



FEDERATION OF INDIAN EXPORT ORGANISATIONS

(Set up by Ministry of Commerce, Government of India)

HEAD OFFICE

Niryat Bhawan
Rao Tula Ram Marg, Opp. Army Hospital R & R
New Delhi-110057
Phone: 011-26150101 - 04, 46042222
Fax: 011-26148194
E-mail: fieo@nda.vsnl.net.in; fieo@airtelmail.in
Website: www.fieo.org

REGIONAL OFFICES

Northern Region
Niryat Bhawan
Rao Tula Ram Marg, Opp. Army Hospital R & R
New Delhi-110057
Phone: 011-26150118, 46042222
Fax: 011-26148194
E-mail: fieo@nda.vsnl.net.in; fieonr@airtelmail.in

Kanpur Chapter

C/o Merchant Chamber of Uttar Pradesh
14/76, Civil Lines, Kanpur-208001
Ph: 0512-3014855, 09235401118
Telefax: 0512-3014824
E-mail: fiokanpur@yahoo.co.in;
fiokanpur@fieo.org

Western Region

Vinmar Hous, Plot No.A-41, Road No. 2,
MIDC, Andheri(East), Mumbai-400 093
Ph: 022-40572222,
Fax: 022-28392334
E-mail: fiowr@vsnl.com; fiowr@fieo.org

Ahmedabad Chapter

408/A, Akshar Complex, Shivranjani Cross
Road, Vastrapur, Ahmedabad - 380015
Ph: 09998063322 / 09974040606
Fax: 079-40050406
Email: fieoahd@fieo.org; fieoahd@airtelmail.in

Southern Region

Spencer Plaza, Unit No. 706, 7th Floor,
769, Anna Salai, Chennai-600 002
Ph: 044-28497766, 28497755, 27497777
Fax: 91-44-28496666
E-mail: fi eosr@fieo.org; fi eosouth@airtelmail.in

Karnataka Chapter

VITC Building, 1st Floor, Kasturba Road,
Bangalore-560001
Ph: 080-22864854; Fax: 91-80-22864855;
E-mail: fioblrd@dataone.in

Andhra Pradesh Chapter

Shakar Bhawan, 5/10/174,
Fateh Maidan Road, Hyderabad-500 004
Ph: 040-23210380; Fax: 91-40-23210381
E-mail: fieoap@fieo.org

Eastern Region

Express Tower, 6th Floor,
42-A, Shakespeare sarani, Kolkata-700071
Ph: 033-40084890/99; Fax:33-22805781
E-mail: fi eoer@airtelmail.in

Orissa Chapter

Ashoka Market Complex, Second Floor,
Station Square, Bhubaneshwar-751 009,
Ph: 0674-2536674 Telefax: 674-2536675
E-mail: fi eobbsr@fieo.org

Northeast Chapter

Upland Road, Laitumkhrach, Shillong 793003
Email: milanryan@gmail.com;
fieonortheast@fieo.org
Mob:0364-2504810

FROM THE PRESIDENT'S DESK ▶▶▶



My Dear fellow Exporters,

First of all, let me express my sincere thanks to all my colleagues in the Managing Committee for electing me President of the Federation.

I am sure with everyone's help I can carry forward the visions of FIEO in raising our share of global trade and ensuring a hassle free business environment for our exporters.

I am confident that with the valuable support of Mr Anand Sharma, Minister of Commerce Industry and Textiles, Mr Pranab Mukherjee, Finance Minister, and Dr Manmohan Singh, Prime Minister, we can sustain our export growth. Indeed, we'll need all round support as export data for April-December 2011 are giving us cause for being concerned.

While 25.8% growth in the first nine months looks impressive, it is much less than the 33.2% growth achieved in the first eight months of the current fiscal. Percentage growth in respect of most sectors has also come down. However, with still three months to go, we just might top \$280 billion in 2011-12.

The increasing trade deficit, which has already touched over \$133 billion, a growth of over 60% from corresponding figure in the same period in 2010, is a deep cause of concern, as it is likely to swell the import bill in rupee, having adverse effect on inflation.

In view of difficult times expected in the first half of 2012, the cost of credit needs to be brought down so both manufacturing and exports become competitive. I'm in favour of bold economic and monetary reforms, including rolling out of GST, for sustaining momentum in exports and containing high volatility in the exchange rate.

In view of the World Bank's warnings about slower growth, weakening global trade and commodity prices, I have asked the Government to provide relief to a broad segment of Indian industry, in my Pre-Budget Meeting with the Finance Minister.

The Federation requested complete exemption of excise duty on handmade carpets; reduction of excise duty on man-made fibres (MMF); exemption on rosin, turpentine, and raw material for shuttle less looms.

We requested exemption of service tax on ECGC premium, which adds to the cost of doing export business and currency conversion transactions related to exports may be exempted from Service Tax.

The Direct Tax Code provisions should not be applied to SEZ units and developers. They should be permitted to avail tax concession as applicable under the SEZ Act without any cut-off date.

Other issues include: grant of infrastructure status to hotels; extension of sunset clause u/s 10a/10b units upto 2015; incentivising/tax exemption for sale of carbon credits/weighted.

The Interest rate for the MSME sector be capped at 7% and for others at 9%; or subvention should be provided to the extent to reduce export credits to such level for all sectors of exports.

Further, declining export credit/skewed deployment of credit is a cause of concern and needs to be addressed.

Finally, I applaud the Supreme Court's decision in the Vodafone case. The applicability of Section 195 of the Income-tax Act under which exporters are asked to pay TDS on payments made for foreign agency commissions, royalties and offshore professional services has been beset by controversy.

But with this landmark judgment, the applicability of Section 195 needs to be revisited/reconsidered. Now, the payments made might find a logical settlement. There has been a plethora of litigation with regard to these payments. The anomaly is in interpretation rather than in law, which I hope will be clarified by the Central Board of Direct Taxes given the historic judgment.



M. Rafeeqe Ahmed
PRESIDENT

FIEO ELECTS NEW PRESIDENT



Mr J K Jain, Vice President, FIEO (left) congratulating the newly elected President, FIEO Padam Sri Mr M Rafeeqe Ahmed.

Padam Sri Mr M. Rafeeqe Ahmed was elected President of the Federation of Indian Export Organisations (FIEO) at New Delhi on January 7, 2012. This is second stint as President, he held the post earlier from 2002 to 2004.

Mr Ahmed is Chairman of the Farida Group of Companies, a leader in leather exports. He was also the Chairman of FIEO's Southern Region. He is the first leading exporter from Tamil Nadu to be elected President of the Federation.

A widely travelled and experienced exporter, Mr Ahmed has been associated with the leather industry for a long time, and has played an important part in promoting and strengthening the varied components of this top export industry in India. He is President of the All India Skin and Hide Tanners and Merchants Association; Chairman of the Footwear Design and Development Institute; Chairman of the Council for Leather Exports and Founder-Chairman of the Indian Finished Leather Manufacturers Association. Mr Ahmed is also a Member of the All India Footwear Panel Advisory Committee. ■

Export target elusive unless key issues are addressed: FIEO Chief



Mr M Rafeeqe Ahmed, President (centre) addressing the Press Meet at New Delhi. On his left is Mr J K Jain, Vice President, and on his right is Mr Ajay Sahai, DG & CEO.

Addressing the media in his first press conference after taking over as President, FIEO, Mr M. Rafeeqe Ahmed said India is likely to achieve the export target of \$300 billion set for the current fiscal. Achieving exports of \$500 billion by 2013-14 seems to be rather difficult too. In fact reaching \$500 billion in the next two years would require a compound annual growth rate of over 29%, which is a tall order.

The FIEO Chief said that while there is no close relationship between World Merchandise Export Growth and India's export growth,

the robust growth in world trade has always helped our exports. Detailing the same, Mr Ahmed said world trade grew by 15% in value terms in 2008 while our exports grew by 30%. However, when world trade declined in 2009 by 22%, our exports also declined by 15%. The spectacular growth in world trade in 2010 by 22% also resulted in impressive growth of 31% in our exports.

The year 2012 seems to be a difficult one as the World Bank has already revised its forecast downwardly both for the world economy as well as world trade. The vol-

ume-wise growth in world trade is forecast to be around 4.4% while IMF figure puts it near 4%. There are indications of moderate growth in our exports also.

Mr Ahmed said exports in the past have also been helped by high commodity prices. In 2010, commodity prices went up by 26%, which also helped our exports figure. Commodity prices particularly of metals are softening which will reduce the export value of the end products as well.

Thirdly, sovereign debt concerns



From left Mr Walter D'Souza, Chairman, FIEO(SR); Mr Amit Goyal, Regional Chairman, FIEO(WR); and Mr Ramesh Kumar Agarwal, Regional Chairman, FIEO(ER) with other media persons.

in the Euro Zone pose a major challenge to overall export growth. Belt tightening in the Euro Zone is in the offing, which will have its effect on world trade. With the cooling of commodity and metal prices and lowering of demand, many of the African and Latin American countries, currently witnessing an export boom, will face major challenges in meeting the burgeoning trade deficit and this may affect our exports to the region.

The rupee is also strengthening and thus the exchange advantage available in the recent past may no longer be there. However, there will be high volatility in the exchange rate thus decision making for exporters will be a herculean task.

Finally, the slowdown in manufacturing will also have its impact on exports as the share of capital intensive products in our exports have more than doubled to reach a share of 54% in 2010 while the share of labour intensive products declined by half from 30% to 15%. There has been a direct relationship between GDP growth and exports in the sense that better GDP growth propelled better exports. Since GDP growth is likely to moderate, the same will

have its repercussion on exports.

The new challenges emerging on the scene require flexible and concerted strategy by the Government and the entrepreneurs. The key issues to be addressed urgently are:

Cost of Credit: The cumulative impact of policy hikes (13 since March 2010) has resulted in an increase in interest costs. This has resulted in a slump in credit off-take.

Declining credit off-take of 17% (ending January 6, 2012) vis-à-vis 24% in the corresponding period last year implying that increasing policy rates have adversely impacted growth/investment. The rate of export credit has moved between 11.5% and 13.5%. Even for those eligible for interest subvention, this works out to be between 9.5% and 11.5%. These rates are much above the international benchmark and roughly 4-5% above the rate paid by our competitors.

Extending interest subvention beyond 31st March 2012 for all sectors of exports: Extending interest subvention beyond 31st March 2012 for exports across sectors given the slowdown in exports. At present it is available only till March 2012 and is confined to handicrafts handlooms, carpet and manufacturers in small and medium enterprises (SMEs).

GST to replace multiple taxes: GST is an urgent requirement of the export industry to effectively compete in the international market. It is also crucial for sustained high GDP growth and tax buoyancy. FIEO strongly recommends that all present taxes on goods and services including electricity duty, tax on diesel



A view of the electronic media.

and petroleum be merged into GST. The state GST and Central GST be merged into single unified GST over a period of 5 years to ensure zero rebating of exports.

Investment plough back in export business to be given tax deduction: Since the Direct Tax Code provides for investment linked tax benefits, exporters may be given 100% tax deduction on investment plough back in the business so that addi-

tional capacities may be created and units may adopt modern technology for augmenting production and increasing efficiency. Investment in manufacturing has basically drained out in the recent past and such tax benefit will encourage exporters thereby creating capacities.

Extension of facilities under FTP till 31.3.2014: The Foreign Trade Policy is valid from 2009-14 but schemes such as Zero Duty EPCG

and Status Holder incentive schemes are valid till 31.3.2012. These need to be extended till 31.3.2014.

Negative List of Services: Service tax on ECGC premium, currency conversion, commission made to foreign agent, transports of export goods from place of removal to ICD or from ICD to ports etc. should be covered in the negative list of services, thus exempting them from the purview of service tax. ■

Exports figure points to difficult times ahead: FIEO Chief

Responding to the export figure for April-December 2011, Mr M. Rafeeqe Ahmed, President, FIEO, said that while 25.8% growth in the first nine months looks impressive, the same is much less than 33.2% growth achieved in the first eight months of the current fiscal and points to challenging times ahead. He said percentage growth in respect of most sectors have also come down at the disaggregated level. However, with still three months to go, we will be able to achieve over \$280 billion in 2011-12.

The increasing trade deficit, which has already touched over \$133 billion, is a deep cause of con-

cern, said the FIEO Chief, as it is likely to swell the import bill in rupee, having adverse effect on inflation.

Pointing to difficult times ahead in the first half of 2012, Mr Ahmed said the cost of credit needs to be brought down so that both manufacturing and exports become competitive and a beginning needs to be made in the quarterly review of the Monetary Policy due on 24th January 2012. He favoured bold economic and monetary reforms, including rolling out of GST, for sustaining the momentum in exports and containing high volatility in the exchange rate.

Vodafone judgement to introduce clarity in law: FIEO Chief

Mr M. Rafeeqe Ahmed, President, FIEO, while commenting on the Supreme Court's judgement on the Vodafone tax case stated that while this would restore confidence of foreign firms to invest in India and encourage cross border M&A deals, it has touched upon the basic issue of jurisdiction of tax administration.

The FIEO Chief stated that with this landmark judgement, the applicability of Sec.195 on payments made in the course of exports as foreign agency commissions/royalties/ offshore and pro-

fessional services would require to be revisited/reconsidered given the fact that there is no permanent establishment/territorial nexus and the situs of service provided is outside the jurisdiction of tax authorities.

Mr Ahmed elaborated that there has been a plethora of litigation with regard to the above payments and the consensus has been that the anomaly is interpretational and superficial rather than an anomaly in law, which will hopefully be clarified by CBDT given the historic judgement.

FIEO President's suggestion for the Union Budget



Mr Pranab Mukherjee
Hon'ble Finance Minister

The World Bank Global Economic Prospects 2012 state that developing countries should prepare for further downside risks, as Euro Area debt problems and weakening growth in several big emerging economies are dimming global growth prospects. The Bank has lowered its growth forecast for 2012 to 5.4 percent for developing countries and 1.4 percent for high-income countries (-0.3 percent for the Euro Area), down from its June estimates of 6.2 and 2.7 percent (1.8 percent for the Euro Area), respectively. Global growth is now projected at 2.5 and 3.1 percent for 2012 and 2013, respectively.

The World Bank Report forewarns slower growth, weakening global trade and commodity prices. Global exports of goods and services expanded an estimated 6.6 percent in 2011 (down from 12.4 percent in 2010), and anticipates that they are projected to rise by only 4.7 percent in 2012.

Given the scenario, President FIEO suggested the following at the pre-Budget meeting held on 3rd February, 2012 in New Delhi:

BANKING

13 successive increases in policy rates have made interest rates uncompetitive internationally and hit at capital formation and investment. PMIs have slumped to levels of contraction only to revive in the last couple of months. President, therefore, suggested that:

- (a) Interest rate for MSME sector be capped at 7% and for others at 9%; or subvention should be provided to all sectors of exports at-least till 31st March 2013
- (b) Export to be included in priority sector lending.

Further, Declining export credit / Skewed deployment of credit is a cause of concern and needs to be addressed said Mr Ahmed. LIBOR linked ECB funding for MSME exports may be considered to give an impetus to the export sector which is losing much of its morale and confidence because of slowing export growth and downgrades in the US by Moody's and the recent downgrades of 9 countries in the EU by S&P implying poor financials of markets abroad and declining consumption patterns of buyers.

DIRECT TAXATION

TDS on foreign commission, royalty

Mr Ahmed drew the attention of the Finance Minister to plethora of litigation with regard to applicability of TDS on foreign agency commission/royalties/offshore and professional services. The landmark judgement on the Vodafone case among several others which empha-



Mr M. Rafeeqe Ahmed
President, FIEO

sizes the jurisdiction of tax administration; territorial nexus and situs services would hopefully close the issue of TDS on transactions in the course of exports. This he hoped will be clarified by the CBDT at the earliest as tax authorities are raising demand with penalty blocking the working capital of the exporters and adding to avoidable litigation.

Other issues raised by him included: grant of Infrastructure Status to Hotels; Extension of sunset clause u/s 10a / 10b units upto 2015; Incentivising / tax exemption for sale of carbon credits / weighted;

INDIRECT TAXATION

National Calamity Contingent Duty (NCCD) on crude oil imported

NCCD on crude oil imported was imposed in 2001 for oil imports under advance authorization/DFIA due to Gujarat earthquake @ Rs.51 per MT. Since India is now a petroleum exporter, the levy needs to be

discontinued added Mr Ahmed as it is making our exports less competitive.

CENTRAL EXCISE

Issues pertaining to Central Excise include :

He demanded complete exemption of Excise Duty on handmade carpets; reduction of excise duty on man-made fibres (MMF) to 4% (from 10%); Exemption of Excise Duty on Rosin & Turpentine; and exemption from Excise Duty in the raw material Shuttle less looms;

SERVICE TAX

Exemption of Service Tax on ECGC premium and currency conversion:

In Service tax, Mr M Rafeeqe Ahmed asked for exemption of service tax on ECGC premium which adds to the cost of doing export business and also imposition of Service Tax on currency conversion is yet another head which adds to doing export business.

Amendment through Finance Bill 2012-13 to give exemption for 1/4/2008 to 5/7/2009 to FIEO and EPCs from service tax

on membership fee

President FIEO told the Finance Minister that he was kind enough to give exemption from service tax to FIEO and EPCs from 5.6.2005 to 31.3.2008. However, the period from 1.4.2008 to 5.7.2009 has been left out. Mr Ahmed requested that through Finance Bill 2012-13, FM may provide exemption for 1/4/2008 to 5/7/2009 from service tax to FIEO and other EPCs on membership subscription as these organizations have not charged the service tax and these are non-profit organizations set up with the objective of extending support to MSME export units.

Inverted Duty Structure

Mr Ahmed drew Finance Minister's attention to Notifications of 1st June 2011 and 30th December, 2011 which granted concessional rates of duties for imports for 9 ASEAN countries and a separate set of rates for imports from Philippines. Concessional customs duties have also been announced for imports from Pakistan and Sri Lanka. Concessional duty announcements have also been made under Indo-Malaysian CECA on 1.7.2011. Fur-

ther, there have been trade agreements with Bangladesh in September 2011. In the case of Bangladesh for example, 46 garment products have been allowed duty free access while the raw material cost in India and the finished product itself make the end product more expensive making it difficult for India to export these products. He suggested that concern and apprehension of the domestic industry may be looked into.

SEZ's under the Direct Tax Code

DTC provisions should not be applied to SEZ units and developers said FIEO Chief. They should be permitted to avail tax concession as applicable under the SEZ Act without any cut off date.

Under the Direct Tax Code, unit set up in SEZ will get deduction from profits if set up before March 31, 2014 and SEZ developers engaged in operations before April 1, 2012 shall be eligible to claim profit based tax holidays. In both cases, adverse impact of exemptions will be suffered post 2014 and 2012 respectively. Due to this sunset clause, SEZ units which have shown encouraging export performance will suffer a setback added Mr Ahmed. ■

Get the global advantage, learn their language

In its endeavour to provide new and useful services to members, FIEO has constituted a Centre for Learning Foreign Languages. The centre will conduct specialized programmes for businessmen and professionals who are looking for training within their limited available time.

The centre will impart language training regularly in the following languages:

- Spanish
- Italian
- French
- Chinese
- Korean
- Russian
- Arabic

The language centre is aimed at helping participants to understand and speak basic communication, understand and develop negotiation skills, etc while travelling abroad:

Evening classes will be conducted in the above languages at frequent intervals. More languages can be included based on the demand from members. Time and class hours will vary

depending on the language of choice and the details can be obtained from the FIEO Southern Region office.

Specialized language training for executives who need to travel and stay in foreign countries for longer duration for execution of projects, etc will be conducted based on demand. However, the demand should be for a group of minimum 7 participants from one company. The Centre will provide special packages for corporate which includes cross cultural barriers and business etiquette, etc. apart from basic professional language skills.

FIEO has prepared special modules for management students by focussing on communication skills, which is suitable for people who are planning a career in a business or industry or a specific country.

The Centre will provide following services exclusively to FIEO members:

- Foreign Language Translation Services
 - Foreign Language Interpretation Services
- The Centre is having a panel of experienced

interpreters on above languages which will be provided on request.

The FIEO Centre strictly adheres to industry standards:

- Courses at different levels including examination courses, advanced and proficiency exams.
- Small classes to ensure more individual attention.
- The tuition is very intensive and designed to maximize language development in the shortest possible time by training the students to learn more effectively.

Fee Structure:

The fee structure for all the above programmes will be cost effective and vary from language to language as the module and duration for each language will be different. Details on fee structure will be available on request.

Interested members may please email their enquiry to fieosr@fio.org or call 044- 28497744/55.

Exporters have positive outcome at Open House



Dr Anup K Pujari, DGFT addressing the gathering.

The FIEO (Western Region) organized an interactive session with Dr Anup Pujari, DGFT, at Pune on January 23, 2012. Also present were Dr Kavita Gupta, Additional DGFT, Mr Sanjay Lunia, JT-DGFT, Mumbai, Mr S.B.S. Reddy, JTDGFT, Pune, and other senior government officials, leading exporters from Pune, Nasik, Kolhapur and Nanded, representatives from the Maratha Chamber of Commerce & Industries and Deccan Chamber of Commerce & Industries as well as exporters from Mumbai.

Mr Amit Goyal, Regional Chairman, FIEO (WR), while welcoming Dr Pujari said it is a great co-incidence that in January 2011 FIEO (WR) held an open house with Dr Pujari in Mumbai, and now in January 2012, the Federation has again had the privilege of organising the interactive session with Dr Pujari at Pune.

He further said Pune houses a large number of top exporters like Kirloskars, Thermax, Bajaj Auto, Bharat Forge, Sudarshan Chemicals

and Serum Institute to mention a few. He further emphasized that exports in December 2011 grew by 6.7% over the previous year to \$25 billion due to the recession in Europe and the US. He said the rupee's depreciation has made imports costlier, in turn affecting the competitiveness of exports, as many of the export items have a significant portion of imported inputs.

Mr Goyal highlighted some of the issues from the agenda which needed urgent attention. For instance, exporters have to file different applications at different ports to avail Chapter 3 benefits, which is time consuming. If a combined application for all exports of different EDI ports could be clubbed and filed, it could save a lot of time. The EPCG Scheme has been of great assistance to the exporters. The present zero duty EPCG scheme is expiring on 31-3-2012, he suggested that the zero duty scheme be extended for the full policy period 2009-14.

Mr M. Rafeeqe Ahmed, President, FIEO, while addressing the

gathering said 2012 is going to be a year of challenges. The World Bank has already fired the first salvo by downwardly revising its forecast of world trade in 2012 from 7.4 % to 4.4%. The forecast for Europe is negative while advanced economies will grow between 0.5% and 1.5%. China is slowing down and it will further cool metal and commodity prices, thus slowing growth in Latin American countries.

The FIEO Chief said the dollar on the other hand will witness high volatility and may range between Rs 49-55. Much of it will depend on supply of the dollar as demand will remain unabated with maturity of loans valued at \$100 billion. So far we have been able to clock over 25% growth as is evident from April-December 2011 figure but the rate of growth is slowing and we may touch exports of about \$280 billion this fiscal.

Looking at the global development, the Government should contemplate new short and medium term strategies to enhance competitiveness of India's exports. The drop in demand will make consumer price sensitive and therefore the export sector should also increase efficiency, reduce avoidable expenses, move up the value chain and endeavour to develop its brand.

He further said the DGFT shall be reviewing the Foreign Trade Policy and thus it's a great opportunity for providing feedback, which will help in framing a robust and dynamic policy.

Dr Kavita Gupta while addressing the gathering said that it was her first address before exporters after taking over as Additional DGFT at Mumbai. She further said she would study the issues of the exporters



Mr M Rafeeqe Ahmed, President, FIEO addressing the participants. On the dais from left, are Mr Ajay Sahai, DG & CEO; Dr Kavita Gupta, Addl DGFT, Mumbai; Dr Anup K Pujari, DGFT, Mr Amit Goyal, Regional Chairman, FIEO(WR); and Mr Khalid Khan, Member, FIEO Managing Committee.

closely and familiarize herself with the matters relating to the western region for the facilitation and promotion of exports from the region.

Dr Anup Pujari, DGFT, while addressing the gathering congratulated Mr Rafeeqe Ahmed on taking charge as President FIEO and said he and his department would look forward to many more issues and suggestions from FIEO on behalf of the exporters in framing the annual policy.

While highlighting some of the important issues he said that regarding the export of meat and edible meat offal keeping in view Notification No. 82 dated 31-10-2011, there are certain constraints that have to be adhered to by an exporter such as sanitation at slaughterhouses/abattoirs and maintenance of hygiene during packaging, freezing, cold storage etc. These procedures are not being followed by most of the exporters exporting meat and meat products. A period of six months can be extended to a meat exporter to upgrade their existing abattoirs/obtain permission from APEDA. This exten-

sion shall be for the benefit of the manufacturer exporters.

He further said a Sectoral Consultation meeting is being organized on February 6, 2012 wherein the suggestions/issues shall be taken into consideration from all the Export Promotion Councils. Hence, he requested any representations for the improvement and facilitating of trade may be forwarded to FIEO for discussions.

Dr Pujari said that there are cer-

tain notifications/circulars issued by the department which are misinterpreted either by the exporters or the department, hence efforts are being made by the department to issue simple and specific issue related notifications. In case of any suggestions, all specific issues may be forwarded to the department for reviewing them.

He also said the communications which are being forwarded to his department for any suggestions / queries by the exporters are incomplete. In most of the cases the communication address, emails, fax or telephone numbers are incomplete. If the mode of communication is incorrect, it affects the active follow up system causing disarray in the communication system between the exporter and the department.

Mr Ajay Sahai, DG & CEO, FIEO, conducted the meeting and highlighted the points compiled for discussions. There was a positive and fruitful interactive session wherein the queries of the exporters were reviewed by the DGFT. He complimented DGFT for his forthcoming and analytical answers to various issues raised by the exporters, which made the interaction meaningful.

Mr Khalid Khan, Managing Committee Member, FIEO, proposed a vote of thanks.



A view of the participants.

Points raised by the exporters at Pune Open House

Market Linked Focus Product Scheme (MLFPS) Benefit for export of chemicals classified under Chapter 29 of ITC (HS).

Inclusion of Nigeria, Iran & Iraq under Market Linked Focus Product Scheme for export of diesel engine and spare parts for diesel engine in Chapter 84.

Grant of incentives to neutralize the freight disadvantage faced in exports to West African countries.

Increase in FPS rate for compression-internal combustion piston diesel engine (up to 20HP) capacity.

DGFT: Several requests have been received from exporters relating to the above schemes and it shall be discussed during the Sectoral Consultation meeting being organized by the department from February 6, 2012 with FIEO and all the EPCs.

Clubbing of different EDI ports for availing benefits under Chapter 3 Incentives of FTP 2009-14.

As per availability of the goods at times, exporters have to make export shipments from different ports. In such cases, availing the Chapter 3 benefit becomes a costly affair for them due to the present policy stipulation that separate applications of different EDI Ports is to be filed. Earlier a combined application for all exports of different EDI Ports could be clubbed (upto 50 Shipping Bills) and filed with the Licensing Authority as per Public Notice No. 110 (RE-2008/2004-2009 dated 21.11.2008). Now filling Separate application is simply adding to time and cost without any benefit.

It is suggested that amendment in Para 3.11.3 of HBP Vol. 1 may be made by issue a Public Notice immediately, so that exporters may file

one single application for grant of Duty Credit benefits against all exports made from different EDI Ports.

DGFT: I completely support the suggestion. Will definitely review the matter.

Dispensation of registration and verification of various Duty Credit Scrips.

Verification and registration of scrips in advance by Customs at EDI ports is superfluous. This involves lot of paper work, time and energy for the exporters and adds to their transaction cost. A system should be developed so that connectivity can be there for all incentivized schemes between DGFT and EDI ports so that verification is simplified and scrips can be utilized at the time of Imports.

DGFT: Verification is being done on a random basis. It is not mandatory by either of the department to verify the documents. Any specific issues may be brought to the notice of the department.

Utilization of SHIS Scrip

Conditions for utilization of SHIS Scrip may be reviewed to make it transferable, valid for import of inputs, domestic procurement and eligible for benefit under TUF and Zero Duty EPCG. Further, it should be extended to cover the Status Holders of all sectors. Benefit may be given either 1% of total turnover or 5% on incremental turnover subject to increase in growth rate of 10% or more in comparison to previous year.

At present the Status Holder Incentive Scrip can be utilized only for import of capital goods with Actual User Condition. Majority of the Status Holders are Merchant Exporters who do not have manufacturing activities. Their supporting manufacturers in most cases also do not like

to import capital goods as nowadays India has been producing quality capital goods. Moreover, Status Holders availing TUF and Zero Duty EPCG benefits are not eligible for SHIS benefits. Status Holders have significant contribution to India's exports. Presently, they have not been provided with any additional benefit except the 1% SHIS benefit that too only limited sectors. Due to specified conditions most of the Status Holders are deprived of the only legitimate benefit they are entitled for.

DGFT: The department is in favour of 0% EPCG. The matter is being reviewed and shall be discussed in the Sectoral Consultation meeting being organized by the department from February 6, 2012 with FIEO and all the EPCs.

Import of spares/catalyst for existing plant and machinery under SHIS Scrips.

SHIS can be used for import of capital goods as defined in FTP relating to the eligible sectors. SHIS is an alternate to Zero Duty EPCG Scheme. Under Zero Duty EPCG Scheme, import of spares for existing plant and machinery is also permitted. However, the same is not specifically permitted for import under SHIS Scheme. Import of spares is necessary to maintain the existing plant and machinery for any manufacturer. Thus, it would be in line with the spirit of the Policy to also permit import of spares under SHIS Scheme. The justification for this permission remains the same as that for Zero Duty EPCG Scheme.

DGFT: Catalyst import is allowed. As far as spares are concerned it can be imported as spare for the machinery imported under EPCG. If a machine is manufactured domestically, the spares cannot be imported. In case of any specific issue it may be brought to the no-

tice of the department

Conversion of DFIA's (non-transferable) into Advance Authorization for allowing clubbing facility for DFIA's (non-transferable) as similar to Advance Authorizations.

The facility of clubbing of two or more DFIA's has not been provided in the HBP Vol. I, as is provided in the case of Advance Authorizations. The norms applicable for the issuance of DFIA are more stringent as compared to the norms applicable for Advance Authorizations e.g. value addition being minimum 20% as compared to 15% value addition for Advance Authorization and the DFIA cannot be issued for the resultant products which do not appear in SION, whereas Advance Authorization can be issued on the basis of ad hoc norms.

It is suggested that facility of clubbing for DFIA's (Non-transferable) may be provided on the similar lines as applicable for Advance Authorization vide Para 4.20 to Para 4.20.5 as amended vide Public Notice No. 79(RE-2010)/2009-14 dated October 13, 2011, by allowing conversion of DFIA's (non-transferable) into Advance Authorization. There would be no financial implications (loss to exchequer) if the facility of clubbing is allowed for DFIA's (non-transferable). Also it would reduce the transaction cost of the exports and would facilitate closure/ finalization of many pending cases without any financial loss to the State.

DGFT: The clubbing of DFIA's is not allowed as per the Policy. In case of any specific issue it may be brought to the notice of the department in order to understand and review the same.

Continuation of 0% EPCG Scheme for the entire Policy Period 2009-14.

The EPCG Scheme has been a great help to India's export manu-

facturing sector in expanding capacity. The effectiveness of the Scheme is well documented. The present Zero Duty EPCG Scheme is expiring on 31.03.2012. The Zero Duty EPCG Scheme should be extended for the whole of Policy period 2009-14.

DGFT: The department supports the issue and will positively review the matter

Average Export Obligation under EPCG Scheme may be dispensed with.

Maintaining average exports based on past three years' performance is causing genuine hardships both to the goods exporters and service providers. In international trade, due to one reason or the other, situations do not remain conducive all the time for exports. In such circumstances all efforts are futile to maintain the average and exporters/service providers have to suffer without any fault on their part. The Government may consider dispensing with average export obligation under EPCG Scheme. Instead, the condition of earning free foreign exchange to the tune of 10 times of the duty saved in 8 years may be imposed.

DGFT: Shall review the matter

National Calamity Contingent Duty (NCCD) on crude oil imported.

NCCD is still being levied on crude oil imported under Advance Authorization and DFIA for use as inputs for export goods. NCCD was introduced in the Finance Bill, 2003 on crude oil at Rs 51/- PMT (inclusive of education cess) for relief measures after the Gujarat earthquake in 2001. This duty/levy on crude oil was levied initially for a period of one year w.e.f. March 1, 2003 to February 29, 2004. Thereafter, the levy of NCCD has been extended indefinitely. Such levies on import of goods under Advance Authorization and DFIA are inconsistent with the

Foreign Trade Policy, which refers to zero rebating of exports. So, levy of NCCD on crude oil imported under Advance Authorization/DFIA may be removed at the earliest.

DGFT: Noted. This may be taken up with Ministry of Finance.

TED Refund

For claiming TED refund by supplier/buyer, there is a need to submit DFT copies along with excise certificate certifying payment of excise duty. Further, the claimant also needs to submit a certificate by excise authorities certifying that they have not availed CENVAT credit. Certificates alone should suffice for claims, and original DFT copies should be dispensed with.

DGFT: Noted. It shall be discussed in the Sectoral Consultation meeting.

Clarification on admissibility of additional 2% incentive on export of handloom products.

2% additional incentive on handloom products codes 57024230, 57050024 and 57050042 covered by Sr. No. 142 of Table 7 of Appendix 37D has been announced vide Public Notice No. 10/ (RE-2010)/2009-14 dated September 22, 2010 on exports made from April 1, 2010. However, since the benefit was announced on September 22, 2010 on exports made from April 1, 2004, these three codes of handloom products were not entered in custom's system. Hence the same could not be mentioned on the shipping bills at the time of exports. The exporters have exported cotton durries of handloom, mats and matting's including bathmats, bath rugs etc. with the description "handloom / handmade / hand woven etc" on the shipping bills. Now the customs authorities at various ports have started entering these codes into their system. Because these codes were not in the system earlier and could not be mentioned on the ship-

ping bills, the exporters are not in a position to avail the benefit of 2% on exports made prior to date on which these three codes entered the customs system.

It is suggested that necessary clarification may be issued in this regard that the 2% incentive be allowed on export, made from April 1, 2004, of cotton durries of handloom, mats and matting's including bath-mats, bath rugs etc.

DGFT: As the codes are not updated in the system, hence the prevailing codes given by the exporters should be considered, if the description of the product in the shipping bill matches with the description notified by the DGFT.

SHIS under Para 3.16 may be allowed for import of indigenous goods.

As per the existing policy the scrips issued under SHIS under Para 3.16 are eligible for payment of import duty for goods to be imported. It is submitted that the Indian capital goods industry has grown to a great extent and is capable of developing/manufacturing equipment, plant and machinery worldwide. It is not in the interest of the Indian economy to issue scrips only eligible for import of goods. Rather, the holder of scrips should be eligible to procure domestically manufactured capital goods without payment of excise duty. This policy will save huge amount of outflow of foreign currency.

DGFT: Noted. It shall be discussed in the Sectoral Consultation meeting being organized by the department from February 6, 2012 with FIEO and all the EPCs.

Clarification regarding Para No. 3.16.2 of SHIS.

As per Para 3.16.2 of FTP, Status Holders availing Technology Upgradation Fund Scheme (TUFS) benefits (under the Ministry of Textiles) during a particular year shall not be eligible

for SHIS for exports during that year. If an exporter has not availed any benefit of TUFS for new machinery purchased during year 2011-2012, except the benefit of interest, which is for 5 years on machinery purchased in earlier year than 2011-2012.

It may be clarified whether the exporter will be eligible for SHIS benefit for the year 2011-2012.

DGFT: Noted. It shall be discussed in the during the Sectoral Consultation meeting.

Clarification regarding para No. 5.1A of Zero Duty EPCG Scheme.

As per para no. 5.1A of HBP, zero duty EPCG Scheme shall also not be available for units who are currently availing any benefits under TUFS.

If an exporter has availed TUF benefits for new investments and capital subsidy during the year 2011-12, will he avail the interest benefit against this for a further 8 years to come? During the year 2012-13, they are planning to make new capital investments without availing TUF benefits. It may be clarified that can the exporter apply for zero duty EPCG license on this new investments during 2012-13.

DGFT: Noted. It shall be discussed during the Sectoral Consultation meeting.

OTHER ISSUES

Duplication of documents

There are several documents required by the Central Excise Department for rebate claims even when the copies of the documents have been provided to the department duly certified by the excise official. Now that the documents are available online, duplication of documents should be avoided

Terminal Excise Duty

TED is issued to subcontractors. If there is a change in the name of

the contractor and if the names does not appear in the corresponding documents then the exporter is unable to claim TED. There should be a mechanism to check the changes incorporated, instead of having to supply documents repeatedly.

Asian Clearing Union (ACU) Mechanism

As per RBI guidelines and provisions, the export/import transactions between the ACU member countries on deferred payment terms respectively are to be routed through the ACU mechanism. The Central Banks and the monetary authorities of Iran, India, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka, Myanmar and Maldives are currently members of the ACU. Banks are permitted to settle commercial and other eligible transactions in much the same manner as other normal foreign exchange transactions.

DGFT: All the above issues may be forwarded to the department for review. ■

Attention FIEO Members!!!

Download the FIEO logo from the Members Area on the FIEO website www.fieo.org and place it on your company website to further enhance image in the international market. The FIEO logo when clicked on your website will display your particulars and also a certificate of your registration as per the record available with FIEO. Write to csom@fieo.org in case of any assistance.

Focus on investment, joint ventures for enhancing trade, services

India and Saudi Arabia are poised to ramp up their bilateral trade relations. At a meeting last month with Dr Tawfiq Bin Fawzan Al-Rabiah, Minister of Commerce & Industry, Saudi Arabia, Indian Commerce, Industry & Textile Minister Mr Anand Sharma said, "The economic ties between India and Saudi Arabia would constitute a very solid foundation for the development of strategic partnership. While the trade ties at present are already quite substantial, there exists immense potential for taking the bilateral trade relations to the higher level."

Mr Sharma added, "Total trade between India and Saudi Arabia has increased from \$15,946.10 million in 2006-07 to \$25,612.46 million in 2010-11. Exports to Saudi Arabia have increased from \$2590.77 million in 2006-07 to \$5,227.19 million in 2010-11. The principle items of export to Saudi Arabia are petroleum (crude and products); rice basmati; dyes/intermediates and coal tar

chemical; machinery and instruments; primary and semi-finished iron and steel. Similarly, the imports from Saudi Arabia has increased substantially from \$13,355.33 million in 2006-07 to \$20,385.28 million in 2010-11 and the principle items of imports are petroleum (crude and products), organic chemicals, artificial resin, plastic, material etc; metaliferrous ores and metal scrap and inorganic chemicals. India imports almost 23% of its crude oil requirements from Saudi Arabia.

Mr Sharma observed that the focus is now to be shifted to investment and joint ventures for enhancing trade as well as services. The minister also emphasized strategies to be developed for increasing volume of trade in traditional items and diversify the trade basket.

He expressed satisfaction on the fact that both countries have pledged to elevate the current buyer-seller relationship into strategic energy co-



Mr Anand Sharma
Hon'ble Minister of Commerce and Industry

operation. India would like to participate in the petroleum and gas sectors in Saudi Arabia both upstream and downstream and invites the gulf country to invest in Indian petroleum and gas based mega industrial estates, fertilizers and petrochemical plants, refineries, etc. ■

Brazilian Calendar of Exhibitions and Fairs 2012

The Brazilian Calendar of Exhibitions and Fairs 2012 is an official publication of the Brazilian Government. This year's edition includes 365 events containing contact details of the promoters of the respective fairs. The industries for which the fairs/exhibitions are listed are: agribusiness; arts, crafts and collections; bars, hotels and restaurants; beauty and aesthetics; business and human resources management; chemicals, plastics and petrochemicals; civil construction and architecture; communications, advertising and publicity; computer, information technology and telecommunications; electrical goods, electronics and mechanical; environment and sanitation; food and beverages;

gifts, presents and toys; graphic arts, stationery, paper packaging, books, teaching and educational materials; health; home utilities; jewellery, costume jewellery, precious stones and metals; leather/shoes – footwear and related goods, machinery and components; metallurgy and steel; mining; motor vehicles, automobile parts, rebores, and accessories; musical instruments; national, civil and property security; optical; pets; retail, wholesale and franchising; sports, leisure and nautical; sugar and ethanol; textiles, garments and apparel; tourism; transportation and logistics; wood and furniture The publication is available online at www.brasilglobalnet.gov.br.

Transaction cost reduction yields \$450 million to exporters: Scindia

Minister of State for Commerce & Industry, Mr Jyotiraditya M. Scindia, chaired two panel discussions at the annual meeting of the World Economic Forum at Davos on January 26, 2012.

Mr Scindia spoke on how the manufacturing sector can transform growth and employment. He observed India's unique growth model is based on equitable and inclusive growth. Giving examples on the initiatives of the Government of India such as creation of the National Skill Development Mission, National Manufacturing Policy, DMIDC, etc he emphasized that India's goal should not only to be to prepare for providing a talented and skilled work force for its own needs but also to be the human resource basket for the world.

Mr Scindia also mentioned that the national investment and manufacturing zones envisaged under the National Manufacturing Policy will create greenfield infrastructure townships, benchmarked with the best manufacturing hubs in the world. The minister mentioned that for enhancing the trade performance of industries, a strong initiative to

reduce the transaction costs has been undertaken by the Ministry of Commerce which has resulted in bringing down the transaction costs for the exporters by about \$450 million. Indeed, due to its policy liberalization, India has become one of the most attractive destinations for foreign trade investment.

Chairing another discussion panel on the "Future of South Asia" at the Forum, Mr Scindia emphasized that economic growth and political stability are deeply interconnected. Efficient delivery of public goods and justice are at the core of political and economic stability. He mentioned that liberalization in India is inextricably linked to sustainable and inclusive growth and has helped the business and regulatory environment to successfully move towards greater transparency and efficiency.

Mr Scindia mentioned that the government of India has launched ambitious programmes such as Bharat Nirman, NREGA, JNURM etc to empower the poor and to provide quality infrastructure to urban and rural population. Speaking on India's demographic dividend, he emphasized the fact that India is presently among the world's youngest nations



Mr Jyotiraditya Scindia
Hon'ble Minister of State for
Commerce and Industry

with a median age of 25 years.

He also mentioned that India has to improve profitability in the agricultural value chain and also move people away from agriculture to manufacturing and service.

Speaking about the economic integration of South Asia, Mr Scindia mentioned that a dynamic and outward looking South Asia can bring huge benefits not only to the region but also to the world. ■

Increase in FDI limit with attendant condition will benefit exports: FIEO Chief

Welcoming the decision to increase the FDI limit in single brand retail from 51% to 100%, Mr Rafeeqe Ahmed, President, FIEO, said it will encourage major global players to invest in India and existing single brand retailers to bring more FDI into the country thereby having a sombre effect on the rupee. The Indian rupee has witnessed high volatility in the last two months with demand supply mismatch and weak global indications.

Mr Ahmed complimented Union Commerce, Industry

and Textile Minister Mr Anand Sharma for ensuring that in respect of proposals involving FDI beyond 51%, there will be mandatory sourcing of at least 30% procurement from small industries/village and cottage industries.

He said this would boost domestic manufacturing, provide value addition and offer provide greater exposure to Indian suppliers, enabling them to compete successfully in overseas markets.

Former FIEO Chief hints at positive outcomes at AGM



Mr Ramu S Deora, President, FIEO addressing the AGM. On the dais from left, are Mr Walter D'Souza, Regional Chairman, FIEO (SR); Mr Ajay Sahai, DG&CEO, FIEO; Ms Mridul Jain, Joint Secretary, Ministry of Commerce & Industry; Mr J K Jain, Vice President, FIEO; Mr Amit N Goyal, Regional Chairman, FIEO(WR); and Mr Ramesh Kumar Agarwal, Regional Chairman, FIEO(ER).

The Federation of Indian Export Organisations' 46th Annual General Meeting held on January 7, 2012 in New Delhi turned out to be a big affair. Mr Ramu S. Deora on vacating his position as President thanked the Federation's members for their continued confidence in FIEO. He appreciated their keen interest and involvement in its programmes and activities that have made FIEO a premier and respected institution not only in the trade and industry community of the country, but also globally. He further said the valuable inputs and suggestions received from them from time to time helped him as well as the Federation in serving the exporting community more effectively.

Mr Deora said it was his privilege to serve the Federation as President for the fourth term and thanked his predecessor Dr A. Sakthivel and his team for



A view of the audience.

providing him such a strong platform to raise India's share of global trade and ensure a hassle free business environment for the exporters. His first priority for the FIEO secretariat was to update the database of members and to provide them best services.

Mr Deora said it was a matter of great pride that despite the difficult economic situation in India's traditional markets, the country's exports registered a robust annual growth of 37.5 per cent, reaching \$245.9 billion, against the Government's target of

\$200 billion. This would not have been the case had it not been our exporters' entrepreneur skills coupled with their risk taking capability.

It is also India's economic integration with the rest of the world that has resulted in such exponential growth in exports. He complimented the exporters and also thanked the Government for its diversified strategy supported by regional trading agreements. This high growth achieved in 2010-11 prompted the Government to revise the target for 2013-14 from \$450 billion to \$500 billion.

Mr Deora urged the Government to reduce the cost of credit for industry in general and exporters in particular so that competitive rates may push exports. He said he had earlier urged the Government to implement the following measures: units exporting more than 75% of their production may be given income tax benefits; make the rupee fully convertible which will help in curbing high volatility in the exchange rate; provide Interest Subvention of 2% to exporters; further extension of DEPB Scheme; transition from DEPB to All Industry Rate of Duty Drawback; instead of licence and quota system in various commodities like cotton and yarn, regulation should be either through export duty or minimum export price so that restriction is imposed in a simple and transparent manner; PCFC should be given to exporters at least up to 50% of the dollar earned by them in the previous month; provide refund of basic customs duty through CENVAT route for exporters and if the exporter is not able to utilize the same, credit may be permitted by the Excise Authority at the factory itself.

Mr Deora informed that a number of suggestions made by him were considered favourably by the Government. He said during his tenure he tried his best to take up issues of exporters - may be whether concerning direct taxation; indirect taxation; banking or infrastructural or trade

policy related – with the Government at the highest level. These suggestions were given due consideration and many of them were considered favourably. He conveyed his sincere thanks to the Government.

Mr Deora assured FIEO would continue to help Indian exporters forge links with their overseas counterparts by leading business delegations and by organizing / participating in overseas exhibitions to virtually all parts of the world, and also in highlighting exporters' concerns before the concerned authorities through many of its flagship events.

He was confident the country would achieve \$280 billion in exports by the end of current fiscal with economic growth at 8%. He hoped other suggestions viz 4% CVD, income tax, service tax etc. may be considered in the Union Budget.

Mr Deora thanked Vice President, FIEO, Mr J.K. Jain, Director General & CEO, Mr Ajay Sahai, Regional Chairmen and Managing Committee Mem-

bers for their wholehearted support, cooperation and valuable guidance without which it could not have been possible for him to discharge his responsibilities to the satisfaction of the exporting community.

He said that no organization can progress, or even function efficiently, without the support of dedicated officers and staff. FIEO has been fortunate in having a committed workforce which has built it up as a national institution, and enabled it to serve the exporting community to the optimum. He thanked all staff at FIEO headquarters and all the Regional Offices and Chapter Offices for their all-out support in making the Federation's activities and programmes so successful.

Thereafter, Mr Jain chaired the meeting, and Mr Sahai read out the notice for the 46th Annual General Meeting circulated to all members on October 14, 2011. The agenda points were discussed and approved. The results of the election to the Managing Committee were also announced by Mr Sahai. ■

25th Year Completion Award



Mr Rajesh Bhatia, Director, FIEO(WR) (right) receiving the FIEO Award for completing 25 years of productive service from Mr J K Jain, Vice President, FIEO on the occasion of FIEO's 46th AGM at New Delhi on 7th January, 2012.

Booming Latin America is a magnet for exporters



Mr Ajay Sahai, DG&CEO, FIEO (4th from left) addressing the meet. On his right are H.E Mr Javier Paulinich, Ambassador of Peru; H.E. Mr Juan Alfredo Pinto Saavedra, Ambassador of Colombia; and Mr T.S Ahluwalia, Managing Committee Member of FIEO. On his left are, Dr. Janki Raman, Deputy Secretary, Ministry of External Affairs; H.E Mr Julio De La Guardia, Ambassador of Panama; H.E. Mr Juan Fernando Cordero, Ambassador of Costa Rica, and Ms Carlise Nouel, Trade Counselor of Dominican Republic.

FIEO organized an interactive session on "Doing Business with Latin American Countries" on January 18, 2012 in New Delhi. The main objective of the session was to apprise the Indian entrepreneur about the opportunities available in these countries so as to further enhance trade and investment opportunities available in their country.

Mr Juan Fernando Cordero, Ambassador of Costa Rica; Mr Juan Alfredo Pinto Saavedra, Ambassador of Colombia; Mr Javier Paulinich, Ambassador of Peru; Mr Julio De La Guardia, Ambassador of Panama; Ms Carlise Nouel, Trade Counselor of the Dominican Republic; Ms Aarti R. Verma, Commercial Assistant, Embassy of Chile; and Ms Gunesha Dhatt, Trade officer of Trinidad & Tobago, made

presentations about their respective countries.

Dr Janki Raman, Deputy Secretary, Ministry of External Affairs; Mr T.S Ahluwalia, Managing Committee Member of FIEO; Mr Ajay Sahai, Director General & CEO, FIEO, and other senior diplomats from missions of Latin American countries were also present.

Initiating the session, Mr Sahai said India's exports to LAC have multiplied ten times, moving from \$1 billion in 2000-01 to \$10.2 billion in 2010-11. Imports in the same period jumped twenty times from \$0.7 billion to \$14.2 billion. He exuded confidence that bilateral trade will cross \$75 billion in the next 5 years. The Focus LAC programme and Focus Market Scheme have been huge successes in

facilitating and diversifying our exports. The Ministry of Commerce & Industry has commissioned a study to increase trade with LAC, and FIEO is an active member in this. There is scope for Indian companies for investment in the fields of energy, mining, agriculture and food processing etc.

Dr Janki Raman informed the audience that LAC is an important region for India's future trade growth. The Government of India launched the Focus LAC programme in the year 1997 with a view to significantly enhance trade with the region. Under this programme, the Government extends assistance to exporters. Some of the countries offer vast natural resources, which Indian companies may tap. It may also be noted that trade between India and LAC countries has



In the first from left, Mr Vineet Arora, FIEO; Mr Alejandro Pelaez, Trade Counselor of Colombia; Ms Guneshha Dhatt, Trade Officer of Trinidad & Tobago with other Indian participants.

grown from \$16.61 billion in 2009-10 to \$20.41 billion in 2010-11, registering a growth of 23%. The share of Latin American Countries in our exports grew from 2.4% to 4.8% in the last 10 years. It is expected that trade will further increase in the coming years.

He said relations between India and countries of the LAC have remained close and cordial. LAC countries are rich in natural resources like copper, timber, iron ore, nitrates, precious metals and hydropower. It is a clear fact that there exists vast untapped potential to be utilized by India. He also referred to huge potential of the region with a combined GDP of \$5.2 trillion and trade of over \$2.1 trillion. Dr Janki Raman said the current trade figures do not reflect the potential. India could look for massive exports of pharmaceutical, organic chemicals, vehicle, auto component, petroleum products, textiles etc. Also, large tracts of land are available in these countries which can be used for increasing food requirements of India.

India and Latin American countries share cordial relationships and

the political environment is conducive. The importance of the Latin American region in India's trade prospects can be gauged from the fact that the Indian Prime Minister has visited the region twice in the last seven years. The Presidents of Mexico, Colombia, Chile and the Prime Minister of Trinidad and Tobago have visited India in recent times. To smoothen the visit of Indian businessmen, Argentina now issues a 5 year multiple visa. No visa is required to visit Trinidad and Tobago for Indians.

Mr Cordero of Costa Rica in his informative presentation stated the dynamism of various sectors such as manufacturing, life sciences and services in Costa Rica. Talking about the strengths, he highlighted that Costa Rica is considered a country with the highest human development worldwide. "Being strategically located, companies will have exceptional access to the world's greatest market like the US, Peru, Mexico, Central America, Panama, Singapore, Korea etc," he said. The country also offers solid infrastructure in terms of telecommunication, improved road-

ways and ports. It is the safest country in Latin America and one of the top three environmental performers of the world, Mr Cordero added.

Mr Saavedra of Colombia spoke about the investment environment in Colombia. He stressed upon various sectors like ICT, cosmetics, toiletries and cleaning products, pharmaceutical, agro industry, oil product and services, hotel infrastructure etc where investors can invest upon. Talking about strengths, he told that Colombia is the 28th largest economy in the world adjusted by PPP and one of the largest non-OECD countries. "There is no import duties, no restrictions on sales to the local markets and different types of FTZs as per different parameters," he added.

Colombia has been the second largest buyer in LAC after Brazil of Indian exports in three of the last five years. Mr Saavedra further said bilateral trade with India will cross \$2 billion this year and he is bullish about future trade prospects.

Mr Paulinich of Peru talked about business opportunities in his country. He discussed Peru's strengths in terms of macroeconomic stability, favorable investment climate, easy market access and infrastructural development. To foreign investors, Peru offers a large number of services like freedom to acquire national stocks, freedom to deliver royalties, free capital transfers, non-discriminatory treatment and access to most of the economic sectors. He said Peru is the fastest growing economy in the last 10 years. It also has the lowest inflation in the LAC region.

He further informed that till date only 20% of the territory has been explored for mining, which indicates the huge opportunity in mining sector once more area are made available for mining. While talking about business opportunities with India, the exports for some of agri-commodities like pulses, fresh grapes, and processed

fruits and vegetables are increasing rapidly. Highlighting the importance of the proposed India-Peru FTA, he said it will create incentives to increase trade by opening markets. Mr Paulinch referred to the country's high ranking in Doing Business Report which speaks of an excellent investor friendly climate in Peru. He sought investments in non-conventional energy for which fiscal and tax concessions are available.

Mr La Guardia of Panama stated that the geographical location has made Panama one of the most important shipping passages of the world. The economy is service-based with revenues from the canal and offshore financial services. The country has abundant natural resources, minerals and forestry. Panama offers multiple possibilities for entertainment and shopping malls with world class boutiques and lounges. Services include logistics, banking, the Colon Free Zone, insurance, container ports, flag-ship registry and tourism.

Panama's booming transportation and logistics services sectors, along with aggressive infrastructure development projects, will lead the econ-

omy to continued growth in the upcoming years. Panama has plans to expand the services sector including IT and is keen to attract foreign investment. The activities of this rapidly developed city are centered on the Colon free zone. It is the largest free zone and the second most important in the world after Hong Kong. One can buy anything tax free. He referred to the strategic positioning of Panama and asked exporters to use it as a distribution hub for both North and South America by locating them in the Colon FTZ. He suggested more active participation of Indian companies in Expocomer, which generated a business of \$150 million in its last edition.

While talking about the export potential in Latin American countries, Mr Paulinich said Chile is ranked No. 2 after Brazil. In imports, it is ranked No. 6. While discussing various figures related to India's share in exports and imports with Chile, he said there is immense potential yet to be explored between the two countries. Talking about Chile's strengths, Mr Paulinich said the country is highly competitive and a globally integrated country, which offers great business environ-

ment and economic freedom. It is one of the main producers of quality food products. It also seeks to develop world class biotechnology sector and is positioned as an excellent location for manufacturers that wish to assemble product in Chile from imported components.

Ms Nouel of the Dominican Republic said her country is small but thinks big. The Republic has stable economic and political environment. It is totally exempted from all taxes. All raw materials, machinery, equipment, spare parts, and other items needed to operate within a free zone park or destined for re-export are allowed to be imported duty free. The Dominican Republic offers best business and logistic location, good potential for investment in the areas of leather products, auto parts, electronic and electric components, IT-BPO and software development. It is the top producer of fine cigars, organic bananas and the No. 1 exporter of organic cocoa. It has the fastest growing freight terminal in the world, ranked among the 100 best globally. She introduced her country as the land of opportunity for the companies engaged in business. ■

Innovative Service Tax Refund to facilitate exports: Former FIEO Chief

Mr Ramu S Deora, Former President, FIEO, has said that the proposal for working out an average all industry tax refund on exports was first mooted by FIEO to the High Level Transaction Cost Committee. The Ministry of Commerce and Finance supported the same in view of the simplicity of the proposal basically benefitting the MSME segment of exporters.

However, Mr Deora said he would like to

compliment CBEC for further adding value to it and providing refund through EDI which will save both transaction time and cost, as there will be no requirement of application. There will be reduced documentation as well as the facility to track status online.

He said if the Government continues to act in such a proactive manner, India will sail through smoothly in 2012 when our exports are likely to face numerous challenges.

India inks FTAs, pries open markets for its exporters



Mr J A Chowdary, Co-Chairman, FICCI Andhra Pradesh State Council addressing the participants. On the dais from left, Mr Walter D'Souza, Chairman, FIEO(SR); Mr Siddharth, Joint Secretary, Department of Commerce; and Mr V Satyanarayana, Committee Member, PHARMEXCIL.

FIEO (Andhra Pradesh Chapter) and FICCI jointly organized a seminar on "India's Engagement with Free Trade Agreements: Business Opportunities and Challenges" on January 10, 2012 in Hyderabad. The programme was attended by more than 150 participants.

In his keynote address, Mr Siddharth, Joint Secretary, Department of Commerce, Ministry of Commerce and Industry, said exporters should make optimum use of India's engagement with FTAs that have opened up many markets. "With our import bill going up, it is getting difficult to bridge the trade deficit. Therefore, we have to match the rising imports with increase in exports," he said.

Listing out the FTA's concluded by India, Mr Siddharth said India signed the first trade agreement with South

Korea in 2009 and later with Japan and Malaysia in 2011. "We signed an agreement with ASEAN as a group in 2009, but it came into being with individual countries only in 2010 and 2011," he pointed out.

He highlighted that Japan opened 87% of its tariff lines on zero duty in the first year, while India gave only 16%. "These agreements are effective tools to gain market access," he added.

Earlier, Mr Walter D'Souza, Regional Chairman, FIEO (Southern Region), in his welcome address stated that post the announcement of the Foreign Trade Policy 2009-14 which set the target of doubling India's export by 2014, India has been on course. "Indian exports during April-November, 2011 recorded a 33.2% growth to reach \$192.7 billion. However, imports for the same period

grew at around 30% widening the trade deficit to \$117 billion which is a cause of concern," he said.

He pointed out that in view of rising interest rates, FIEO appealed to the Ministries of Finance and Commerce as well as the RBI to provide 2% interest subvention to exporters. He thanked the government for agreeing to the same. He enumerated that the Revenue Department and the Commerce Ministry also announced substantial reforms and simplification in Fiscal Policy and Trade Policy to reduce transaction costs and hassles, but much more needs to be done to make it reasonable when compared to transaction cost in the US, EU or China.

He further lamented about the inadequacies in the Indian ports sector, which prolonged the turnaround time of ships carrying goods for exports as



Mr Walter D'Souza, Regional Chairman, FIEO(SR) addressing the participants.

compared to foreign ports. He informed that infrastructure bottlenecks are responsible for 10-8% decrease in exports from India.

Ms Suchismita Palai, Director, Department of Commerce, making a presentation on the salient features of the India-Korea Comprehensive Economic Partnership Agreement (CEPA) informed that as per the trade statistics of DGCIS, after coming the India-Korea CEPA came into force, bilateral trade has increased by more than 13.5% as compared to the previous year. The potential for further growth in this area is very high and the target of \$30 billion looks set to be achieved by 2014.

She elaborated that the negotiations for the CEPA with South Korea commenced in March 2006 and the agreement was signed on August 7, 2009. This is India's second such pact, the first being with Singapore, and the first CEPA with any OECD country. The agreement covers not only trade in goods but also investment, services and bilateral cooperation in areas such as Customs, audio visual co-productions, and new and renewable energy etc.

Highlighting the major gains from

the agreements for trade in goods she said that Korea has put 5326 lines (47.3% of total tariff lines) under immediate tariff liberalization i.e. bringing down the duties to zero immediately for India. And as 50% of India's trade (volume wise) falls under these lines, this liberalization will benefit Indian exporters of these items to Korea. Further, Korea has kept 6.7% of the total tariff line in the negative/exclusion list whereas India has kept 14.69% in the negative list. This agreement covers more than 85% of India's trade and more than 90% Korea's trade and tariff lines.

Making a presentation on the India-Japan CEPA, Ms Sonia Pant, Deputy Secretary, Department of Commerce, said Japan's offer to India is significantly superior to Japan's Revised Offers in the WTO and also compares favourably with its commitments under other FTAs including its agreements with various ASEAN countries.

There is a separate chapter on trade through movement of natural persons and that Japan has agreed for GATS plus disciplines in domestic regulations. The agreement is most comprehensive of all the agreements concluded by India so far as it covers more than 90% of trade, a vast gamut of services, investment, IPRS, customs and other trade related issues. The Japanese side has agreed that applications for registration and release of generic medicines in the Japanese market will be granted a treatment no less favorable than what it grants to such applications from its own nationals. Significantly, this is for the first time Japan has allowed such access to its pharma market to any of its trading partners.

Making a qualitative analysis of the India-Malaysia CECA, Ms Pant said Malaysia has agreed on common definitions for categories of natural persons resulting in conceptual clar-



A cross-section of participants.

ity. The commitment for a given duration of stay for each category of natural persons engaged in the supply of services provides a sense of certainty to the service supplier.

Malaysia has also removed all requirements relating to Economic Needs Tests and Labour Market Tests from its schedule of commitments. This is a major gain for India in terms of ensuring clarity and certainty in commitments. Both countries have also agreed right to work for spouses and dependents as per laws and regulations of the host country.

Concluding the session, Mr Abhay Jain, Under Secretary, Department of

Commerce said India's engagement with ASEAN started with its "Look East Policy" in the year 1991. ASEAN has a membership of 10 countries. After 23 meetings of the ASEAN-India Trade Negotiating Committee (TNC), India and the ASEAN have signed agreements during 2009 which are showing good results. The present agreement covers only trade in merchandise, and does not apply to services, which is India's strong point. The balance of merchandise trade between India and the ASEAN region is tilted towards the ASEAN. This is likely to remain unchanged even after the expansion of mutual trade, post-FTA. The imbalance can be corrected only when services and

investments are covered with a fresh agreement pertaining to trade in services just like the agreement on trade in goods (TIG). ■

Attention FIEO Members!!!

Download the FIEO logo from the Members Area on the FIEO website www.fieo.org and place it on your company website to further enhance image in the international market. The FIEO logo when clicked on your website will display your particulars and also a certificate of your registration as per the record available with FIEO. Write to csom@fieo.org in case of any assistance.

CRR cut of 50 basis points to infuse liquidity: FIEO Chief

Mr M. Rafeeqe Ahmed, President, FIEO, while commenting on the Third Quarter Review of the Monetary Policy today stated that the status quo in policy rates is as anticipated. The previous 13 successive policy hikes have been detrimental for investment/capital formation and the manufacturing indices (both IIP and PMI) have been adversely impacted.

The FIEO Chief explained that the liquidity crunch resulting in average bank borrowing of Rs 1.26 trillion every day from the RBI's repo window this month has prompted a CRR cut as banks pay 8.5% for short term asset-liability mismatch requirements and 9.5% to borrow from the marginal standing facility.

Mr Ahmed expressed concern that GDP in the first half of the fiscal was 7.3%, the second quarter was down to 6.9% and the third quarter as per analysts again shows a downward bias. Global growth prospects for 2012 have further deteriorated and while the World Bank has already revised global trade forecast to 4.4 % from 7.4%, the IMF may also do the same shortly, observed Mr Ahmed. In the circumstances, it is felt

that proactive policy measures may be taken to stimulate the economy. These would include:

- (i) Reversal of policy hikes/interest rates to enable credit off-take for export sector;
- (ii) Extending interest subvention beyond March 31, 2012 for exports across sectors, as at present it is confined to handicrafts handlooms, carpet and manufacturers in small and medium enterprises (SMEs), given the slowdown in the advanced economies;
- (iii) Incentivizing investment linked proposals from the MSME export sector by a low cost corpus of funds from banks at 7%;
- (iv) The RBI may set up a committee to monitor new proposals being submitted to banks and ascertain reasons for rejection, if any.
- (v) As the Budget is round the corner, corporate tax needs to be reduced to 25% and MAT on book profits must be cut to 10% (as against 18.5% presently). This would provide the necessary stimulus to industry.

Kolkata Customs aim to smoothen procedures

FIEO (ER) organized an interactive meeting for exporter members with Mrs Deepa Dasgupta, Chief Commissioner, Kolkata Customs on December 22, 2011 in Kolkata.

Initiating the discussion, Mrs Deb-datta Nandwani, Dy. Director General, FIEO (ER), welcomed Ms Dasgupta, Mr Gurdeep Singh, Commissioner (Port) and Mr Jai Prakash, Commissioner (Preventive) to the session.

Mr Ramesh Kumar Agarwal, Regional Chairman, FIEO (ER), in his welcome address emphasized the focus of international trade towards Asia, Africa and other new markets and stated that the pressure on Kolkata Customs and port is bound to increase in view of this new trend.

The following issues were deliberated in the meeting:

Rationalizing the export duty on chrome ore to an ad valorem tax:

It is recommended that an ad valorem tax of 10% of base export price (in line with royalty payment on chrome ore) replace the current flat export duty of Rs 3000 PMT+cess. The tax will change with ruling prices.

Calculating export duty on minerals (e.g. chrome ore/chrome concentrate) on dry tonnage basis and not on wet tonnage basis.

All commercial transactions in the mineral business globally take place on dry tonnage basis (i.e. DMT), and the content of moisture in minerals such as chrome ore and chrome concentrate, varies with the season, from about 7% in the dry season to about 12% to 14% during the wet



Ms Deepa Dasgupta, Chief Commissioner of Customs, Kolkata (3rd from left) addressing the meeting. On her right are Mr Ramesh Kumar Agarwal, Regional Chairman, FIEO(ER); Mr Prakash Thaker, Member FIEO Managing Committee. On her left are Mr Gurdeep Singh, Commissioner of Customs(Port & Admin), Kolkata; and Mr Jai Prakash, Commissioner of Customs (Preventive), Kolkata.

season. Therefore, the calculation should be on the basis of DMT for all practical purposes instead of the prevailing practice of WMT. In the case of iron ore fines also, the duty should be calculated on DMT basis.

Lowering/removal of export duty in case of chrome concentrate exports. Currently the export duty on chrome ore and chrome concentrate is at the same level of Rs 3000/MT plus cess. However, chrome concentrate is a value added product made using low grade chrome ores that have no direct metallurgical use and is as per the principles of mineral conservation enshrined in the MMDR Acts and for scientific mining. Also, chrome concentrate has found limited use in the country. So till such time domestic demand catches up, it is desired that producers be allowed to export freely. It is recommended that the export duty in case of chrome concentrate exports be made 10% (in

line with the royalty).

The matter should be taken up with the Ministry of Finance for their consideration in the next Budget.

Appeal for review of customs procedure at Kolkata-Haldia Customs: Members strongly feel that there should be uniform interpretation of customs rules and procedures in all the ports and that Kolkata-Haldia Customs should follow the practice of Paradip Port. Both foreign contracts and LCs for iron ore exports are based on DMT. Whereas the Paradip Customs Department assesses shipping bills based on DMT and contract price as declared by the shipper, Kolkata Customs does assessment on WMT basis and CCMC prices are considered for assessment.

A decision is awaited.

Iron ore exporters are unable to get documents processed

within a reasonable time at Kolkata Customs even when all the required documents are furnished. The reason attributed is CCCMC prices are not available with them.

The matter stands before CESTAT and a decision is awaited.

All other customs houses in different ports assess shipping bills on Saturdays and accept duty payments except Kolkata, where shipping bills are assessed only from Monday to Friday and that it takes about two days to complete the assessment. Even when the exporters submit the documents on Friday, the duty payment is possible only on Monday. This causes delay in berthing of vessels.

The shipping bills are being assessed as final, without a chance for the exporter to check through the same. As a result huge sum of refunds are piling up to be followed up at the Haldia port, thus increasing transaction cost and time.

Free shipping bills are not subject to examination, however, if the shipping bills carry any kind of examination report, it might be converted to drawback shipping bills. Specific cases should be submitted to customs for further decision.

Refund claims in both the departments i.e. Export and Appraising Refund Section are pending since long. Exporters



A view of the audience.

from various sectors are struggling in the present economic scenario and can hardly afford such delays.

Regarding outstanding refund of Customs Duty, it was informed that the matter shall be looked into by the next TFC.

It is not possible for Hilli exporters to come to Malda, which is 150 km away, to tender their shipping bills. In this regard, the matter has been taken up with the Commissioner, Preventive, Kolkata Customs, and the Addl. Commissioner who promised to look into the matter and issue a notification providing the necessary authority to the Superintendent Customs to sign the shipping bills within Rs 10 lakh (FOB). Those above Rs 10 lakh (FOB) are to be countersigned by the AC Customs. However the

necessary notification is pending. In this regard the Hilli Customs Agents would like to submit that the same be expedited. They have already struck work twice, affecting exports and the second strike is still on.

Instructions shall be modified within the next 24 hours and a fresh notification shall be issued.

The Customs Drawback Department should reduce the drawback rates by interpreting the description of articles unilaterally.

The Chief Commissioner and the Commissioner assured they would look into the matter.

The interaction ended with a vote of thanks by Mr Prakash Thaker, Managing Committee Member. ■

FIEO News is available from
January 2010 onwards on
www.fieo.org

Policy prescriptions, monetary measures taken in Q3 by RBI

Since the Second Quarter Review (SQR) of the Monetary Policy in October 2011, there have been significant changes in the global scenario. On the one hand, concerns over the sustainability of sovereign debt problem in the euro area have intensified. On the other, there are modest signs of improvement in the US. In the emerging and developing economies (EDEs), growth has been moderating, reflecting the sluggishness in the advanced economies and the impact of earlier monetary tightening. Overall, notwithstanding the signs of recovery in the US, global growth prospects have weakened since the SQR. Growth in India has also moderated. In particular, investment activity has decelerated sharply, reflecting heightened global uncertainty and domestic fiscal, monetary, political and administrative conditions.

Domestic sectors

At home, GDP growth moderated from 7.7 per cent in Q1 (April-June) to 6.9 per cent in Q2 (July-September) of 2011-12. This was mainly due to deceleration in industrial growth from 6.7 per cent to 2.8 per cent. However, the services sector held up relatively well. Consequently, GDP growth during H1 (April-September) of 2011-12 slowed to 7.3 per cent from 8.6 per cent in H1 of last year.

On the demand side, the contraction in fixed capital formation in Q2 was the main factor behind the slowdown in growth. The real gross fixed capital formation to GDP ratio declined from 31.2 per cent in Q1 to 30.5 per cent in Q2. This pattern, should it persist, will hurt medium-term growth.

The index of industrial production (IIP) remained volatile. The year on

year industrial growth recovered from (-) 4.7 per cent in October to 5.9 per cent in November. Over the year, however, growth in industrial production slowed down to 3.8 per cent during April-November 2011 from 8.4 per cent a year ago. The slowdown was mainly on account of the manufacturing and mining sectors. In terms of the use-based classification, weakness in the capital goods, intermediate goods and consumer durables sectors dragged down industrial production. However, the PMI-Manufacturing rebounded to 54.2 in December 2011 from 51.0 in November.

Fuel group inflation remained high at 14.9 per cent in December 2011, reflecting high global crude oil prices and rupee depreciation.

Notably, non-food manufactured products inflation remains elevated. It declined from 8.1 per cent in October to 7.9 per cent in November and further to 7.7 per cent in December.

During Q3 of 2011-12, the modal deposit rate of banks increased by 44 basis points for maturity up to 1 year, and 9 basis points for maturity between 1 and 3 years. During Q3, 23 banks raised their base rates by 10-100 basis points even as the modal base rate of banks remained unchanged at 10.75 per cent. The slowdown in total resource flow to the commercial sector and the peaking of base rates of banks reflect slowing down of investment activity.

Liquidity conditions, which have generally remained in deficit during 2011-12, tightened further beginning the second week of November 2011, partly reflecting the Reserve Bank's forex market operations and advance

tax outflows around mid-December.

Exchange rate

The foreign exchange market remained under pressure in Q3 2011-12, reflecting adverse global sentiments and moderation in capital inflows. Between end-March 2011 and January 13, 2012, the 6, 30 and 36-currency trade weighted real effective exchange rates (REER) depreciated by about 9 percent each, primarily reflecting the nominal depreciation of rupee against the US dollar by about 13.2 per cent. Much of the depreciation happened during August-December.

The Reserve Bank took a number of steps to stimulate capital inflows and curb speculation, besides also intervening in the market consistent with its policy of containing volatility and preventing disruptive movements. The Reserve Bank continues to closely monitor developments in the external sector and their impact on the exchange rate and, as indicated in the Mid-Quarter Review (MQR) of December 2011, will take action, as appropriate.

Current Account Deficit

During H1 (April-September) of 2011-12, the current account deficit (CAD), in absolute terms, widened relative to H1 of last year, reflecting widening of the trade deficit due to significant increase in international prices of imported commodities, especially crude oil and gold as well as moderation of growth in exports of services.

However, as a proportion of GDP, the CAD at 3.6 per cent was a shade lower than 3.7 per cent in H1 of last year. During Q3 of 2011-12, merchandise exports growth decelerated, on an average, to 7.7 per cent y-o-y from an average of 36.9 per cent

during the first half of 2011-12. With imports growth moderating more slowly than exports growth, the trade deficit for Q3 widened further.

Global economy

US GDP growth in Q3 of 2011 quarter-on-quarter, seasonally adjusted annualised rate was revised downwards from 2 per cent to 1.8 per cent. Although this is better than the sub-one per cent growth in the first half of 2011, it is still substantially below trend. In the euro area, GDP growth decelerated from 0.8 per cent in Q2 to 0.4 per cent in Q3. In Japan, growth recovered to 5.6 per cent in Q3 from the setbacks suffered in Q2 (-2.0 per cent) and Q1 (-6.6 per cent) due to the earthquake / tsunami.

Amongst the major EDEs, growth (year-on-year) in China slowed to 8.9 per cent in Q4 of 2011 from 9.1 per cent in Q3 and 9.5 per cent in Q2; it also slowed in Brazil to 2.1 per cent in Q3 from 3.3 per cent in Q2 and in South Africa to 3.1 per cent from 3.2 per cent. Growth in Russia, however, accelerated to 4.8 per cent in Q3 from 3.4 per cent in Q2 of 2011. Various international agencies have scaled down their growth estimate for 2011 and projection for 2012 both for the advanced economies and EDEs.

Global growth prospects for 2012 have deteriorated in an environment of increasing concerns over the sovereign debt crisis in the euro area amidst limited monetary and fiscal policy space. Given the weak growth prospects in advanced economies and past monetary tightening undertaken by EDEs to contain inflation, growth in the EDEs has also been moderating. Accordingly, global growth during 2012 is expected to be lower than the International Monetary Fund's September 2011 projection of 4 percent.

Risk factors

The indicative projections of growth and inflation for 2011-12 are

subject to a number of risks as indicated below:

i) Sovereign debt concerns in the euro area pose a major downside risk to overall growth outlook. The absence of a credible solution to the euro area problem is weighing on global growth prospects even as recent data suggest that there is some improvement in the US recovery. Continuing uncertainty in the euro area will adversely affect Indian growth through trade, finance and confidence channels.

ii) Capital inflows to India have slowed down on account of portfolio re-balancing by FIIs due to global uncertainty. This raises concerns, especially because the current account deficit of India has widened. The exchange rate has already come under significant pressure, which has also added to inflationary pressures. If the global situation does not improve, capital inflows could continue to be adversely affected. In this scenario, the size of the current account deficit poses a significant threat to macroeconomic stability.

iii) Even as global food and metal prices have moderated further, global energy prices have increased. Should crude prices spike due to supply constraints on account of geo-political factors or decline significantly due to deterioration in the global macroeconomic situation, they will have implications for domestic growth and inflation. Exchange rate movements will also be an important factor in shaping the impact of global crude prices on domestic prices.

iv) Non-food credit growth has slowed down. Although some slowdown in credit growth was expected on account of monetary tightening, credit growth has decelerated more than expected and is currently below the indicative trajectory of 18 per cent. Apart from slowdown of economic activity, it also reflects increasing risk aversion by banks due

to increase in non-performing assets. Although banks need to be prudent while sanctioning credit proposals, risk aversion by the banking sector could adversely affect credit flow to productive sectors of the economy.

Policy prescriptions / monetary measures taken

Cash Reserve Ratio: It has been decided to reduce the Cash Reserve Ratio (CRR) of scheduled banks by 50 basis points from 6 per cent to 5.5 per cent of their net demand and time liabilities (NDTL) effective the fortnight beginning January 28, 2012. As a result of the reduction in the CRR, around \$320 billion of primary liquidity will be injected into the banking system.

Repo Rate: The policy repo rate under the liquidity adjustment facility (LAF) has been retained at 8.5 per cent.

Reverse Repo Rate: The reverse repo rate under the LAF, determined with a spread of 100 basis points below the repo rate, stands at 7.5 per cent.

Marginal Standing Facility (MSF) Rate: The Marginal Standing Facility rate, determined with a spread of 100 basis points above the repo rate, stands at 9.5 per cent.

Bank Rate: The Bank Rate has been retained at 6 per cent. ■

FIEO Adds Another Service for its Members

FIEO's All India Toll-free Export Helpline No.:
1800-121-9000

Being Launched from January 15, 2012

Historic ties will help Indian exporters in Africa market

FIEO (Western Region) organized workshop on "Doing Business with African Countries" on January 17, 2012 in Mumbai.

Mr Rajesh Bhatia, Director (Western Region) welcomed Mr Sudhakar Kasture, Director of Exim Institute, and Mr Nayan Thakkar, Sales & Services Manager, Alibaba.Com. He also welcomed the participants and briefed them that India's economic partnership with African countries has been vibrant. He said trade between the two sides dates back many centuries to the time when Indian traders began to engage with countries along the eastern coast of Africa. He also said African countries are currently prominent allies of India and the Indian Government is giving a major thrust to Indo-African economic relation.

Mr Kasture, faculty, covered the following topics in detail:

Potential of African countries

- 1) Africa's trading arrangement are envisaged to foster trade and investment relation amongst member countries by removal of tariffs and other impediments to intra-regional trade flows.
- 2) The arrangement also aims at fostering common economic and monetary union amongst member states, as also a common currency
- 3) The success of these arrangements in fostering intra-regional trade has been diverse, with SADC, ECOWAS, COMESA, Cross border initiative and UEMOA being the more successful ones.

Emerging Markets in the African region

Many of the countries in the



From left, Mr Rajesh Bhatia, Director, FIEO(WR); Mr Sudhakar Kasture, Director, Exim Institute; and Mr Nayan Thakkar, Sales & Services Manager, Alibaba.Com.



A view of the audience.

Africa region are considering tapping international capital markets to fund ambitious public spending programmes.

The emerging African markets are Botswana, Burkina Faso, Cape Verde, Ethiopia, Ghana, Lesotho, Mali, Mauritius, Mozambique, Namibia, Rwanda, Sao Tome and Principe, Seychelles, South Africa, Tanzania, Uganda and Zambia.

Available incentives under Foreign Trade Policy

1) Focus Market Scheme (FMS)

- Export of all products to the notified countries
- Entitlement: a)3% of the FOB value of exports, b)Additional 1% of FOB value of exports
- Validity of FMS duty credit scrip is 24 months; revalidation is now allowed

- Ineligible export categories/sectors for FMS
 - a) Supplies made to SEZ units
 - b) Service exports

2) Focus Product Scheme (FPS)

- Eligibility: Exports of notified products listed in Appendix 37D to all countries (including SSEZ units)
- List of products eligible for benefit under this scheme is given in Appendix 37D of HBP

3) Market Linked Focus products scrip(MLFPS)

- Allows duty credit entitlement if the specified products are exported to specified markets. However, eligible products and specified markets under this scheme, are not covered under FPS & FMS.
- Validity of FPS/MLFPS Duty Credit Scrip is 24 months. Revalidation is now allowed.

Marketing Development & Assistance Scheme

- Export promotion continues to be a major thrust area for the Government
- MDA scheme has been developed in order to stimulate and diversify the country's export trade
- MDA scheme is under operation through the Department of Commerce.

MDA proposes to support the following activities:

- Assist exporters for export promotion activities abroad
- Assist Export Councils (EPSc) to undertake export promotion activities for their product (s) and commodities
- Assist approved organisations trade bodies in undertaking exclusive non recurring innovative activities connected with export promotion efforts for their members
- Assist Focus export promotion programmes in specific regions abroad like Focus (LAC),

Focus(Africa), Focus(CIS) and Focus(ASEAN + 2) programmes

- Residual essential activities connected with marketing promotion efforts abroad.

Essential requirements of marketing to Africa

1) Customer Selection: Every product and company has an objective of brand development, volumes, and selection of customer should be based on these objectives.

2) Personal Communication: During personal meeting with African countries:

a) Exchange pleasantries about self, business and family and closing remarks about conveying regard to family will surely help in developing rapport.

b) One should avoid communicating in any language which the customer does not understand either on phone with your counterpart while meeting a customer or with a colleague sitting in an official meeting with the customer.

4) Marketing communication: Advisable not to use too much selling talks or selling communications and stick to the point as prospective customers/distributors know their products technically unless:

- a) Selling to direct consumer
- b) Marketing a new product or concept

5) Business Model: Most local distributors would like to market products of either established companies which have a brand image in Africa or develop products in their own brand.

a) Distribution only - Where marketing is done by the manufacturer under their own office and team where distributor has no liability of marketing staff. This is usually done in the pharmaceutical companies.

b) Marketing and distribution: Where the distributor usually markets the product at his own price and buyers from the manufacturer at a pre-agreed price with or without promotional campaign materials from the manufacturer.

6) Stock and sale operation:

Most Indian companies have been operating as stock and sale business with their own subsidiaries or JVs in Africa which gives the opportunity of understanding local dynamics and adjusting the products and price accordingly.

Mr Thakkar of Alibaba.com gave a presentation on the Power of eCommerce for SMEs. Ms Shreya Bhattacharya, Asstt Vice President, Commercial Banking, CitiBank, gave a presentation on currency risk management.

Mrs Padma Murthy, Asstt Director, proposed the vote of thanks. As many as 39 exporter members attended the workshop. ■

Attention Members!!!

Please update your
E-mail addresses
to receive
business enquiries
generated through

“Search
with
FIEO”

at FIEO website:
<http://www.fieo.org>

Dignitaries, diplomats felicitate FIEO President in Mumbai



Mr Amit Goyal, Regional Chairman, FIEO (WR) (extreme left) giving the Samman Patra to Mr M Rafeeqe Ahmed, President, FIEO (2nd from right). Also seen in the picture, Mr Khalid Khan, FIEO Managing Committee member (2nd from left); and Mr S K Saraf, President EU Chambers of Commerce in India and Past Vice President & Regional Chairman FIEO (WR).

FIEO (Western Region) in association with the Council of EU Chambers of Commerce in India organized a networking meet and get together on January 19, 2012 in Mumbai. Mr M. Rafeeqe Ahmed was felicitated during the occasion on recently being elected FIEO President. The meet was attended by senior Government officials, Consul Generals, banks, chairmen of Export Promotion Councils and Associations as well as top exporters.

Mrs Shobha Chary, Chief Commissioner of Customs, Zone I, Mr C.S. Prasad, Chief Commissioner of Customs, JNPT Zone II, Mr Vineet Kumar, Chief Commissioner Air Cargo, Zone III, Mr Ajesh Kumar, Commissioner



Mr M Rafeeqe Ahmed, President, FIEO (2nd from left) and Mr Amit Goyal, Regional Chairman, FIEO (WR) (extreme left) welcoming Mrs Kavita Gupta, Addl. DGFT.



Mr M Rafeeqe Ahmed, President, FIEO (centre) and Mr Amit Goyal, Regional Chairman, FIEO (WR) (extreme left) welcoming Mr C S Prasad, Chief Commissioner of Customs, JNPT Zone II.

Exports, Mumbai Custom House, Mr Rakesh Mishra, Commissioner Exports, JNPT, Mr Sushil Solanki, Commissioner, Service Tax. Dr Kavita Gupta, Additional DGFT. diplomats from Canada, Spain, France, Belgium, Russia, Turkey, the UK, Poland, Thailand, Seychelles, Ethiopia, Austria, Italy, Australia, Sri Lanka, Zambia, Mauritius, Haiti and Iran were present during the occasion.

Mr Amit Goyal, Regional Chairman, FIEO (Western Region), welcomed the dignitaries and the exporter members and thanked them for making it convenient to be present for the event. While felicitating Mr Ahmed for his maiden presence to India's commercial capital after being elected FIEO President, he said Mr Ahmed's wide knowledge, experience and positive approach towards export promotion

will definitely help the exporting community in the days ahead.

Mr Goyal further said the presence of a large gathering of members from different sections has been very encouraging as it provides a platform for several opinions and discussions for promotions and improvement.

Mr S.K. Saraf, President, EU Chambers of Commerce in India, and Past VP & Regional Chairman FIEO (WR), said Mr Ahmed has had a long association with FIEO and appreciated the contributions made by him for facilitating exports from the country.

Mr Khalid Khan, FIEO Managing Committee Member, thanked the participants for making it convenient to be present during the occasion and share their views for the benefit of the members in promoting and facilitating international trade.

A networking meeting was organized between the diplomats, senior officials and exporter members to discuss and suggest measures for promoting international trade. ■

FIEO Invites Participation in "TENDENCE"

Date:	August 24-28, 2012
Venue:	Frankfurt Fair and Exhibition Centre, Germany
Nature of event:	The fair is only open to trade visitors
Built up booth:	Built up booth shall include Stand wall system OC, white, height 2.50 mtr, carpet, 2 shelf board, 1 table (75 cm white), 3 chairs, 1 waste paper basket, single electrical outlet (500W), 3 Spot light halogen (100W), 1 side board, fascia (1 per open side)
Exhibit categories:	Gift, Personal accessories, beauty & bath, fashion jewellery etc

Highlights of 2011 edition of Tendence

- ◆ 1,30,000 sq mtrs of exhibition space in 10 halls
- ◆ 2063 exhibitors from 66 countries
- ◆ 52,162 visitors from 101 countries

MDA upto Rs 80,000/- available to limited number of eligible companies on first-cum first-served basis



For more details, please contact:
MRD Division, FIEO at Tel: 011-46042136-38, 46042119, Fax: 011-26148194,
Email: prashantseth@fio.org ; vinodpal@fio.org

New market looms as war-torn Jaffna rebuilds



LEFT: Mr Douglas Devananda, Hon'ble Minister of Traditional Industries & Small Enterprises Development, Government of Sri Lanka inaugurating the event. Also seen in the picture Mr V.Mahalingam, Consul General, High Commission of India, Colombo (2nd from left). **RIGHT:** Sitting from left, Mr Douglas Devananda, Hon'ble Minister of Traditional Industries & Small Enterprises Development, Government of Sri Lanka; Mr V Mahalingam, Consul General, High Commission of India, Colombo. At extreme right is Mr A K Vijaykumar, Co-ordinator, FIEO (SR) presenting a memento to Consul General along with other participants.

FIEO participated in the third edition of the Jaffna International Trade Fair (JITF) held at Jaffna, Sri Lanka, from January 20-22, 2012. Ten member exporters handling different product groups comprising cosmetics, healthcare, pharmaceuticals, engineering, food products, construction and building materials, spices, fertilizers, auto components, laboratory equipments etc participated in the expo.

The exhibition was inaugurated by Mr Douglas Devananda, Minister of Traditional Industries & Small Enterprises

Development, Government of Sri Lanka, in the presence of Mr V. Mahalingam, Consul General, High Commission of India, Colombo.

A large number of visitors comprising local trading and businessmen visited the various stalls. India was the partner country in this exhibition.

The fair was organized by the Lanka Exhibition and Conference Services (Private) Limited in association with the Federation of Chamber of Commerce and Industry of Sri

Lanka, the Chamber of Commerce and Industry of Yarlpnam and the Sri Lankan Convention Bureau. According to the feedback received from the participants, the participation provided them excellent opportunity to understand the virgin market, as there was no accessibility to Jaffna.

The bilateral relations between Sri Lanka and India have been friendly and both nations occupy a strategic position in South Asia. Mutual trade increased more than 70% in 2011 over the year, touching an all time



LEFT: Mr V Mahalingam, Consul General, High Commission of India, Colombo (Centre) discussing with the participants in the FIEO Pavilion about the trade opportunities in Sri Lanka. **RIGHT:** Mr A K Vijaykumar, Coordinator (left) explaining about FIEO's Services to the visiting participants.

high of \$5 billion. Several Indian companies invested in Sri Lanka and assisted in the development of this war-torn country.

Recently India has signed an MoU for construction and repair of 49,000 homes with an assistance of \$216 million which is the largest project of this kind undertaken by India in a

foreign country.

Because of the resistance movement, Jaffna was not accessible for more than three decades but it has now undergone a period of renaissance wherein India has been involved in rehabilitation and reconstruction in the Northern Province in different fields including

infrastructure. FIEO foresees great opportunity for Indian products and services with the scope of high volumes in this unexplored land, which will also help this region develop.

Mr A.K. Vijaykumar, Coordinator, FIEO (SR), managed the FIEO pavilion and rented services to the Indian participants. ■

New US export regulation: Use of Legal IT mandatory for manufacturers

Two US states, Washington and Louisiana have passed laws which prohibit any manufacturer from exporting products to their state for sale, directly or indirectly, if they cannot prove that they only use “Legal IT” (e.g. genuine and licensed software and hardware) for their business operations. And that is not unique, since usage of illegal software is already a civil wrong and a criminal offence in many countries, including India (Copyright Act, 1957). The manufacturers and exporters can be located anywhere in the world.

Washington State passed a pioneering unfair competition law, effective 22 July 2011, (Titled “Sale of Products - Stolen or Misappropriated Information Technology, Chapter 19.330 RCW), that gives a right to the injured and competing manufacturers or the State Attorney General to initiate civil proceedings against such non-compliant manufacturers that compete unfairly by using stolen or misappropriated information technology in the manufacture, distribution, marketing or sale of their products in Washington State.

IT owners do not have a right to “sue” under the new law, other than evidence collection and serving a legal notice to the non-compliant manufacturers. This truly reflects the intent of the state legislature – prevent unfair competition, and even obligates third parties like retailers and brand owners to maintain a compliant supply chain.

A movement towards Federal Law

On November 4, 2011, Attorney Generals of 36 US States and 3 US territories passed a strong resolution through a jointly signed letter urging the Federal Trade Commission (FTC) and Bureau of Competition to con-

sider enforcement of Federal Trade Commission Act to bear on the menace of IT theft at Federal level and have uniform enforceability across all the US States. They also pledged to use their existing state unfair competition laws to prevent such usage of stolen IT by manufacturers.

Therefore, in the near future there is a distinct possibility that several other US States may similarly enact new unfair competition laws or include “Legal IT” usage as a requirement for manufacturers in their existing state legislations, including a US federal legislation.

Proactive action needed by Indian manufacturers

Indian manufacturers, who export their products to the US must urgently examine the deployment and usage of IT (specially software licenses) in their entire business operations, as the law is applicable to all the manufacturers regardless of their physical location. Once inventory has been completed, licensing position should be assessed and analysed and steps should be taken place to legalize all usage gaps and a clear proof of compliance be prepared. Today there are professional services available on this aspect of compliance. The best practices are ISO Standard, Software Asset Management (SAM - 19770), BSA's CSS(O) SAM Certification, freely available software audit tools, software review by third parties or by software publishers, Internal IT Procurement & Usage Policy, Third Party IP Code of Conduct etc. IT being a critical enabler as well as tool of productivity and innovation, proactive management of IT assets will go a long way in enhancing the manufacturer's global reputation, while safeguarding their businesses by having a competitive advantage against manufacturers who do not play by the rules.

Ethiopian Ambassador assures trade facilitation to Indian companies

In order to improve and smoothen trade relations between Indian and Ethiopia, the Ambassador of Ethiopia to India, Mrs Gennet Zewide, called on FIEO on January 6, 2012 at Niryat Bhawan, New Delhi.

Mrs Zewide held discussions with Mr Ajay Sahai, Director General and CEO, and representatives of Indian companies who were facing problem with regard to doing business in Ethiopia, for resolving the issues.

The senior representatives of M/s Cobra Instalaciones y Servicios (India) Pvt Ltd, M/s National Electrical Equipment Corporation and M/s Good Luck steel Tubes Limited were present during the meeting.

The Indian companies briefed about the issues with regard to the supplies of transformers made to Ethiopian Electric Power Corporation (EPCO). Mrs Zewide assured them that the issue would be taken up with



Mr Ajay Sahai, Director General & CEO, FIEO welcoming H E Mrs Gennet Zewide, Ambassador of Ethiopia to India.

the Ethiopian counterparts for an early and amicable solution.

Mr Sahai appreciated the pragmatic approach of the Ethiopian Ambassador and assured all

co-operation from FIEO for promoting bilateral trade relations between the two countries. Further to the meeting, the Indian companies were invited for discussions in Ethiopia on January 23, 2012. ■

Online refunds of tax paid on 18 services

The Central Board of Excise and Customs (CBEC) issued a notification (No. 52/2011-Service Tax, 30 December, 2011) to provide average rates of service tax refund, ranging from 0.03% to 0.20% of the freight-on-board value of exports. This average rate of refund is in respect of 18 services used beyond the factory gate like those provided by an insurer, transporters from inland container depots to ports and by ports among others.

As in the case of payment of duty drawback, the service tax refund will be enabled by the Indian customs electronic data interchange (EDI) system resulting in the amounts getting directly credited into the exporters' bank accounts within a few days of

confirmation of export without additional export documentation.

The idea was first floated by FIEO to the committee that was formed under the Minister of State for Commerce and Industry Mr Jyotiraditya Scindia in December 2009 with the aim of reducing the transaction cost by 10% of the export value.

Currently, the duty drawback is directly credited to the accounts exporters maintain at customs houses, but exporters have to file claims separately to get service tax refunds. This leads to severe delays in refund and loss of time, as it entails a plethora of complex paperwork.



Chat ONLINE

FIEO offers you opportunity to chat online every Wednesday between 3pm and 5pm (IST) with Mr Ajay Sahai, DIRECTOR GENERAL & CEO FIEO, on issues related to foreign trade. Mr Sahai has served many important offices in various capacities. As Jt. DGFT (Policy) from 1996-2003 he was closely associated with the formulation of the Exim Policy.

Feel free to seek clarifications / advice from Mr Sahai on issues related to foreign trade. All that you need to do is to click 'FIEO Online Chat Service' at www.fieo.org. Some portions of the chats held last week are reproduced here.

FIEO's expert answers queries by exporters from various parts of the country.

Q. We have sent goods to our original buyer who is not keen to take delivery of the goods. We have found an alternative buyer who wants to take the goods but wants 15% reduction in prices. Can we allow him to take the delivery or does it requires RBI approval?

FIEO: Prior approval of the Reserve Bank is not required if, after goods have been shipped, they are to be transferred to a new buyer other than the original buyer in the event of default by the latter, provided the reduction in value involved does not exceed 25 per cent of the invoice value and the realization of export proceeds is not delayed beyond the period of 12 months from the date of export.

Q. My customer in Country A wishes to remit an advance towards his export order, but the bank in his country does not have foreign exchange to do so. In this case can he remit funds through his office in Country B? In this case the customer in Country A can confirm the remittance is done on his behalf citing the remittance details. Will this payment method be acceptable to the AD when I submit the documents copy to them for RBI as well as for their records?

FIEO: There is no such restriction

imposed by the RBI and we have been given to understand many exporters are doing exports in similar fashion where payment comes from Country A and goods are consigned to Country B. However, in such cases, you should have clear instructions from the person who is making the payments in Country A that good should be despatched to Country B.

Q: The buyer is from Country B and our commercial invoice also will show accordingly his name - only the remittance is from Country A and no other dealings will be done with Country A remitter.

FIEO: You do require instruction from the person who is making the payment that goods may be sent to so and so person so that a linkage is established between remittance and goods exported.

Q: My customer in the UK does not wish to receive the documents through his bank in the UK as the bank charges him very heavily. In this case, can my AD send the documents directly to my customer instead of his bank? Payment terms will be 60 days from BL date.

FIEO: If you are a Status Holder, you can always despatch the docu-

ments directly to the customer without routing through bankers. However, if you are not a Status Holder, you are entitled to direct despatch of documents in the following three categories only:

- a. Advance payment or an irrevocable letter of credit has been received for the full value of the export shipment and the underlying sale contract/letter of credit provides for dispatch of documents direct to the consignee or his agent resident in the country of final destination of goods.
- b. The banks may also accede to the request of the exporter, provided the exporter is a regular customer and the bank is satisfied, on the basis of standing and track record of the exporter and arrangements have been made for realisation of export proceeds.
- c. Documents in respect of goods or software are accompanied with a declaration by the exporter that they are not more than Rs. 25,000 in value and not declared on the GR/SDF/PP/SOFTEX form.

Q: Can I ask my bank to send them to my customer directly and not to his bank or that will be at the discretion of the Bank to accept this request or otherwise? Also do I need a written permission every time from my bank for directly sending the documents to the customer or if they accept my GR form on receipt of payment it automatically means they have

CHAT LIVE!

Log on now to
<http://www.fieo.org>

WEDNESDAY
3:00 p.m. to 5:00 p.m. (IST)
with Mr. Ajay Sahai
Director General & CEO, FIEO
On International Trade Issues,
Policy Clarifications

accepted my request?

FIEO: I don't think there is any bar, at least for categories detailed in the previous answer, for your bank to send the document directly to your buyer. This permission will be consignment specific (relating to a GR/SDF) and would be required each time.

Q: We have exported our goods to Nigeria via Benin and we wish to claim the benefit of Focus Market Scheme as Benin is present in the list of eligible countries under appendix 37C. Whereas our final destination of goods is Nigeria, which is not present in appendix 37C. Are we entitled to claim benefit of FMS?

FIEO: Focus Market benefit is given in respect of a country where the goods are finally discharged for consumption and since the final destination in respect of exports referred by you is not falling in the focus markets notified by DGFT, you will not be eligible for Focus Market Scheme benefit.

Q. I am exporting goods to Sudan. My customer in Sudan has offices in Dubai and we are invoicing in the name of their office based at Dubai which is remitting the payment. The goods are shipped directly to Sudan. In this case am I eligible for Focus Claim benefit?

FIEO: If your final destination of goods fall in the Focus Country, you would be eligible for focus market benefit irrespective of the fact whether payment is coming from the same country or from a third country. For FMS benefit, the goods should be consumed in the focus country and payment country is not relevant.

Q: Is it essential to match H.S. code with all the 8 digit nos for the incentives against Focus Market Product Scheme? Can we consider 1st for digit?

FIEO: Yes since classification is at

8 digits, this has to match. However, if you have correctly given the description but there is some error in mentioning of the code such cases can be taken for giving relaxation.

Q. We have two export units and have exported goods under post export DFIA scheme from one unit. After EODC we got transferred the DFIA license in the name of our second unit. After transferability, we transferred the material to another unit for job work purposes. Now, the Excise department is asking how we have given material for JOB work without intimation to the Excise office or DGFT. Please help us.

FIEO: The permission of the Central Excise is required when the goods are subject to actual user condition as detailed in Paragraph 4.16 of the Handbook of Procedure (Vol.1). You have mentioned that you have already got the transferability endorsed on DFIA and thus permission of Excise should not be required as on transferred DFIA, you are not eligible for additional customs duty exemption and thus cannot avail the CENVAT benefit which may be of concern to Excise.

Q: We export goods under Advance License as well and there are 4 inputs allowed in SION to manufacture the finished product. We import only duty free one input out of four and rest 3 items are procured indigenously on payment of Excise duty. In this case, can we claim Excise rebate under rule 18 &19 for full shipment value? Is there any notification in this regard?

FIEO: If you have declared the inputs which you are not importing under Advance Authorisation but procuring domestically and using them in manufacture of final product as detailed in column 15 of ANF-4A (application for Advance License), you would be eligible for Brand Rate of Duty Drawback on the Central Excise

Duty paid by you while procuring such domestic inputs.

Q. We import some goods on payment of Customs duty including SAD. Subsequently, we export the goods. Can we claim SAD refund? If yes, what is the procedure?

FIEO: The 4% SAD is Cenvatable and you can claim a credit of the same while paying Excise Duty on domestically cleared goods. Alternatively, the same can be claimed as a brand rate of Duty Drawback.

Q. Can we sell imported capital goods after completing the export obligation of the relevant EPCG licence?

FIEO: Imports of capital goods under EPCG scheme is subject to AU condition till export obligation is completed. Thus once you obtain EODC from DGFT offices, you can sell or transfer the capital goods imported under EPCG. However, the capital goods for only such sectors for which exemption has been granted from maintenance of annual average export obligation under Para 5.7.6 of HBP (Vol.I) can be allowed transfer/sale after fulfillment of export obligation and on completion of five years from the date of import of the said capital good, whichever is later.

Q: Can we consider the dispatch made against E.O.U., SEZ, for EPCG Export Obligation (EO)? Also can the same be considered for Status Holders Incentive Scrip (SHIS) of 1% of FOB scheme?

FIEO: Yes exports from the Domestic Tariff Area (DTA) to an SEZ or EOU will count towards discharge of EO against EPCG Authorization. While exports to EOUs will not be considered for SHIS benefits, exports to SEZs will be eligible for the benefit as supply to SEZ is considered physical exports eligible for various benefits under Foreign Trade Policy.

Q: We have taken 2 EPCG licences in a year (2009-10) and 1 EPCG licence in a year (2010-2011) with export obligation of Rs 1.2 crore; Rs 1.9 crore and Rs 0.80 crore and average export approx Rs 36 crore. Can we consider this average in a single year for fulfillment of all the three licences?

FIEO: The average for all the three will run concurrently so if in a single year you export for Rs 36+1.2+ 1.9 +0.8 crore, you can discharge export obligation of all the three authorizations.

Q: What is the procedure for supply against invalidation received under EPCG licence? The purchaser is asking us to claim the refund of excise duty from DGFT after dispatch?

FIEO: Either the supplier or the recipient of supply can claim such re-

fund of Excise duty .You have to give evidence of payment of Excise duty and a certificate from the purchaser that he will not claim CENVAT benefit so that you can claim such refund.

Q: What are the changes in duty on gold and silver; does the exemption available to NRIs for their import in passenger baggage continue?

FIEO: The duty on gold and silver prior to January 17, 2012 was specific which have now been made ad-valorem as per the table below:

Description of goods

Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units, and gold coins having gold content not below 99.5%

Rate: 2%

Gold in any form other than at

S.No.1 above, including tola bars and ornaments, but excluding ornaments studded with stones or pearls

Rate: 5%

Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls

Rate: 6%

The exemption for NRIs or to any passenger of Indian origin or a passenger holding a valid Indian passport who is coming to India after a period of not less than six months of stay abroad continues subject to the conditions.

(i) The duty shall be paid in convertible foreign currency; (ii) the quantity of import shall not exceed 10 kg of gold and 100 kg of silver per eligible passenger; and (iii) the gold or silver is either carried by the eligible passenger at the time of his arrival in India or is imported by him within 15 days of his arrival in India. ■

FIEO INVITES PARTICIPATION IN INDEXPO MUSCAT

Date: September 4 -6, 2012
Venue: Oman International Exhibition Centre
Sale: Sale is allowed

EXHIBITORS PROFILE

- ◆ Engineering items
- ◆ Beauty, healthcare & herbal items
- ◆ Gift & handicraft
- ◆ Agriculture items
- ◆ Footwear
- ◆ Furniture & furnishings
- ◆ Textile & garments
- ◆ Education sector
- ◆ Travel related activities
- ◆ Plastic items etc

MDA upto Rs 80,000/- available to limited number of eligible companies on first -cum first-served basis



For more details, please contact:
MRD Division, FIEO at Tel: 011 -46042136-38, 46042119, Fax: 011 - 26148194,
Email:prashantseth@fieo.org; vinodpal@fieo.org

Karnataka on course for creating exporter friendly climate

FIEO organized an interactive session on "Duty Drawback Scheme and Foreign Trade Policy" in association with the Kanara Chamber of Commerce and Industry and supported by the Visvesvarya Industrial Trade Centre, Government of Karnataka, on January 6 at Bangalore. The objective was to educate the Karnataka exporters on the benefits available under the Duty Drawback Scheme and Foreign Trade Policy.

In his address, Mr Walter D'Souza, Regional Chairman (Southern Region), FIEO mentioned that export facilitation in the form of result oriented incentives for exports is a key determinant of a country's competitiveness in the international market. The Central Government's new duty drawback scheme is expected to be exporter friendly, saving transaction time and cost and will do away with avoidable paper work.

It has been accepted by all including the Government of India that the Indian exporter is at a disadvantage in the global market on several counts. The most important factor has been the transaction costs, which is in the region of about 8-10%.

Infrastructure has been an area which leaves such a lot to be desired. Exporters are oblivious as to when it would be in place. He made an appeal to the State Government of Karnataka to address this issue on a war footing.

Mr D'Souza briefed about the value added facilities available such as storing and redistribution for domestic and re-export and trading at FIEO's Indus Trade Services FZE at Sharjah, UAE, and made an appeal to the exporters to take advantage of it.



Mr Walter D'Souza, Regional Chairman (SR), FIEO delivering his welcome address. Sitting on the dais from right, Mr V Srinivasan, Jt. Director, FIEO(BLR); Mr T P Basavaraju, Foreign Trade Development Officer, O/o Regional Jt.DGFT, Bangalore; Mrs Latha R Kini, President, Kanara Chamber of Commerce & Industry; Mr. M V S Choudary, Commissioner of Mangalore Customs and Central Excise; and Mr Nagesh, Dy.Director, Dept. of Industries and Commerce.



A view of the audience.

In his inaugural address, Mr M.V.S. Choudary, Commissioner of Mangalore Customs and Central Excise, mentioned that the nutshell of the drawback scheme under section 74 and 75 is to encourage exports and help the exporters realize foreign exchange and drawing back all the taxes paid by them. The biggest benefit accruing out of EDI is the

reduction of physical contact between the Department and the importers/agents apart from fast processing of documents which reduce cycle time of clearance. Duty drawback held up due to IGM/EGM error/mismatching of data.

In her address, Mrs Latha R. Kini, President, Kanara Chamber of

Commerce and Industry, brief about the role played by the chamber in promoting international trade.

Mr Nagesh, Deputy Director, Department of Industries and Commerce, Government of Karnataka, mentioned the various tax exemptions such entry tax, octroi and refund of amounts available from the State Government of relating to Capital Goods, CE certification charges, investment subsidy, exemption on land registration stamp duty for MSME,

and interest free loan on VAT etc.

In his address, Mr T.S.N. Murthy, Deputy Chairman, New Mangalore Port Trust, spoke about the value added services available at the port and advised the trade to use those facilities.

Mr T.P. Basavaraju, Foreign Trade Development Officer, O/o Regional Joint Director General of Foreign Trade, Bangalore, spoke about pre and post export benefits available in the Foreign Trade Policy.

Mr V. Srinivasan, Joint Director, FIEO (Bangalore) informed the participants that every day decisions are well structured and are normally in the form of implementation of the policies, rules and regulations. Their impact is immediate, short term and short range. Operational decisions at many places are pre-programmed into the ICES (Indian Customs EDI System).

The meeting ended with an interactive session. ■

Seeking suggestions for FIEO services

1. FIEO provides the following services to its members

- Timely Issuance/ Renewal/ Endorsement of RCMC / MDA processing
- Hosting of members' profile on FIEO Website
- Timely taking up issue with agencies concerned
- Issuance of Visa Recommendation Letter/Certificate of origin

Please provide your feedback on these services? Which new services FIEO should initiate for exporters to increase Foreign Trade?

2. Please cite an area where FIEO should improve its networking with the Centre and the State Governments?

3. How can FIEO improve its presence in international exhibitions? Which other region specific international fair would you like to participate in through FIEO's assistance?

4. Do you avail the Chat service being provided on our website www.fieo.org , to clarify policy issues? Please suggest other feature or chat services that you may wish to have.

5. Are you aware of FIEO Awards - Niryat Bandhu and Niryat Shree? Is the present format meeting its objective?

6. Which new seminar, training programme and open house should FIEO organise?

7. Which new feature should be included in FIEO's monthly bulletin 'FIEO News'?

8. Would you like to contribute to FIEO's knowledge sharing activities as a resource person?

9. Would you like to recommend our services to some other firm/company/organisation? Please provide details so we may contact them:

Please send in your responses to:

Mr Vikas Mittal, Assistant Director, FIEO, Niryat Bhawan, Rao Tula Ram Marg, Opposite Army Research & Referral Hospital, New Delhi-110057, Email:vikasmittal@fieo.org

Madurai region must go for value added exports



LEFT: Mr Walter D'Souza, Regional Chairman, FIEO(SR) addressing the participants. On the dais from left, are Mr Unnikrishnan K, Director, FIEO(SR); Mr K Thirupathi Rajan, Chairman, Export Promotion Centre, Tamilnadu Chamber of Commerce & Industry, Madurai; Mr D Gajapathy, JDGFT, Madurai; Mr J K Muthu, Vice Chairman, Export Promotion Centre, Tamilnadu Chamber of Commerce & Industry, Madurai. **RIGHT:** Mr Walter D'Souza, Regional Chairman, FIEO(SR) interacting with the participants.

FIEO (Southern Region) jointly with Export Promotion Centre, Tamil Nadu Chamber of Commerce & Industry, Madurai, organized a "Workshop on Foreign Trade Policy, Export Promotion Schemes and Sourcing Buyers through Internet" at Madurai on January 9, 2012.

The programme was organized to update the exporters on various changes that have taken place in the Foreign Trade Policy and help them understand the various incentive schemes operational in the Policy, thereby helping them cut costs. The programme also covered the subject on how to identify buyers through the internet platform by using various tools provided by Alibaba.com. The programme was attended by more than 90 exporters from Madurai. Mr Walter D'Souza, Regional Chairman, FIEO (SR) inaugurated the programme. Mr K. Thirupathi Rajan, Chairman, Export Promotion Centre, Tamil Nadu Chamber of Commerce & Industry, welcomed the participants. Mr D. Gajapathy, Joint Director General of Foreign Trade, Madurai, also spoke on the occasion.

Mr Rajan in his welcome address highlighted the export potentials of

Madurai. Many products made in Madurai and surrounding districts of Tamil Nadu are not being exported directly, despite their potential, owing to lack of awareness. Madurai has tremendous potential to export yarn, textile products, rubber products, granites, agricultural products, flowers, etc added Mr Rajan.

Mr Gajapathy highlighted various policy initiatives taken by the office of Jt.DGFT for promotion of export and diversification of products and markets. He assured all his support to the exporters in the region for helping them improve their performance.

Mr D'Souza mentioned that exporters must focus on West Asia since business was growing at a fast pace in these countries. While highlighting on various initiatives taken by FIEO to promote WANA region including setting up FIEO warehousing facilities at Sharjah in the UAE, he said the Emirates continue to be a leading export destination and an important transit point for the entire Gulf Cooperation Council and West African Region. He added exporters could ensure 'just in time' delivery by utilizing the Federation's warehouse and office space facility in Sharjah. FIEO

members could stock their products and carry out repacking and redistribution from the facility.

While highlighting FIEO's various initiatives, Mr D'Souza said FIEO had taken up the burning issues exporters like high interest rates with the RBI, which had revised the rates 13 times since March 2010. The apex bank's data itself showed that credit offtake had fallen to a 21-month low. Various other sectors were also hit hard by high interest rates resulting in industrial production registering negative growth. The non-performing assets were increasing fast and micro, small and medium enterprises (MSMEs) were also finding it hard to survive. Exporters and importers were both hit hard by the recent volatility in the rupee's value, he said, adding that the Federation had urged the government to ensure that the value of rupee fluctuated within specific limits.

Mr D' Souza said both the government and FIEO's studies had revealed that Indian exporters and importers faced significantly higher transaction costs compared to their counterparts in other developing or developed countries. Further, Indian

Contd. on Page 49

Madurai region must go for value added exports

Contd. from Page 42

businessmen also faced hidden charges that arose owing to inadequate infrastructure.

In the technical session, Prof K.R. Nath of Indus Business Academy delivered a lecture on FTP and Incentive Scheme. The presentation focused on how to reduce the cost of final prod-

uct by availing various incentives offered by FTP.

Mr M. Madhu Sudhana Murthy of Alibaba.com made a presentation on sourcing buyers through the internet.

Mrs Selvanayagi, Co-ordinator, FIEO, made a presentation on vari-

ous services offered by FIEO and assistance provided in venturing new markets.

Mr J.K. Muthu, Vice Chairman, Export Promotion Centre, Tamil Nadu Chamber of Commerce & Industry, Madurai, proposed the vote of thanks. ■

HELP US TO SERVE YOU BETTER

Please let us know the changes in your contact information immediately, to help us remain in touch with you. In case of any changes, fill in the following and send it to FIEO :

1. Name of the company :
2. Address :
3. City :
4. Telephone :
5. Fax :
6. Email :
7. Name of the Chief Executive :
8. Designation :
9. Name of Contact Person :
10. Designation :

Minimizing risks and getting market savvy online

FIEO (Southern Region) in association with the Indian Chamber of Commerce and Industry, Coimbatore organizes a seminar on "Currency Exposure Management and Sourcing Buyers Through the Internet" on January 24, 2012 in Coimbatore. The programme was organized to help the members increase their business. It was also meant to update them on the various tools available to minimize the risks related to flexibility of exchange rates. More than 70 exporters from Coimbatore participated in the programme.

Mr Walter D'Souza, Regional Chairman, FIEO (SR), inaugurated the programme. Dr M. Krishnan, President, Indian Chamber of Commerce and Industry, Coimbatore, advised the exporters to take precaution, as the currency market has become highly volatile. He advised the participants to utilize various tools available to them for mitigating the risks.

Mr D'Souza said that one of the major problems faced by the industry is the high cost of interest apart from the hike in other costs of production. He urged that the RBI should bring down the interest rate for helping out industry in the recession period. He opined that the ideal interest rate for exporters especially for small and medium industries to compete in the international market should be 7%.

While referring to the global trade scenario, the FIEO Chairman said uncertainty regarding the global as well as the domestic growth prospects which started during early 2011 continued to prevail as the year 2012 started. The growth in the advanced economies remains fragile and there are risks of another economic recession and financial crisis in some regions in the advanced economies. The transmission of the



Mr Walter D'Souza, Regional Chairman, FIEO (SR) addressing the participants. On the dais from right are Mr D Nandakumar, Hony. Secretary, Indian Chamber of Commerce & Industry, Coimbatore; Dr M Krishnan, President, Indian Chamber of Commerce & Industry, Coimbatore; and Mr Unnikrishnan K Director, FIEO (SR).



A view of cross-section of participants.

global economic crisis into the Indian economy has been felt in the recent period in the form of widening of the current account deficit, outflow of foreign funds, volatility in the stock markets and the sharp depreciation of the rupee.

Mr D'Souza also said lack of effective infrastructure has been one of the key factors behind the inequalities emerging within India's markets. With the exception of telecom - the other sectors such as power, roads and urban infrastructure are major concerns and regulatory barriers have impeded the flow of capital into infrastructure.

He stressed the need for diversifying our export market to the CIS, Africa and Latin America for getting better returns and increasing export share. Mr D'Souza also highlighted the initiative taken by FIEO to provide warehousing infrastructure in UAE which he hoped would help exporters increase their share in GCC and West African.

Ms Harini Iyer and Mr Senthil of the National Stock Exchange made a presentation on the NSE's currency exchange platform.

Mr Madhusudanan of Alibaba.com spoke on understanding international buyer behaviour online, how to maximize business inquiries through the Internet, how to advertise products on the internet, how to generate quality sales lead through the internet and how to get more buyers through the internet.

Mr Unnikrishnan K., Director, FIEO Southern Region proposed the vote of thanks. ■

Taking advantage of export promotion schemes



At Indore. LEFT: On the dais, from left, Mr Mihir Shah; Exim Consultant; Mr Rajesh Bhatia, Director, FIEO(WR); Mr A K Rathod, Development Commissioner, SEZ, Indore; Mr Nishith Choudhary, Mg. Director, CAP & SEAL, Indore; Mr Avinash Naik, Brand Manager, Bizchange.in (The Times Group). RIGHT: A view of the audience.

FIEO (Western Region) organized workshops in Indore and Mumbai on "Export Incentives with Special Focus on Changes in New Duty Drawback Schedule and Amendment in Various Schemes under Foreign Trade Policy."

The first workshop was held in Indore on January 9, 2012, and the second in Mumbai on January 21.

In Indore, Mr Rajesh Bhatia, Director, FIEO (WR), welcomed Mr A.K. Rathod, Development Commissioner, SEZ, Indore, Mr Mihir Shah (Faculty) and Mr Nishith Choudhary, MD Cap & Seal, Indore. He also welcomed the participants and then briefed them about FIEO and the services rendered by the Federation to its members.

Mr Bhatia informed that the Government has been initiating several steps to facilitate the exporters as per the recent amendments in the FTP released in October 2011, the Special Focus Market Scheme was introduced with a view to increase the competitiveness of exports with a geographical targeting by giving an additional 1% duty credit and also informed that FIEO has always been making efforts to facilitate the members through such promotional programmes, workshops which updates the participants

and gather various suggestions for incorporation for further promotion of such programmes.

Mr Rathod appreciated the efforts taken by FIEO (WR) for organizing such an educative programme and giving an opportunity to the exporters in and around Indore to attend such workshops. He said FIEO should conduct such programmes regularly so exporters are updated with different trade activities.

Mr Avinash Naik, Brand Manager, bizchange.in (The Times Group), gave a detailed presentation on Digital Marketing for SMEs.

Mr Shah was the speaker on export incentives in both Indore and Mumbai. In both workshops he gave a detailed presentation on export incentives with special focus on change in the new duty drawback schedule and amendments in the various schemes under Foreign Trade Policy which are divided into the following 3 groups:

Duty Remission

- (a) Duty Drawback (DBK)

Duty Exemption Schemes

- (a) Advance Authorization
- (b) Duty Free Import Authoriza-

tion (DFIA)

Promotional measures

- (a) Export Promotion Capital Goods Scheme (EPCG)
- (b) Vishesh Krishi and Gram Udyog Yojana (CKGUY)
- (c) Focus Product Scheme (FPS)
- (d) Market linked focus product scheme (MLFPS)
- (e) Special Bonus Benefit Scheme (SBBS)
- (f) Focus Market Scheme (FMS)
- (g) Special Focus Market Scheme (SFMS)
- (h) Status Holder / Export House
- (i) Status Holder Incentive Script (SHIS)
- (j) Served from India Scheme (SFIS)
- (k) Market Development Assistance (MDA)

Mr Shah further informed that as an industrialist, manufacturer and exporter it has always been an urge to know that what benefits are available on exporting goods and services. The global business scenario has become so competitive and hence prices need to be worked considering all the factors including the benefits and incentives available. The important thing to be noted by every exporter is that export incentives are product specific and need to be examined it cannot be



At Mumbai. LEFT: On the dais Ms Shyamali Banerjee, Jt. Director, FIEO(WR); and Mr Mihir Shah, Export Import Consultant. RIGHT: A view of the audience.

generalized for all the products and Duty Remission Schemes

Each topic was followed by an interactive session with the participants.

The workshop concluded with a vote of thanks by Mr Choudhary. A total of 51 middle level executives from different sectors, including stu-

dents from management institutes participated in the workshop.

In Mumbai, Mrs Shyamali Banerjee, Jt. Director, FIEO (WR), welcomed the participants and informed them the Government has been initiating several steps to facilitate exporters.

Mr Gautam Das, Senior Vice Pres-

ident, CitiBank, gave a presentation on Micro Economic Overview & Foreign Exchange Risk Management. Each topic was followed by an interactive session with the participants.

Mr Rajesh Bhatia, Director, FIEO (WR) proposed the vote of thanks. Around 45 exporter members attended the workshop in Mumbai. ■

Second batch of Spanish language course begins

The second batch of the Business and Professional Spanish Language class conducted by FIEO Southern Region's "Language Training Centre" started on December 3, 2011. The 15-hour session spread over a month period proposes to help participants learn basic skills in Spanish speaking especially for business negotiations and travel needs.

Spanish is the second largest language in the world with more than 550 million people using it as their mother tongue. Besides Spain, it is the official language of a majority of nations in the South & Central American region and the Caribbean. As FIEO is placing a lot of emphasis on developing the Latin American market for Indian exporters, this Spanish language



Business and Professional Spanish Language Class in progress.

class has attracted good response from member exporters.

Due to the success of the Spanish Business Language Training Programme, FIEO will now be conducting language training in Chinese, Italian, French, Chinese, Korean, Russian and Arabic regularly.

According to the feedback received from the first batch of Spanish Business Language class, after completion of the session, the participants were able to speak and communicate through email. Some of the participants who visited the Spanish Trade Office were able to speak to the officials in Spanish. ■

Letter of Credit and implications of UCP 600

FIEO (Northern Region) organized a workshop on “International Terms of Payments – Letter of Credit and Implications of UCP 600” on January 5, 2012 in New Delhi. The main objective of the session was to help the exporters understand the implications of new UCP – the abbreviated form of Uniform Customs and Practice for Documentary Credits – rules and the intricacies of opening L/Cs with the banks as required for international trade. Prof. Harkirat Singh of the Indian Institute of Foreign Trade (IIFT), Mr T.S. Ahluwallia, Managing Committee Member, FIEO, and Mr Sunil Agnihotri, Jt. DDG, were also present in the meeting.

Mr Ahluwallia, while welcoming the participants, informed about the usefulness of doing business under the Letter of Credit mechanism. He said payment is most secure under Letter of Credit payment terms, because the buyer is taken out of the loop and the bank has to make the payment on the basis of complied presentation of documents.

The latest version of UCP 600 has been in force since 2007. UCP is a set of rules which governs the issuance and use of letters of credit. Historically, the commercial parties, particularly banks, have developed the techniques and methods for handling letters of credit in international trade finance.

The role of any payment method is to compensate the seller for his efforts while the buyer would like to protect his interest in getting the products of desired specifications. The L/C is a promise made by a bank to pay the seller the amount as mentioned therein on complying the terms and conditions mentioned in the L/C. It doesn't have the involvement of the buyer. If the documents are presented fully complying with



From left, Mr Sunil Agnihotri, Jt. Deputy Director General, FIEO(NR); Mr T S Ahluwallia, Member, FIEO Managing Committee; and Mr Harkirat Singh, Professor, IIFT.



A view of the participants.

the terms and conditions mentioned in L/C, the bank can't refuse to pay. It is therefore advisable to read the L/C thoroughly after receiving it and get it amended if there are any discrepancies between the sales contract terms and the L/C.

Some golden rules for getting payment and facts about Letter of Credit

1. Always try to get full payment and on time.
2. Advance payment is the best

payment.

3. Next best payment method is the L/C, but it is not a guarantee of payment. There is no substitute of checking the credentials of the buyer.
4. The basis of L/C is the sale contract. Never agree to the terms and conditions which you can't fulfill as it will become a discrepancy later on.
5. The L/C is the undertaking given

by the bank to make payments to the exporter after the shipment of goods, fulfilling terms and conditions. Thus L/C converts goods sales into document sales. Banks deal with documents and not with goods, services or performance to which the documents may relate.

6. All L/Cs are irrevocable unless specified.
7. The L/C should be issued by a bank of repute. The issuing bank is most important as the success of the L/C depends on the issuing bank. It is always advisable to ask from the buyer to get the L/C confirmed from a bank of repute. The confirming bank always makes payment to the beneficiary without recourse.
8. The L/C would be governed by UCP 600 or any other rules when

the text of the L/C expressly indicates that it is subject to these rules.

Conditions for documents to become complied presentation:

1. Documents should be as per the L/C.
2. Documents should be as per UCP 600.
3. International banking practices rules should be followed.
4. There should not be any conflict between the documents and the L/C.
5. The documents should be represented before the expiry date.
6. The bank has 5 banking days to examine the documents after receiving it. On finding any discrepancy, the bank must inform the

presenter to rectify it in writing.

7. If the documents are presented before 5 days or less of the expiry date of the L/C, the bank will still examine the documents in 5 days. If the bank finds any discrepancy, the presenter will not be able to rectify it as the L/C has expired. It is therefore in the interest of the presenter to submit the documents well in advance of the expiry date.
8. The bank has to inform all the discrepancies to the beneficiary in one go. Discrepant documents are the property of the beneficiary.
9. Presenting fewer documents than those mentioned in L/C is a discrepancy. However, giving more information/ documents can't become a basis of discrepancy. ■

Bengal small industries get export exposure

The Department of MSSE in the Government of West Bengal has adopted a two-pronged approach towards familiarization of various facets of international trade in the state.

It is organizing zonal conferences for GMs and other senior officials of DICs and also export awareness workshops for the entrepreneurs of West Bengal registered under various DICs. The workshops are being held jointly with the FIEO (Eastern Region) where FIEO invites the office of ZJDGFT, Customs and ECGC to give presentations besides FIEO (ER). The Zonal conferences are organized by the West Bengal Government where besides FIEO (ER), other central Government organizations like KVIC, Silk Board, Coir Board and so on are invited to present their services and schemes to the officials of DICs. In total, four zonal conferences and eight export awareness workshops are scheduled to be organized before March 2012.

The first in this series of zonal conferences was held in Burdwan in August 2011, and FIEO received good response from various DICs. The second in the series was held on January 4, 2012 in Chinsurah, Chandernagore, in which FIEO (ER) made presentations to the DICs. The presentations were met with an encouraging response and the DICs also wanted FIEO to disseminate more information amongst their registered entrepreneurs. Around 33 officials participated in the conference.

The second in the series of export awareness workshops was held in Siliguri on January 11, 2012. The Department of West Bengal State Export Promotion Society (WBSEPS) jointly with FIEO (ER) organized this under the aegis of GM, DIC Siliguri.



Ms Arpita Sen, Manager, ECGC making a presentation on the services of ECGC to the audience. Seated on the dais are from left, Mr P K Bhowmick, FTDO, ZJDGFT, Kolkata; Mr P T Srinath, DD, FIEO; and Mr Thapa, Superintendent, Siliguri Customs.

Presentations were made by the office of ZJDGFT represented by Mr P.K. Bhowmick, FTDO, who provided an overview of the Foreign Trade Policy and the process of applying for Import Export Code.

The Superintendent of Customs, Siliguri, made a presentation on Customs procedure in the process of import and export and Ms Arpita Sen of ECGC made a presentation on the policy and services provided by ECGC. Mr P.T. Srinath, Dy. Director, FIEO (ER), gave a presentation on the services offered by FIEO to the export-import community. As many as 36 entrepreneurs were present at the export awareness workshops and around 8 entrepreneurs expressed their desire to enrol as members of FIEO (ER). The GM, DIC, delivered the vote of thanks.

At the end of these series of workshops, FIEO (ER) proposes to invite the Government of West Bengal to take a pavilion in one of the forthcoming international events like

Kunming in order to provide a first hand feel of an international event to entrepreneurs in West Bengal. ■

Attention Members !!!

Are you receiving communication from FIEO on a regular basis? If not, update your correct e-mail address with FIEO's Regional Office today. Also, include the following e-mail addresses on your mailing safelist to ensure that you receive all email communication from FIEO:

banking@fieomail.org
chairman.nr@fieomail.org
mda@fieomail.org
services@fieomail.org
ddgadmin@fieomail.org
policy@fieomail.org
mrd@fieomail.org
fieonr@fieomail.org
fieosr@fieomail.org
fieowr@fieomail.org
fieoahd@fieomail.org
fieobl@fieomail.org
fieoap@fieomail.org
fieoer@fieomail.org
fieobbsr@fieomail.org
fieo@fieomail.org

Bijapur area can bloom via agricultural, horticultural exports

FIEO organized an "Awareness Programme on Export Promotion" in association with VITC, Government of Karnataka, District Industries Centre, Bijapur Chamber of Commerce and Industry and the Bijapur Small Scale Industries Association on December 28, 2012 at Bijapur.

The objective was to educate the Karnataka exporters, and the programme was attended by 87 participants including few final year students from local MBA colleges.

The stress was on agricultural and horticultural commodities grown in and around the Bijapur area.

Mr J.V. Patil, Regional Joint Director General of Foreign Trade, Bangalore, inaugurated the programme. He called upon the participants to get into the export of products such as pomegranate, lime, maize, rice and other horticulture products as there is a lot of scope for their export in Bijapur district. He also briefed about the Foreign Trade Policy and its benefits therein like focus products and focus market scheme, VKGUY, etc.

In his address, Mr D.S. Guddodagi, President, Bijapur Chamber of Commerce and Industry, called upon the participants of Bijapur district to come forward and make use of the programmes conducted by FIEO and VITC and to help increase export business of the district.

In his presentation address, Mr V. Srinivasan, Joint Director, FIEO (Bangalore) mentioned that agriculture forms the backbone of India's economy contributing more than one-fifth to the GDP and providing livelihood support to about two-thirds of the population. In fact, agriculture is the single largest private sector occupation. Any growth in the agriculture sector has a strong multiplier effect



From right Mr V S Honamane, Joint Director, DIC, Bijapur; Mr D S Guddodagi, President of Bijapur Chamber of Commerce and Industry; Dr Veeranna, S H, Joint Director, VITC, Dharwad; Mr J V Patil, Regional Joint Director General of Foreign Trade, Bangalore; Mr V Srinivasan, Joint Director, FIEO (BLR) and Mrs Mallamma Yalawar, Founder Chairman, SABALA, Bijapur.



A view of the audience.

on the entire economy. The reason being that the food industry directly and indirectly triggers growth in a number of other industries such as transport, refrigeration, pesticides and fertilizers. The most significant positive aspect of our agricultural exports is that a majority of the items in the agriculture export basket are net foreign exchange earners, with negligible import content unlike high import content in many manufactured products. Major export destinations are the UAE, the Netherlands, the UK,

Belgium and Saudi Arabia.

During the technical Session, Mr M.A. Shariff, Deputy Director, VITC Bangalore, explained the basics and marketing in the export business; Dr R.S Poddar, Asstt. Professor of Agricultural Economics, University of Agriculture Sciences, Bijapur, explained in detail about the export potentials of Bijapur district; and Dr Veeranna, Joint Director, VITC Dharwad, explained the export benefits available in the Foreign Trade Policy. ■

Connecting exporters to the online market

With the growth of the internet community and the limitless possibilities it gives to the single user, it didn't take long before someone realized that the World Wide Web is a really good place for the commercial entrepreneur. In the fast changing global economic setup, e-Commerce and e-Business have become key components of business strategy, which not only ensures greater interaction with customers but also helps in reducing operational costs said Mr Abhishek Tayal, Deputy Director, FIEO (Northern Region) while addressing the workshop on "Business Opportunities Overseas" at Agra organized by FIEO (Northern Region) in association with the National Chamber of Industries and Commerce (NCIC) on January 12, 2012.

Mr Tayal informed that the integration of information and communication technologies has revolutionized the modus operandi of any business. The development of the internet and web-based technologies has removed distinctions between traditional markets and the global electronic market places. The internet has become an integral part of everyone's life. Today, the internet has changed the entire world, transforming it into a global village.

The internet has reduced distances. It has opened a vast source of information which gives everyone various options for sale and purchase. Buyers now use the internet more often to search about the newer supplier. The same is true for the supplier also. If you know the correct ways of searching through the internet, you may reap great benefits. He also mentioned that in India even now there are a large number entrepreneurs especially in the SME sector who are not using the internet as they are still not



From left, Mr Ankur Nautiyal, Management Executive, FIEO; Mr Suresh Chand Bansal, Vice President, NCIC; Mr Vishnu Bhagwan Agarwal, Chairman, NCIC; Mr Abhishek Tayal, Dy. Director, FIEO; Mr Mukesh Agarwal, President, NCIC; Mr Prof. S K Verma, IIFT, Delhi; Mr Narender Singh, Vice President, NCIC; and Mr Gomit Jain, Media in-charge, NCIC.

aware of its reach and power.

Mr Mukesh Agarwal, President, NCIC, in his address mentioned that such kind of training programmes will help small and medium enterprises in not only knowing about the latest tools of conducting businesses but will also help them in expanding the same across the globe. It will also help exporters from Agra and nearby areas to find new export destinations other than conventional markets. He encouraged the exporters to get used to the technology and gain from the workshop to enhance their businesses. He appreciated FIEO's efforts in conducting such events.

Prof S.K. Verma from IIFT, New Delhi, in his detailed presentation apprised the participants on how to use technology in enhancing business as well sourcing buyers through the internet. There are many companies who deal only via the internet; for instance ebay. It has defied the conventional method of buying. Earlier people use to go to shop to see and feel product before buying. Now you get online deals where you see the product photographs. On the internet, you win if you appear in the first few listed websites in a

search. Search engine optimization is one such technique which increases the listing of your website, thus making it more accessible. There are methods to choose keywords which connect to your website. He also clarified various doubts of the exporters regarding terms of payment and export documentation.

Mr Vishnu Bhagwan Agarwal, Chairman, NCIC, said sourcing buyers through the internet is of vital importance in today's competitive world. He said that exporters in Agra are very much enthusiastic and keen to learn methodologies in sourcing buyers and expand business overseas. He thanked FIEO for initiating such effort for arranging workshop on imparting these skills to the exporter community.

Mr Ankur Nautiyal, Management Executive, FIEO, thanked all the speakers, guests and participants for showing keen interest in the interactive session and making the event a successful one.

The workshop was attended by a large number of participants who suggested organizing similar workshops on the latest technological trends periodically. ■

List of International Events for the year 2012-13 under Market Development Assistance (MDA)

Sl. No	Name of the Event	Country	Period	Region/ Department	Focus/General
1.	3rd Wedding Exhibition at Port Louis	Mauritius	May 2012	WR	Focus Africa
2.	Participation South Asian Countries Trade Fair (SACTF) at Kunming	China	June 6-10, 2012	MRD	General
3.	Africa Export & Import Fair [EAIGTF] at Nairobi	Kenya	June 15-18, 2012	SR	Focus Africa
4.	Participation in FATEX at Paris	France	June 30 to July 3, 2012	NR	General
5.	Participation in Dar e Salaam International Fair	Tanzania	July 2012	WR	Focus Africa
6.	Reverse Buyer Seller with Bangladesh	Bangladesh	July 2012	ER	General
7.	Participation in COLOMBIAMODA at Medellin	Colombia	July 24- 26, 2012	MRD	Focus LAC
8.	Participation in TENDENCE at Frankfurt	Germany	August 24-28, 2012	MRD	General
9.	World Consumer Fair 2012 at Sri Lanka	Sri Lanka	September 2012	WR	General
10.	Participation in 5th INDEXPO Muscat	Oman	September 4 - 6, 2011	MRD	General
11.	Participation in GIFT EXPO at Moscow	Russia	September 18 - 20, 2012	ER	Focus CIS
12.	Participation in Inspire- Home Fashion and Lifestyle at INDEX 2012 at Dubai	UAE	September 24 to 27, 2012	NR	General
13.	Participation in ITB Asia 2012	Singapore	October 3 - 5, 2012	Services	Focus ASEAN
14.	Participation in EXPO Pakistan at Karachi	Pakistan	October 4 to 7, 2012	NR	General
15.	Participation in Ambiente Ukraine at Kiev	Ukraine	October 9-12, 2012	MRD	Focus CIS
16.	Participation in INTRADE at Kuala Lumpur	Malaysia	November 27 - 29, 2012	ER	Focus ASEAN
17.	Vietnam Expo 2012 at Ho Chi Min City	Vietnam	November 28 - December 1, 2012	SR	Focus ASEAN
18.	Reverse Buyer Seller meet with Buyers from CIS countries	CIS	December 2012	NR	Focus CIS
19.	Mega Balikbayan OFW EXPO 2012 at Manila	Philippines	December 14-16, 2012	WR	Focus ASEAN
20.	Participation in FITUR 2013 at Madrid	Spain	January 2013	Services	General
21.	INTERMODA 2012 at Guadalajara	Mexico	January 17-20, 2013	SR	Focus LAC
22.	Buyer Seller Meet at Myanmar	Myanmar	January 2013	ER	Focus ASEAN

List of International Events for the year 2012-13 under Market Development Assistance (MDA)

Sl. No	Name of the Event	Country	Period	Region/ Department	Focus/General
23.	Participation in ITB Berlin	Germany	March 9-13, 2013	Services	General
24.	Participation in Central Asia Home Textile & houseware and Kazgift Exhibition at Almaty	Kazakhstan	March 2013	NR	Focus CIS
25.	Participation in EXPOCOMER at Panama City	Panama	March 2013	MRD	Focus LAC

Market Development Assistance (MDA) is subject to approval of events by the Ministry of Commerce.

For more information, please contact the concerned Region/Department:

MRD - Tel: 011 46042119/72/36/37, email: vinodpal@fieo.org ; ashishjain@fieo.org

Eastern Region (ER) - Tel: 40084890 - 91; Email: fieoer@airtelmail.in

Western region (WR) - 022-40572222, Email: fieowr@vsnl.com; fieowr@fieo.org

Northern region (NR) - Tel: 011-46042222, 26150101-04, Email: fieonr@airtelmail.in

Southern Region (SR) - Tel: 044-28497766/28497755, Email: fieosr@fieo.org; fieosouth@airtelmail.in

Services Division - Tel: 011 46042119/51, Email: vinodpal@fieo.org ; vwadhavan@fieo.org

GLOBAL

BUSINESS OPPORTUNITIES

BRAZIL

Pharmaceuticals

Ms. Homero C. Souza Neto
ACG Worldwide
Sao Paulo, Brazil
Email: homero.souza@acg-world.com
Website: www.acg-world.com

Electrical and Electronics

Ms. Doracy Aparecida Tasquim
Brazilian Electrical and
Electronics Industry Association
Sao Paulo, Brazil
Email: doracy@abinee.org.br
Website: www.abinee.org.br

Publishing

Ms. Alessandra Vidotti
Íris Urbana Produções Ltda.
Sao Paulo, Brazil
Email: irisurbana@gmail.com

Gardening products

Mr. Nelson
West Garden Ind. e Com. Ltda
Curitiba, Brazil
Email: nelson.west@west
garden.com.br

Website: www.westgarden.com.br

CANADA

Food importing and distribution company; looking for producers and processors of specific foods products as per company specifications.

Foodmart Frozen Foods

Mississauga, Ontario
Phone: 905-542-1431
Email: nhakim@rogers.com

ISRAEL

Interested in cooperation with leading Indian suppliers of furniture; opening a factory of furniture related products is also a possibility.

Sagiv Avidar - Law Office

Mr Sagiv Avidar
Hadekel 52nd St. Tel mond
Tel: + 972-9-7969929
Fax: + 972-153-9-7969929
Email: sagiv@2law.co.il; sagivavidar@gmail.com

Israeli designer interested in buying fashion accessories in India.

Yifat Lifshitz

Harakafot 6 Moshav Mazor 73160
Tel: +972-3-9071711
Email: yifat_l@tzabar.co.il

Looking for collaboration with Indian oil companies.

Itay Gamlieli

Tel: +972-77-4044478
Email: edenline777@gmail.com

Offers a wide range of fiber glass reinforced polyester (GRP) enclosures and bases (including DIN standard). Seeking customers and/or distributors in India. Orlite can offer a business model which in certain machinery work and assembly can be done in India by the customer/distributor.

Orlight Industries

Mr Ofer Grisaro
P.O. Box 257, 74101
Ness Ziona
Tel: 972.8.938.44.09,
Mob: 972.54.763.41.71
Fax: 972.8.930.16.06
E-mail: ofer.g@orlite.co.il
Site: www.orlite.com ■

TRADEWINDS



PERU

Overview

Peru ensures growth of 6% with economic stimulus Peru is able to ensure an annual growth rate of at least 6% for the coming years with the implementation of an economic stimulus package which also contributes to improve competitiveness. The Government approved the second package of economic measures that will prevent an economic slowdown in Peru in the coming months, in view of global uncertainty.

Fitch upgrades Peru's credit rating to BBB Credit rating agency Fitch Ratings has upgraded Peru's Foreign currency Issuer Default Rating (IDR) from 'BBB-' to 'BBB'. The grading is the second-lowest investment grade, with outlook stable, which reflects its view of reduced uncertainty regarding macro-economic policy of the Government.

Peru ranks first in economic climate in Latin America. According to a report published by Brazil's Getulio Vargas Foundation (FGV) and the Institute of Economic Research (IFO) at the University of Munich, Peru ranks first in economic climate in Latin America with 6.2 points.

Peru has one of best performing economies in Latin America. According to the Latin American Development Bank (CAF), Peru has one of the best performing economies in recent years among Latin American countries.

Foreign Trade

Peru's total trade for the month of September was \$6.981 billion. Total cumulative trade from January to September 2011 was \$61.793 billion. The principal five export destinations: Switzerland, China, United States, Canada, Germany. The principal five-import destinations: United States, China, Brazil, Chile, Japan.

India-Peru Bilateral Trade: Total bilateral trade between India and Peru

during the month of September 2011 amounted to \$71.222 million. India's exports to Peru were of the value of \$62.707 million (CIF value), while imports were \$8.515 million (FOB value).



Brazil

Overview

According to the Central Bank's Economic Department, FDI inflows from January to September 2011, stood at US\$ 50.451 billion, an annual record. The services sector attracted the most funds throughout the year, followed by industry and the primary sector (agriculture and mineral extraction). The subgroups that received the strongest inflow were telecommunications, the metal industry, and oil and gas.

Foreign Trade

The total trade from January-October, 2011 was \$398.890 billion, registering a growth of 27.2% over January-October 2010. Exports were \$212.139 billion and imports of \$186.751 billion, showing increase of 29.3%, and 24.9% respectively, for the period January-October 2011. Brazil registered a trade surplus of \$25.388 billion in January-October 2011. The principal five export destinations: China, US, Argentina, Netherlands, Japan. The principal five-import sources: The US, China, Argentina, Germany, South Korea.

Top items of export from India to Brazil: Diesel oil, coke of coal, lignite or peat, texturized yarn of polyester other fuels. Top items of import from Brazil by India: Crude oil, copper sulphates, soya oil, raw cane sugar, copper ores, iron ores, asbestos, other products semi-manufactured of iron/steel, iron/steel laminates, denatured alcohol. ■

Source: *Ministerio de Desenvolvimento, Industria e Comercio Exterior*

TRADANLAYTICS

COUNTRY: AUSTRALIA

Population: 22.2 mn (Jan. 2012 est.)

Exchange Rate (Av): 1.09 (A\$:US\$)

Region: East Asia

EXPORTS: US\$212.9 billion (2010)	
MAIN ITEMS	% of total
Metalliferous ores & metal scrap	29.9
Mineral fuels	28.8
Coke, coal & briquettes	18.7
Food and live animals	9.0

IMPORTS: US\$194.7 billion (2010)	
MAIN ITEMS	% of total
Machinery & transport equipment	39.2
Mineral fuels	13.7
Petroleum & petrol products	12.7
Road vehicles	12.5

Leading export destinations 2010	% of total
China	25.0
US	18.8
Singapore	8.9
Japan	7.1

Leading import destinations 2010	% of total
China	20.6
US	12.2
Japan	9.5
Thailand	5.7

(Source: EIU)

Bilateral Trade Data

EXPORTS (In US\$ billion)

Year	2008-09	2009-10	2010-11
India's Exports to Australia	1.43	1.38	1.71
% growth	24.90	-3.78	23.98
% share in India's total exports	0.78	0.77	0.68

IMPORTS (In US\$ billion)

Year	2008-09	2009-10	2010-11
India's Imports from Australia	11.1	12.4	10.8
% growth	42.00	11.80	-13.04
% share in India's total imports	3.65	4.30	2.92

Source: DOC-NIC