



**PROGRESS HARMONY DEVELOPMENT**

*Estd. - 1905*

# Trade & Investment Facilitator

A stylized blue world map with a large blue arrow pointing from the left side towards the right side, positioned behind the main title text.A circular orange logo with the letters 'TIF' in white, positioned to the right of the main title.

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## Executive Summary (TIF September 2015)

The last month marked with a significant 5 days visit of our honorable Prime Minister Shri Narendra Modi ji to United States which is expected to be a turning point in India-US relationship. This is on account of deep interactions and discussion that PM Modi ji has undertaken with key representatives of several international organizations including United Nations Security Council, World Bank, G4 leaders – Brazil, Germany and Japan, key representatives of several countries – Bhutan, Sri Lanka, Sweden, Cyprus, Jordan and Egypt, CEOs of top American companies and Indian Diaspora.

During the visit several developments took place including Google has ensured helping India to set up base for Wi-Fi at 500 railway stations; Microsoft has shown keen interest to partner with the Indian government to bring in low-cost broadband connectivity to 500,000 villages and chip maker Qualcomm has made commitment to invest US\$150 million for Indian start-ups in the mobile and internet-of-everything (IoE) ecosystem.

India's exports have registered a decline for the consecutive ninth month which is worrisome. In the month of August 2015 exports declined by (-) 21% (y-o-y) to US\$ 21.26 billion as compared with US\$26.80 billion registered during the same month of the last year. The imports are registered at USD 33.74 billion as compared to USD 37.47 billion in August 2014, registering a growth of (-) 9.95%. The balance of trade stands at around USD (-) 12.47 billion during August 2015 as compared to USD (-) 10.66 billion for August 2014.

Pertaining to bilateral trade and investments developments - India opened up its services market to least developed countries (LDCs) by waiving business and employment visa fees for applicants from such countries. India and China agreed to remove import duties on 42.5% of traded items between them under the proposed Regional Comprehensive Economic Partnership (RCEP) pact.

At the global level India is likely to ratify an agreement on trade facilitation so that it can negotiate from a position of strength when taking up issues such as food subsidies at the next World Trade Organisation ministerial meeting in December.

With regard to policy developments, the Government has restricted the bulk imports of ammonium nitrate chemical in loose form on the ground as it poses threat to national security. Also, the government has decided to ban manufacturing, import and export of polychlorinated biphenyls (PCBs) and also equipment containing this toxic chemical.

The Government-promoted Indian Institute of Packaging (IIP) has claimed that a new technology developed by it, can help meat exporters bring down their energy costs on the logistical side by a around 40%.

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## 1. Developments in India's foreign trade

### 1.1 Exports

**1.1.1 Merchandise exports decline by (-)20.7% in August, 2015** - India's exports for the month of August 2015 stands at USD 21.26 billion as compared to USD 26.80 billion in August 2014 registering a growth of (-) 20.66%. During August 2015, the imports are registered at USD 33.74 billion as compared to USD 37.47 billion in August 2014, registering a growth of (-)9.95%. The balance of trade stands at around USD (-)12.47 billion during August 2015 as compared to USD (-)10.66 billion for August 2014.

Value of Foreign Trade		USD Billion		
Period	June	July	August	
<b>Exports</b>				
FY16	22.28	23.13	21.26	
Growth (%)	(-)15.82	(-)10.3%	(-)20.66%	
<b>Imports</b>				
FY16	33.11	35.94	33.74	
Growth (%)	(-)13.40	(-)10.28%	(-)9.95%	
<b>Trade balance</b>				
FY16	(-)10.82	(-)12.81	(-)12.47	

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

**1.1.2 July, 2015 Services Exports stands at USD 13.38 billion** - India's services exports for the month of July 2015 stand at around USD 13.38 billion and services imports stand at USD 7.50 billion in July 2015. The trade balance in services stands at USD 5.88 billion for the month of July 2015.

**1.1.3 Engineering exports to China declined by 38%** - According to Engineering Exports Promotion Council (EEPC), exports of engineering goods to China declined by 38% in August, 2015 while total outbound shipments of engineering goods from India witnessed a fall of 29.5% to US\$4.49 billion from US\$6.38 billion in the same month last year. This is mainly attributed to sharp reduction in demand in China for several engineering products including steel, iron, non-ferrous metals, industrial machinery, auto components and bicycle parts among others as a result of overall slow down in the Chinese economy.

**1.1.4 Textile exports continued to decline** - The country's textile exports declined in August 2015 for the ninth straight month, by 20.66% to US\$ 26.80 billion as compared to US\$21.26 billion in August 2014. Exports of cotton textiles in August 2015 also registered a negative growth of (-) 7.39% as exports registered at US\$863.18 million as against US\$932.02 million in August 2014.

**1.1.5 Spices exports grew up 10%** - According to the Spices Board India, spices exports have increased 10% in quantity and 11% in value for the four-month period of April-July 2014. The total exports of spices during the specified period were registered at 2,71,280 tonne amounting to Rs. 4,339 crore (US\$721.02 million).

**1.1.6 Soybean meal exports fell 72.33%** - According to Soybean Processor Association of India (SOPA), exports of soybean meal during August 2015 were registered at 769 tons as compared to 2,778 tons in August, 2014 showing a decrease of (-) 72.33% over the same period of last year. On a financial year basis, the exports of soybean meal during April - August 2015 were registered at 35,858 tons as compared to 96,201 tons in the same period of previous year registering a decrease of (-) 62.73%.

**1.1.7 Seafood exports are likely to fall 10% in FY-16** - Exports of marine products are likely to fall 5-10% during this financial year as sea-catch is adversely affected by several factors. Delayed monsoon is the major reason which resulted in shifting the movement of various varieties of common fish such as sardine and mackerel impacting their availability on Indian shore.

**1.1.9 Coffee exports up 13% till August** - According to the Coffee Board, the total exports of coffee during April-August period were registered at US\$378 million, up 5.58% from the previous year's figure of US\$358 million. In rupee terms, the country's exports of coffee increased by around 13% to Rs 2,414 crore from Rs 2,148 crore year during the same period of the last year.

**1.1.10 Rubber products' exports grew 5%** - According to Chemicals and Allied Products Export Promotion Council (Capexil), the exports of rubber products increased 5% in FY2015 to US\$2.82 billion from US\$2.74 billion in FY2014. The increase in exports was boosted by non-tyre rubber products manufactured largely by around 5,500 rubber MSMEs.

**1.1.11 Declining exports: Commerce minister to hold exporters meet on October 7** - Worried over continued decline in exports, the commerce ministry will hold a meeting of exporters on October 7 to discuss ways to contain the dip in the outbound shipments. Issues, which are expected to be discussed include cost of credit and ways to reduce transactions cost for exporters.

**1.1.12 Foreign Tourist Arrivals (FTAs) register a growth of 4.5% in January- August 2015 - FTAs during the period January- August 2015** were 50.68 lakh as compared to the FTAs of 48.51 lakh, showing a growth of 4.5%. FTAs during the Month of August 2015 were 5.89 lakh as compared to FTAs of 5.76 lakh during the month of August 2014 and 4.86 lakh in August 2013. There has been a growth of 2.3% in August 2015 over August 2014.

## 1.2 Imports

**1.2.1 Vegetable oil imports increase by 3%** - According to Solvent Extractors' Association of India (SEA) the vegetable oil in ports rise 3% (y-o-y) to 1.37 million tonnes in August 2015. The country's vegetable oil in ports since November 2014 is registered at 11.7 million tonnes up 23% from a year earlier.

**1.2.2 Instant coffee makers dependence rise on import of raw coffee** - Indian instant coffee exporters are depending more on imported raw coffee for their shipments due to fall in coffee prices in global market and relatively high prices of raw coffee in the country. Prices of Indian green coffee of both varieties Arabica and Robusta are about 10% higher than global prices, therefore instant coffee exporters are increasingly opting to import raw coffee.

**1.2.3 Urea imports surged 43% to 30.62 lakh tonnes** - Urea imports in India increased 43% to 30.62 lakh tonnes (LT) in the first five months (April-September) of the current financial year. Urea imports during the same period of the previous fiscal stood at 21.34 LT. The government imports urea through state trading enterprises STC, MMTC and IPL for direct agricultural use to bridge the gap between assessed demand and the local production.

**1.2.4 Soyabean oil imports touched an all-time high of 4.06 lakh tonnes in August** - According to Solvent Extractors Association (SEA), India's soyabean oil imports touched an all-time high of 4.06 lakh tonnes (LT) in August. The import of soyabean oil remained highest ever since it was permitted by the government in 1994. The inward shipments of soyabean oil went up mainly due to decline in its prices by USD 200 per tonne in last one year. The total inward shipment of vegetable oil in the same month was increased by 3% to 13.74 LT. The overall import of vegetable oils during November-August period rose by 23% to 117.25 LT as against 95.25 LT in the same period last year.

## 2. Developments in India's Foreign Investments

**2.1 FDI for January-June 2015 rose by 30%** - According to Department of Industrial Policy and Promotion, the FDI during January-June 2015 rose by 30% to US\$19.4 billion as compared to US\$14.94 billion in the same period of the previous year. Mauritius with 35% share in India's total FDI equity inflows from April 2000 to June 2015 is the top investing country in India followed by Singapore (14%), UK (9%), Japan (7%) and Netherlands and USA (6%). Services sector (17%), construction development (9%), computer software and hardware (7%), telecommunications (7%), automobile industry (5%), drugs and pharmaceuticals (5%), chemicals (4%), power (4%), trading (5%) and metallurgical industries (3%) are the top 10 sectors attracting the highest FDI equity inflows in India. Altogether these sectors comprises of around 65% share in total FDI inflows in the country.

**2.2 Net FII investments stands at about (-) USD 2,645 million in Aug 2015** - The net FII investments in the month of August 2015 are estimated at (-) USD 2645.20 million as against around USD 842 million in July 2015. The net FII investments registered a y-o-y growth of about (-) 172% in August 2015 over investments at about USD 3646 million in August 2014. The net FII investments registered growth of about (-) 86% in July 2015 (Y-O-Y).

**2.3 The Union Cabinet approves FDI upto 100% in White Label ATM (WLA) operations under the automatic route, till now was being allowed only through government approval route** - The Union Cabinet has given its approval to permit Foreign Direct Investment (FDI), up to 100%, under the automatic route, in the activity of White Label ATM (WLA) Operations subject to the following conditions: i. Any non-bank entity intending to set up WLAs should have a minimum net worth of Rs. 100 crore as per the latest financial year's audited balance sheet, which is to be maintained at all times and ii. In case the entity is also engaged in any other 18 Non-Banking Finance Companies (NBFC) activities, then the foreign investment in the company setting up WLA, shall also have to comply with minimum capitalization norms for foreign investments in NBFC activities, as provided in Para 6.2.18.8.2 of the Consolidated FDI Policy Circular 2015.

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### 3. Bilateral Trade and Investment Developments

**3.1 India opened up services market to least developed countries** - India opened up its services market to least developed countries (LDCs) by waiving business and employment visa fees for applicants from such countries. The government decision to provide preferential treatment in services trade to LDCs comes ahead of the Nairobi Ministerial Meeting of World Trade Organisation countries in December where the decision is expected to be notified.

**3.2 India, Belarus set US\$1 bn bilateral trade target by 2018** - India and the east European nation of Belarus agreed to enhance bilateral trade to reach a volume of US\$1 billion by 2018. This was agreed on at the seventh meeting of the India-Belarus Inter-Governmental Commission held in the Belarussian capital Minsk.

**3.3 Russia restricted imports of meat from UP plants** - Russia has decided to limit buffalo meat deliveries from units located in Uttar Pradesh following several cases of foot-and-mouth disease which had been reported from the state. Russia is among the few countries that had put a ban on import of meat and poultry products from India due to occurrence of foot-and-mouth disease a year ago. Although, India is globally one of the largest buffalo meat suppliers, Russia did not import any meat from the country before 2015.

**3.4 India to null tariffs for 42.5% of items traded with China under mega pact** - India and China agreed to remove import duties on 42.5% of traded items between them under the proposed Regional Comprehensive Economic Partnership (RCEP) pact. The RCEP countries which include the 10-member Asean bloc, India, Japan, China, South Korea, New Zealand and Australia reached a breakthrough on the initial offers for eliminating tariffs on goods at a meeting of trade ministers in Kuala Lumpur during the last month.

**3.5 Sri Lanka seeks finalisation of CEPA by next year** - Sri Lanka is seeking finalisation of the long-pending Comprehensive Economic Partnership Agreement (CEPA) with India by next year, believing that it will significantly enhance two-way trade besides opening up new areas for economic engagement.

**3.6 Hon'ble Prime Minister Shri Narendra Modi's visit to Ireland and USA (23<sup>rd</sup> September-28<sup>th</sup> September, 2015)** - Prime Minister Shri Narendra Modi ji has made a five days' visit at Ireland and USA from 23<sup>rd</sup>-28<sup>th</sup> in order to enhance bilateral cooperation with the countries. During the visit Prime Minister Modi ji has undertaken deep interactions and discussions with key representatives of several international organizations including United Nations Security Council, World Bank, G4 leaders - Brazil, Germany and Japan, key representatives of several countries - Bhutan, Sri Lanka, Sweden, Cyprus, Jordan and Egypt, CEOs of top American companies and Indian Diaspora

## 4. India and WTO

**4.1 India is likely to ratify WTO trade pact by November** - India is likely to ratify an agreement on trade facilitation so that it can negotiate from a position of strength when taking up issues such as food subsidies at the next World Trade Organisation ministerial meeting in December. The government has started simplifying trade-related processes and classifying them as per WTO norms as it plans to ratify the Trade Facilitation Agreement by November. India had earlier refused to sign the global protocol to speed up world trade until its demands related to public stockholding for food security purposes were met. Subsequently, it was agreed that WTO members would not challenge such programmes of developing countries until a permanent solution is adopted.

**4.2 USA may not give India time to lift ban on poultry imports** - India is finding it difficult to convince the USA to grant it a year and a half, the maximum time allowed for implementation of World Trade Organisation (WTO) panel verdicts to remove restrictions on the import of poultry from the country. Earlier this month, in a meeting between officials from the two countries in Geneva, agreement over a reasonable duration could not be reached. If both the nations fail to reach a consensus, the matter will be referred for arbitration, following which the arbitrator will determine the period of implementation. Last November, a WTO panel had ruled that India's ban on US poultry product imports flouted global norms. India appealed against the verdict in January.

## 5. Policy Developments

**5.1 The Government bans import of ammonium nitrate in loose form** - The Government has restricted the bulk imports of ammonium nitrate chemical in loose form on the ground as it poses threat to national security. As per the directive, ammonium nitrate has to be imported in bagged form only irrespective of quantity in each bag and the consignment has to be packed at the point of origin. With this, the mid-August notification of the Ministry of Shipping that had allowed a port in South India to facilitate bulk import of this chemical in any form has become null and void.

**5.2 The Government notifies mandatory 4 mt of sugar exports for 2015-16 season** - The Government notifies the mandatory exports of 4 million tonnes (mt) of sugar for the 2015-16 season (October to September). The amount will be divided among the mills based on average production through the last three seasons. The decision to export 4 mt of sugar fixing individual export quotas for each mill will help reduce most of the surplus sugar which has been depressing domestic prices.

**5.3 Government may extend loan interest subsidy for exporters by 3 years to boost shipments** - The government is expected to extend the interest subsidy scheme for exporters for three years to help boost overseas shipments that have been in the negative zone. Under the interest subvention scheme, exporters get loans at affordable rates, helping exporters boost their shipments as the country's exports have been in the negative zone during the past nine months.

**5.4 CBEC issues circular to speed up assessment proceedings for trade facilitation** - In a move aimed at improving the ease of doing business, the Central Board of Excise and Customs

(CBEC) has asked its officials to speed up the assessment process involving international shipments.

**5.5 Government to ban manufacturing, import & export of toxic PCBs** - The government has decided to ban manufacturing, import and export of polychlorinated biphenyls (PCBs) and also equipment containing this toxic chemical. PCBs are among the 22 persistent organic pollutants banned globally under the Stockholm Convention on Persistent Organic Pollutants, known as the POPs Treaty. India, which ratified the treaty in 2006, has to ban use of PCBs by 2025 and adopt measures to reduce or eliminate releases from stock piles and waste by 2028.

## 6. Miscellaneous

**6.1 Government to set up low-cost non-major ports to boost trade**- Concerned over lack of berthing facilities at ports forcing ships in India to spend 70% time waiting and only 30% in voyage, the government is planning to set up low-cost non-major ports along coastline under the Sagarmala project. To boost coastal shipping, it has asked all the 12 major ports to accord priority berthing to such vessels and facilitate faster movement of cargo, as a short-term measure.

**6.2 New technology to bring down energy cost for meat exporters** - The Government-promoted Indian Institute of Packaging (IIP) has claimed that a new technology developed by it can help meat exporters bring down their energy costs on the logistical side by around 40%. The new technology, called modified atmosphere packaging (MAP) specifically developed for meat exporters allow exports at 4 degrees Celsius, instead of the present 20 degree Celsius. This results in a massive saving in energy cost and will hugely benefit the exporter community.

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