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INTRADE UPDATE

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WEEKLY E-BULLETIN

TRADE NEWS

▪ GOVT OKAYS FDI FROM PAK

The Centre has given the green signal for Foreign Direct Investments (FDI) from Pakistan and treating it on a par with such investments from Bangladesh.

Currently, a Bangladeshi citizen or an entity incorporated there is allowed to invest in India with the Foreign Investment Promotion Board's (FIPB) approval. The FDI policy permits Indian companies to issue employee stock options to Bangladeshi citizens, also with the FIPB's nod. These norms for Bangladesh will now be applicable to Pakistan too. The FIPB clearance is also meant to take care of security concerns.

▪ US TRADE DEFICIT SHRINKS IN APRIL EVEN AS EXPORTS DROP

A drastic fall in imports has resulted in US trade deficit shrinking in April, falling 4.9% to reach USD 603Bn, due to weak domestic demand and deepening crisis in the euro zone. Exports to Europe were down 11.1% in April. The region accounts for almost a fifth of US exports.

▪ CHINA TRADE DATA GIVE A GLIMMER OF HOPE

Chinese trade data for May reported exports rising 15.3 per cent, Imports up by 12.7 per cent with trade surplus at USD 18.7Bn.

The Data also reported reduced growth of Chinese shipments to the European Union, rising just 1.3 per cent in the first five months of the year. However China exports to the American market rose 12 per cent.

On the flip side, Fixed-asset investment, a crucial driver of the economy, edged down in May to 20.1 per cent year-to-date growth from

20.2 per cent in April. Industrial production nudged up only 0.3% to a 9.6 against an expected stronger forecast. The retail sales slouched to a 13.8 per cent increase from 14.1 per cent growth a month earlier. Inflation receded to 3 per cent year-on-year in May, the lowest in two years and down from 3.4 per cent in April.

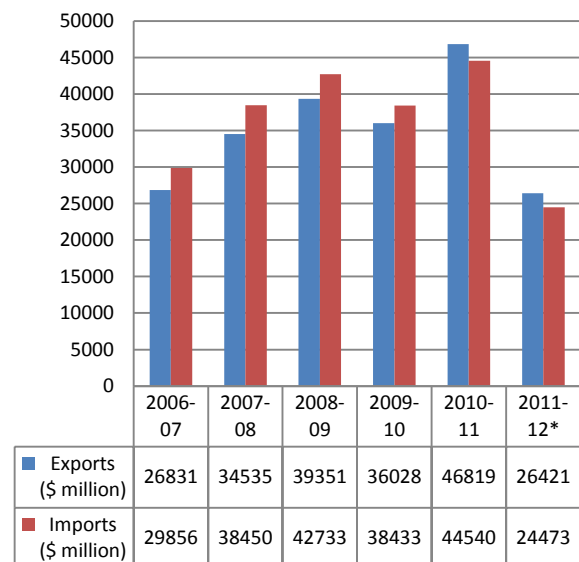
▪ IRELAND EYES INVESTMENTS

Ireland is promoting itself as a destination for inward investments from India. They have also shown keen interest in knowledge partnerships with India in life sciences, pharmaceuticals, IT and high-technology.

Ireland is the second largest net exporter of pharmaceuticals globally and the third largest exporter of software. In 2010, the Indo-Irish trade was €1.3 billion and targeting €2 billion by 2014.

▪ INDIA -EU TRADE

INDIA-EU Trade



■ INDIA'S FOREIGN TRADE DURING MAY, 2012

The Commerce Ministry has released export-import data for the month of May, 2012. According to the report, India's exports declined 4.16 per cent in May to \$25.68 billion as against \$26.79 billion in the corresponding month of 2011, official data showed on Thursday. The imports also declined by 7.36 per cent at \$41.9 billion as well. With the decline in imports, the trade deficit narrowed to \$16.3 billion during May, from \$18.5 billion a year ago. The declines were mainly witnessed in sectors such as engineering goods (15.67 per cent), gems and jewellery (9 per cent), and readymade garments (15.82 per cent). With regard to imports during May 2012, gold and silver were down by 52 per cent while electrical equipment registered a decline of 21 per cent.

CAR EXPORTS RISE 34% ON DEMAND FROM NON-EUROPEAN NATIONS

Passenger car exports from India increased 34.16 percent in May, riding on the back of robust overseas sales by Hyundai Motor, Nissan Motor and Toyota Kirloskar in non-European countries.

According to figures released by Society of Indian Automobile Manufacturers (SIAM), Exports of all categories of vehicles from India during May 2012 increased by 4.62 percent to 2,46,314 units from 2,35,429 units in the same month last year.

The two-wheeler segment witnessed increase in exports by 87.18 percent last month to 10,660 units from 5,695 units in the same month last year. However, exports of commercial vehicles decreased by 8.72 percent to 7,861 units in May 2012 from 8,612 units in the corresponding month last year.

■ GOVT PLANS TO EXPORT 100,000 TONNES OF WHEAT AS STOCKS SWELL TO NEW HIGHS

India's grain storage problem continues, even as the government mounts a strategy to reduce inventories before the monsoon enters the

northern parts of the country in July. Food grain stock in the central pool is now estimated to be 82 million tonnes, much more than the available storage space of 68 mt. Grain stocks till last week were almost 150 per cent more than the quantity mandated in the buffer and strategic reserve norm set by the government.

WTO

■ INDIA'S USD 500 Bn EXPORT TARGET SET TO FACE PROTECTIONIST HURDLE

India may have to combat both the ongoing slowdown and protectionist measures by other G-20 nations in its chase to achieve an export target of USD500 billion by 2014. As per WTO estimates, G-20 nations have been taking more protectionist measures lately and this has impacted world merchandise trade by about 3 per cent. Within the G-20 itself, such measures have reduced trade by 3.8 per cent.

WTO has also projected that global trade growth will slow to 3.7 per cent in 2012 from 5 per cent in 2011 and 13.8 per cent in 2010. This is below the long-term annual average of 5.4 per cent for the last 20 years. It says exports of developed economies are projected to grow by 2 per cent this year, while developing countries' exports will go up by 5.6 per cent. This is significantly lower than the 20 per cent rise in outward shipments that India targets this fiscal. According to WTO, 124 new trade restrictive measures have been put in place between mid-October 2011 and mid-May 2012. These affected around 1.1 per cent of G-20 merchandise imports.

The sectors most affected by the new restrictions were iron and steel, electrical machinery and equipment, vehicles, vegetables, beverages and spirits and chemical products. However, in terms of trade coverage, the sectors most affected were optical and other precision instruments, motor vehicles, machinery and mechanical appliances, electrical machinery, iron and steel and meat.

■ **WORLD MERCHANDISE TRADE BY REGION AND SELECTED ECONOMIES, JANUARY-MARCH 2012**

Percentage change in current US dollars, year-on-year and quarter-on-quarter:

Exports			Imports	
Y-o-Y	Q-o-Q		Y-o-Y	Q-o-Q
5	-2	World (a)	5	-2
8	-1	North America	8	-2
9	-1	United States	8	-2
6	-1	Canada	6	0
11	-4	South and Central America	11	-8
8	-17	Brazil	9	-11
1	-1	Europe	-1	1
0	-1	European Union (27) (b)	-1	1
-2	0	intra EU	-2	0
6	-3	extra EU	2	3
19	-6	Commonwealth of Independent States (CIS)	12	-18
18	-8	Russian Federation	13	-19
15	6	Africa and the Middle East	10	-3
4	-6	Asia (a)	9	-2
8	-15	China	7	-6
2	14	India	22	2
2	-4	Japan	14	-1
2	-1	Six East Asian traders (c)	6	2

a Includes significant re-exports or imports for re-exports.

b "Intra EU" is trade within the EU; "extra EU" is trade between the EU and non-EU economies

c Hong Kong, China (excluding re-export trade), Republic of Korea, Malaysia, Singapore, Chinese Taipei, and Thailand

■ **JAPAN MAY TAKE INDONESIA TO WTO OVER CURBS ON METAL EXPORTS**

Japan, the world's second-largest nickel user, is planning to take Indonesia to WTO if Indonesia does not remove restrictions on mineral-ore exports, especially because there are no other countries that would immediately replace Indonesia.

Indonesia further plans to proceed with a complete ban on exports as planned in 2014. Indonesia said May 3 it would rein in exports of

14 minerals including nickel, copper, gold and iron ore from May 6. The curbs on those shipments, combined with a 20 percent tax on the remainder, are aimed at raising their value and boosting local smelting, potentially increasing costs for smelters in Japan, the third-largest economy. The resource-poor Japan also suffered when China's restrictions on exports of rare earths sent prices soaring.

POLICY

■ **EXPORT OF SKIMMED MILK POWDER MADE "FREE"**

The Government of India has now made export of Skimmed Milk Powder (HS Code 04021010) "free". The Director General of Foreign Trade has issued a Notification No. 2(RE-2012)/2009-14 dated 8th June, 2012 to this effect. This decision aims to benefit the dairy industry which is facing liquidity crunch. It will help finances of dairy firms, help milk producers and enhance export growth. Earlier export of Skimmed Milk Power was prohibited in order to arrest increasing milk powder.

■ **ELECTRONIC FUND TRANSFERS SET TO BECOME FREE**

In a move that would bring relief to bank customers, the government has asked the Reserve Bank to work out a framework under which funds could be transferred electronically free of charge from one account to the other.

At present, banks charge between Rs.5 to Rs.55 for electronic transfer of funds from account of one bank to another through National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement (RTGS).

For outward transactions under RTGS mechanism, banks charge Rs.30 for electronic transfer of Rs.2 lakh to Rs.5 lakh and Rs.55 for amounts above Rs.5 lakh. On the other hand, under NEFT the charges range between Rs. 5 and Rs. 25.

RBI & BANKING

▪ **RBI RAISES INWARD REMITTANCES LIMIT TO 30 TRANSACTIONS**

The Reserve Bank of India (RBI) has raised the limit on the number of foreign remittances an individual can receive from 12 to 30 in a calendar year. However, the cap on the amount of each transaction has been kept unchanged at USD 2,500 per person, a RBI notification said.

▪ **US, EU, JAPAN FACE CRITICISM FOR NOT MEETING BASEL III STANDARDS**

International teams of regulators have found weaknesses in the US, European and Japanese implementing measures for Basel III standards which govern the bank-capital rules drawn up to prevent a repeat of the financial crisis of 2008. By January 2013 nations have to implementing the new rules, which more than triple the core capital that lenders must have to stave off insolvency, and require banks to build up buffers of easy-to-sell assets.

TAXATION

▪ **MNC'S GET FLEXIBILITY IN TRANSFER PRICING; MOVE WILL DISPEL FEAR AMONG FOREIGN COMPANIES**

The government has allowed multinationals flexibility in valuing their transfer of intangibles such as brand name, goodwill, and dealer network to their Indian subsidiaries without any fear of the tax department. The new rule will allow multinationals to use any arms-length methodology to value intangibles, withdrawing any discretion to the tax officer to question the value so determined.

SERVICES

▪ **CHINA TO OPEN SERVICE SECTOR WIDER**

China is planning to export its services and trade sector in the field of transportation,

construction and travel. The service sector of finance, logistics, and education would also be gradually opened up facilitating market access for competitive industries.

Service sector accounts for 70% of the World economy with two third of the global transnational investments and one fifth of the world trade coming from China alone.

China ranked fourth in the World in service trade value, totaling USD 419.1 Bn last year. By 2020, China's service trade would reach USD 600 Bn.

OTHER

▪ **INDIA'S EXTERNAL BORROWINGS FELL 29% IN APRIL**

With rising uncertainty in global markets and mismatch in pricing expectations, borrowings from abroad by Indian companies fell by USD 1 billion in April, down 29 per cent to USD 2.73 billion from the USD 3.83 billion in March.

In March 2011, the comparative figure of borrowings was \$5.06 billion, which fell to \$2.06 billion in April. Liquidity was tighter last year than now.

Of the total raised, USD 1.62 billion was via the automatic route by 66 companies. The other USD 1.11 bn was raised through the approval route, requiring case-by-case approval by the Reserve Bank of India.

▪ **ZURICH AIRPORT EYES NAVI MUMBAI, GOA**

Zurich Airport is eyeing investments in the greenfield international airport projects at Navi Mumbai and Goa receiving atleast two to three million or more passengers a year. The company also has five per cent stake in the GVK-controlled Bengaluru International Airport Limited.

The company is among the few foreign airport developers to have invested in India, the others being Fraport, Malaysian Airports (it has invested in the Delhi and the Hyderabad airports) and Airport Company of South Africa (with investment in the Mumbai Airport). However, Fraport had announced it was exiting India, owing to lack of opportunities and the slow pace of reforms.

■ **PORTS CHOKED WITH HIGH COAL IMPORTS AND GRAIN EXPORTS**

The problem of high turnaround time at Indian ports plaguing the country's foreign trade is set to worsen in coming months, with a surge in imports of commodities like coal and the likely rise in grain exports.

The steep rise in demand for port services comes at a time when the government's efforts to augment capacity in the sector through the public-private partnership (PPP) route have met with limited success. The slow pace of capacity creation is due to procedural hurdles that delay PPP project clearances and implementation. Lack of enough investor interest due to the stifling regulation in the sector, including an absence of freedom for port operators to fix tariffs, has also slowed capacity creation.

While world trade growth has slowed in recent years, India's exports and imports are growing at a relatively higher pace. Exports grew 21% to \$303.7 billion in 2011-12 and imports grew even faster at 32% to \$489 billion.

■ **INDIA & CANADA SIGNS MOU ON INFRASTRUCTURE DEVELOPMENT, OPERATION & MAINTENANCE OF ROADS**

Memorandum of Understanding (MoU) has been signed between India and Canada in Cubec, Canada. to facilitate sharing and exchange of knowledge and technical expertise in the areas of infrastructure development, operation and maintenance of roads and Intelligent Transport System etc.

■ **INDIA INVITES BRAZILIAN INVESTMENT IN INFRASTRUCTURE SECTOR**

Indian Government has invited Brazilian investment in recently launched National Infrastructure and Manufacturing Special Economic Zone as well as in the food processing industries.

A MOU has also been signed between the Council of Scientific and Industrial Research (CSIR), through National Physical Laboratory (NPL) and the National Institute of Metrology (INMETRO), Brazil for scientific and technological cooperation in chemistry, physics, engineering measurement sciences, development of certified reference materials for thermo physics properties, nanometrology, analysis of surface and thin films, biofuels, and biotechnology.

■ **US TO EXEMPT INDIA, NOT CHINA, FROM IRAN SANCTIONS**

The United States has extended waivers from financial sanctions to seven economies: India, South Korea, Turkey, South Africa, Taiwan, Malaysia and Sri Lanka in return for significantly cutting purchases of Iranian oil. China and Singapore, the major importer of oil from Iran are exposed to possible penalties at the end of the month. E.U. and U.S. sanctions aim to cut the oil revenues on which Tehran depends to force the Islamic Republic to curb its nuclear program. The West suspects Iran aims to develop weapons, while Tehran says it needs reactors for electricity supplies.

India is Iran's second largest oil buyer and China buys as much as a fifth of Iran's crude exports. Both the countries are yet to figure out how they will get around the E.U. sanctions.

Japan on the other hand is passing special insurance bill to provide government guarantees on insurance for Iranian crude cargoes, making it the first of Iran's big Asian buyers to find a way to keep the oil flowing in the face of tough new E.U. sanctions.

▪ **INDIA'S APRIL INDUSTRIAL OUTPUT UP 0.1% Y/Y**

Government data has shown that India's industrial output was almost flat at 0.1 percent in April compared to a year ago and was well below growth expectations of 1.7%. The April figure compares with an annual contraction of 3.5 percent a month earlier.

The data clearly points to industrial growth being extremely weak, and it is in clear need of monetary as well as fiscal support as India is witnessing sustained slower growth in industry, which is becoming broad-based.

▪ **KOCHI PORT ISSUES NEW CARGO CLEARANCE NORMS**

Kochi port has issued fresh guidelines for cargo clearance in the wake of complaints by expatriates against foreign freight forwarders, mainly from the Gulf countries.

Consignors' responsibility

The port has stated that the consignor should find out specifically the identity of the counterpart of the freight forwarder in Kochi. Credentials of the cargo handler in the country of origin as well as his counterpart in India should be checked by the importer. The port has asked people to check the list of registered customs house agents at Kochi at www.ccha.org.

Rent charges

The rent charges for a 20 ft full container load would be USD 3 per day for the first three days and from 4th to 15th day, it would be USD 6 per day and beyond that it would be USD 12 per day.

Storages Charges

If the goods are stored in the cargo shed after de-stuffing, the storage charge is Rs 15 for a cubic metre for a day from the 4th to 15th day.

The rate increases to Rs 20/cubic meter from the 16th day to 30th day and it is Rs 30/day thereafter. The first three days are free of charge.

COUNTRY IN FOCUS

▪ **MYANMAR-ECONOMIC INDICATORS**

MYANMAR: SELECTED ECONOMIC INDICATORS						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
				(Estimated)	Projected	
Real GDP growth, official (%)	12	10.3	10.6	10.4	-	-
Real GDP growth, IMF (%)	5.5	3.6	5.1	5.3	5.5	6
Consumer prices inflation (%)	32.9	22.5	8.2	8.2	4.2	5.8
Public sector deficit (% of GDP)	3.8	2.4	4.8	6	5.5	4.6
Current account balance (% of GDP)	0.4	-2.9	-2.7	-0.8	-2.7	-4.4
Foreign exchange reserves (months of total imports)	6.6	6.3	7.9	8.9	9.4	9.7
Exchange rate (parallel market, kyat/\$)	1,110	992	1,004	861	810*	-

*As of January, 2012 Source: IMF Article IV Consultation Report, May, 2012. See www.imf.org

▪ **US BODY TO BRING OUT DRUG REFERENCE STANDARDS FOR BIOLOGICS**

The United States Pharmacopeial Convention is working on developing reference standards for biologics, an emerging class of drugs.

Biologics are medicinal preparation made from living organisms and their products. There is big future for biologics as drugs worth \$490 billion will be coming out of patent regime in next three to four years. At present, China, Korea, the US and India have strong research and development strengths in this segment.

FORTHCOMING EVENTS/WORKSHOPS

Event	Date	Location
National Conclave on Shipping at Chennai With Deloitte as Knowledge partner	18 June	Chennai
Interactive meeting with Bangladesh Dy. High Commissioner	19 June	Kolkata
How to Tap Untapped Markets	22 June	Navi Mumbai
Export Awareness Workshop in association with EPM & UCCI	22 June	Bhubaneswar
Open House Meet with Director General of Foreign Trade at Le Meridien, Bangalore	23 June	Bangalore
Meeting with Business Delegation from the United Kingdom	23 July	Niryat Bhawan, New Delhi
Seminar on Service Tax	25 June	Mumbai
Open House Meet with Sales Tax Dept.	27 June	Mumbai
Workshop –Secure your Export Payments	27 June	Ahmedabad
FTP(09-14) 2012-13 Supplement Post Policy Discussion	28 June	Bhubaneswar
Exporters Meet on EXIM Annual Supplement	29 June	Mumbai
Seminar on Export Incentives & Drawback	30 June	Indore
Participation in FATEX	30 June-3 July	Paris, France
French, Spanish language classes for exporters	July	New Delhi

* Registration closed