oil imports were up 16% in September to 12.16 lakh tonnes (lt), compared to 10.47 (lt) during the same period in the previous year on account of robust demand and falling domestic supply.

2. Developments in India's Foreign Investments

2.1 Net FII investments stands at about (-) USD 874 million in Sep 2015 - The net FII investments in the month of September 2015 are estimated at (-) USD 874 million as against (-) USD 264520 million in August 2015. The net FII investments registered a y-o-y growth of about (-) 125% in September 2015 over investments at about USD 3460 million in September 2014. The net FII investments registered growth of about (-) 172% in August 2015 (Y-O-Y).

3. Bilateral Trade and Investment Developments

3.1 India, Indonesia sign two MoUs focus on expanding defence cooperation - India and Indonesia signed agreements in the fields of renewable energy and culture and discussed possibilities of expanding cooperation in counter-terrorism and defence. This cooperation is important as both India and Indonesia have committed themselves to reduce carbon emissions by 35% and 29% respectively by 2030.

3.2 The Government is firming up Africa-focused export strategy - The Government is firming up an export strategy focused on Africa, giving a new dimension to the government's strategic push for ties with the continent that could offer a large market for Indian goods at a time of slowing global demand. While India has offered a US\$10 billion credit line to Africa and the department has extended the benefits under the Merchandise Exports from India (MEIS) scheme to many goods headed for Africa to make the most of this credit.

3.3 18 MoUs/Agreements signed between India and Germany - During the visit of Chancellor of Federal Republic of Germany to India (October 4-6, 2015), our Hon'ble Prime Minister Shri Narendra Modi and Hon'ble German Federal Chancellor Dr. Angela Merkel agreed to steer the strategic Partnership between India and Germany into a new phase by building on their growing convergence on foreign and security issues and on the complementarities between the two economies. Under this purview, the two leaders signed 18 MOUs/Agreements in various fields including higher education, civil aviation, railways and food safety.

3.4 12 Nations sign Trans-Pacific Partnership (TPP) Agreement - Ministers of the 12 Trans-Pacific Partnership (TPP) countries, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam signed the Trans-Pacific Partnership (TPP) Agreement on 5th October, 2015. The agreement is a high-standard, ambitious, comprehensive, and balanced agreement that will promote economic growth; support the creation and retention of jobs; enhance innovation, productivity and competitiveness; raise living standards; reduce poverty in those countries; and promote transparency, good governance, and enhanced labor and environmental protections. TPP envisions to strengthen economic ties and deepening strategic relationships in the Asia-Pacific region. The key features of TPP include Comprehensive market, Regional approach to commitments, addressing new trade challenges, Inclusive trade and Platform for regional integration.

PHD CHAMBER OF COMMERCE AND INDUSTRY

FOREX

Helpline

JOIN
CLOSE
USER GROUP
(CUG)

**FACILITATE YOUR BUSINESS IN THE DYNAMIC
FOREIGN EXCHANGE ENVIRONMENT**

OBJECTIVES

- Updates on global and domestic changes in the dynamic forex regulatory environment.
- Information on recent relaxations and curbs on current and capital account instruments.
- Clarifications about interpretation of the rules, regulations and procedures.
- Advice by panel of experts to MSMEs on their FEMA issues.

For details please contact

Dr. S P Sharma,
Chief Economist & Director-Research
spsharma@phdcci.in

Ms. Surbhi Sharma, Research Officer
surbhi@phdcci.in Ext 131

For follow - up of queries

Ms. Pallavi Mehta, Research Associate
pallavi.mehta@phdcci.in / sunitag@phdcci.in ; Ext 152

Skilling India for Global Competitiveness

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India)

E-mail : fxhelpline@phdcci.in, surbhi@phdcci.in, pallavi.mehta@phdcci.in

Tel. : +91-112686 3801-04, 49545454, 49545400 · Fax : +91-11-2685 5450 · Website : www.phdcci.in

4. India and WTO

4.1 WTO lowered forecast for world trade growth to 2.8% in 2015 from 3.3% in April -

According to the World Trade Organisation (WTO), World merchandise trade volume is expected to rise 2.8% in 2015, down from the previous estimate of 3.3% and reduced estimate for 2016 to 3.9% from 4.0%. These revisions reflect a number of factors that weighed on the global economy in the first half of 2015, including falling import demand in China, Brazil and other emerging economies; falling prices for oil and other primary commodities and significant exchange rate fluctuations.

4.2 India to seek permanent solution to food security issue at WTO – India is seeking for a permanent solution to the food security and agriculture subsidy issues at the Nairobi WTO meet to be held later this year. The government is also seeking for a global trading regime that serves development goals and improves trade prospects. The WTO's General Council, the highest decision making body of the organisation, had accepted India's demand for extending the peace clause till a permanent solution is found for its food stockpiling issue. For a permanent solution to the food security issue, India had proposed either an ending the formula to calculate the food subsidy cap of 10 per cent which is based on the reference price of 1986-88 or allowing such schemes outside the purview of subsidy caps. If no solution is found by the agreed deadline of December 31, the peace clause will continue till the time a solution is found.

4.3 Trade facilitation pact can boost global merchandise exports by US\$1 tn annually:

WTO - World Trade Organisation (WTO) in its recent flagship report World Trade Report 2015 highlighted that full implementation of the Trade Facilitation Agreement (TFA) reached in December 2013 has the potential to increase global merchandise exports by US\$1 trillion per annum, with developing countries expected to capture more than half of these gains. The report pegs the overall boost to global GDP growth at 0.5% per annum as the agreement aims to standardise, streamline and speed up customs processes around the world, helping to expedite the movement, release and clearance of goods.

5. Policy Developments

5.1 Government announces enhanced support for export through Merchandise Exports from India Scheme (MEIS) -

In light of the major challenges being faced by Indian exporters in the backdrop of the global economic slowdown Ministry of Commerce and Industry recently announced increased support for export of various products and included some additional items under the Merchandise Exports from India Scheme (MEIS). This has been introduced through the Public Notice 44 issued on 29th October, 2015 by the Directorate General of Foreign Trade. A summary of the additional coverage is as follows:

- The current revision introduces 110 new tariff lines and increases rates or country coverage or both for 2228 existing tariff lines.
- Global Support has been accorded to the various product categories including textile items (Chap 50-60), Pharmaceuticals, Surgical, Herbs, Project Goods Exports, Auto Components, Telecom, Computer, Electrical and Electronics Products, Railway, Transport Equipment and Parts.
- Higher Support has been granted to the products, many of which are manufactured by MSMEs. These are Industrial Machinery, IC Engines, Machine tools, Parts and Machinery for

PHD Research Bureau

Dairy, Agriculture, Food Processing, Textiles, Paper. Hand tools used in Agriculture /Horticulture/Forestry, Safety Razors, Blades, All type of locks, Reinforced Safes, Strong Boxes and Doors, Safe Deposit Lockers, Flexible Tubing , Pilfer Proof Caps for packaging, Bicycle parts

- Additional countries have been covered for selected Leather products, Iron, Steel, and base metals, products
- Higher support has been allowed for Cashew s, Readymade Garments, Paper Mache products and Handmade Shawls of wool
- New products have been added including flexible Intermediate Bulk Containers of Man Made Textile Materials, Medical Instruments, Sports Goods, Value added / processed products of Natural Rubber, Chemicals, and Plastics

5.2 Kuwait lifts ban on Indian poultry - According to Agricultural and Processed Food Products Export Development Authority (APEDA), Kuwait has lifted the ban on import of eggs from India. The ban was imposed in 2013 by the GCC countries and was lifted following reports by the World Organization for Animal Health (OIE) stating that India was free from the highly pathogenic Avian influenza. Usually, the ban is lifted only three months after the OIE declares a country free from bird flu.

5.3 Importers and exporters required to use digital signatures from January 1: CBEC - As per the Circular No.26/ 2015- Customs dated 23rd October, 2015, in order to increase coverage of digitally signed documents and subsequent phasing out of physical /manual submission of documents, Board has decided that all importers, exporters using services of Customs Brokers for formalities under Customs Act, 1962, shipping lines and air lines shall file customs documents under digital signature certificates mandatorily with effect from 01.01.2016. The importers/exporters desirous of filing Bill of Entry or Shipping Bill individually may however have the option of filing declarations/ documents without using digital signature. Further, wherever the customs process documents are digitally signed, the Customs will not insist on the user to physically sign the said document.

5.4 Government raises import duty on wheat to 25% - In order to check low priced wheat imports in the country the Government has raised the import duty on wheat to 25% till March next year, its second increase in three months. In view of the continued fall in international prices of wheat and the anticipated adverse impact of increased imports during the first half of this financial year, basic customs duty on wheat has been increased from 10% to 25% for a period up to March 31, 2016. In August, the government had imposed a 10% import duty on wheat, for the first time since 2006.

6. Miscellaneous

6.1 Commerce Secretary held deliberations with Export Promotion Councils to seek views on promoting exports - Ms. Rita A Teotia, Commerce Secretary, Government of India held detailed consultations and deliberations on 7th October, 2015 with Export Promotion Councils to seek their views and suggestions on ways to promote exports. The major issues highlighted by the Export Promotion Councils are: Early refund of the duty drawback amounts, Credit of interest subvention, Increase in the incentives given in the Merchandise Exports from India Scheme (MEIS) governance issues relating to delays in clearances, Addition of more items under the MEIS, Request

for increase in MEIS incentives for certain items, agreements with specific countries to promote exports of certain items.

6.2 Exporters expect Iran to issue fresh Basmati rice permits by December - All-India Rice Exporters' Association (AIREA) reported that after a gap of more than a year; Iran is expected to issue fresh licenses for import of Basmati Rice from India over the next two months. Iran had stopped issuing fresh licenses for Basmati import since October last year, citing reasons such as high pesticide content and self-sufficiency in production.

6.3 Buffalo meat industry is facing several challenges for exports - India's buffalo meat exporters, world leaders in the trade, are facing several challenges to sustain their exports momentum due to a number of obstacles including fall in sales to traditional big buyers such as Vietnam and Egypt and a WHO health warning.

Study/Project Team

Dr. S P Sharma

Chief Economist & Director of Research

Ms. Rashmi Taneja

Senior Research Officer

Disclaimer

“Trade and Investment Facilitator” is prepared by PHD Chamber of Commerce and Industry to provide a broad view of India's foreign trade and investments developments. This newsletter may not be reproduced, wholly or partly in any material form, or modified, without prior approval from the Chamber.

It may be noted that this newsletter is for guidance and information purposes only. Though due care has been taken to ensure accuracy of information to the best of the PHD Chamber's knowledge and belief, it is strongly recommended that readers should seek specific professional advice before taking any decisions.

Please note that the PHD Chamber of Commerce and Industry does not take any responsibility for outcome of decisions taken as a result of relying on the content of this newsletter. PHD Chamber of Commerce and Industry shall in no way, be liable for any direct or indirect damages that may arise due to any act or omission on the part of the Reader or User due to any reliance placed or guidance taken from any portion of this publication.

Copyright 2015

PHD Chamber of Commerce and Industry

ALL RIGHTS RESERVED.

No part of this publication including the cover, shall be reproduced, stored in a retrieval system, or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of, and acknowledgement of the publisher (PHD Chamber of Commerce and Industry).

PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers.

Dr. S P Sharma

Chief Economist & Director of Research

Macro Economy, Policy developments & Business Environment

Ms. Megha Kaul
Associate Economist

Banking, Taxation & Financial Markets

Ms. Surbhi Sharma
Sr. Research Officer

Ms. Sunita Gosain
Secretarial Assistant

Global Economy & India's International Relations

Ms. Rashmi Singh
Associate Economist

State Affairs, Agriculture & Rural Development

Ms. Huma Saif Qazi
Research Associate

Foreign Trade & Investments Environment

Ms. Rashmi Taneja
Sr. Research Officer

Infrastructure- Physical and Social

Ms. Apurva Munjal
Research Associate

Consultant

Mr. P K Mitra



PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

About the PHD Chamber

PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 48000 direct and indirect members, PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 Industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.

