Trade News Policy Banking Taxation WTO

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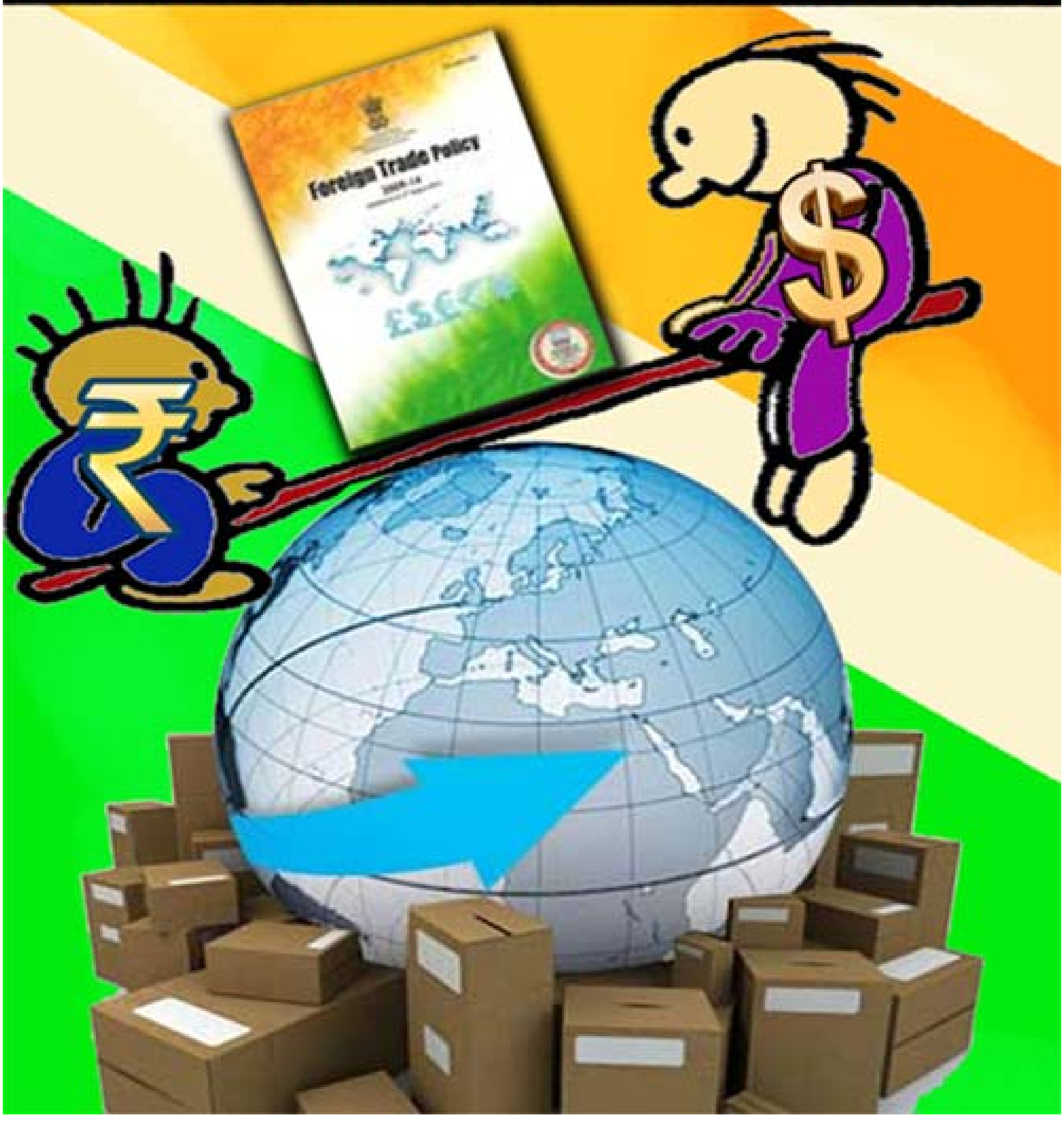
INTRADE UPDATE

Weekly e-Bulletin of The
Federation of Indian Export Organisations | 4 June, 2012



Weekly e-Bulletin

Trade News

■ China slows down

China's manufacturing activity grew at a slower pace in May compared to the previous month, increasing concerns over a slowdown in the economic growth of the country. Data released by the China Federation of Logistics & Purchasing Friday showed that the Purchasing Managers' Index (PMI) fell to 50.4 in May down from 53.3 in April. The softening of manufacturing activities in May is a reflection of the deteriorating export situation, which calls for more aggressive policy easing. The continuing debt crisis in Europe and the tentative US recovery have hurt demand for exports, the key driver of China's economy

There have been fears of a hard landing after data showed in April that China's economy slowed down to 8.1 % in the first quarter, down from 8.9 %in the fourth quarter of 2011. Beijing is targeting a growth rate of 7.5 % this year.

The government has already loosened credit conditions to protect the country from the global economic downturn. Earlier last month, China cut banks' cash reserves ratio by 50 basis points in a bid to spur lending to small businesses. This easing in the monetary policy is seen as a much needed thrust to boost liquidity in the financial system and help the economy regain its growth momentum.

Last month, it was reported that foreign direct investment (FDI) inflows into China fell in April compared to the same month last year, as investors, who are concerned about the renewed debt crisis in the euro zone, cut down on spending.

■ Myanmar to give Visa on arrival to businesspersons from India

As a follow up of visit of the Hon'ble Prime Minister of India to Myanmar, Myanmar has announced to grant visa on arrival to Indian business persons. The visa will be given for 70 days on arrival and fee of US$50 will be charged.

■ India –Switzerland free trade pact by year end

Free Trade Pact between India and Switzerland is expected to be concluded by the end of 2012. The two ways trade expanded from US$ 7 Billion to US$ 35 Billion in 2009-10. India being one of the most important investment destination of Switzerland .Two countries could engage in infrastructure, clean–technology, life sciences , automotive, food processing ,retail and precision engineering.

WTO

■ US sets more duties on Indian Steel pipes

US Commerce Department has determined that Indian companies were selling circular wielded carbon quality steel pipe at 48.43% below fair market value. The department also put preliminary anti-dumping duties of this kind to pipe of 0-27.96% for Vietnam, 5.59% for Oman,3.29%-11.71% for UAE.

■ China challenges anti-subsidy tariff imposed by US

China has filed a case in WTO challenging US Anti-Subsidy tariff on 22 Chinese goods including steel. The disputed US measures affect Chinese exports to the United States worth about US$7.3 billion.

■ EU takes action against Argentina on imports restriction

The European Union filed a suit with the WTO against Argentina claiming that Argentina restrict import to protect its own industry.EU alleges that Argentina insists on a pre-approval of all imports, systematically delays them and has policies to refuse or limit import amounts. These import restrictions violate international trade rules and has affected exports worth US$628 million in 2011.

Trade Policy

■ DGFT relaxes norms for sugar exports

- In the recent policy changes, DGFT has increased ceiling of each Registered Contract (RC) from 10,000 tons to 25,*000 tons.*
- Second RC can be submitted after completing at- least 50% of export against earlier issued RC.
- Time limit for completion of export against RC increased from 30 days to 60 days from date of issuance of RCMC.
- Apart from this, export shall also be permitted against CAD in addition to LC or FIRC.

■ Exemption for export of pulses to Maldives

Export of pulses has been prohibited till 31.3.2013. However, government has allowed exports of 73 MT of pulses for the year 2012-13 and 80 MT pulses for the year 2013-14to the Republic of Maldives through MMTC Limited.

■ Sourcing of Capital Goods from SEZ allowed under EPCG Scheme

DGFT has clarified that Capital Goods sources from SEZ will be treated as imported goods and hence EPCG benefit would be available for import of spares for such capital goods with reduced export obligation.

RBI and Banking

■ Foreign investors norms eased to accelerate capital flows

Investors from Gulf countries may be allowed to invest in Indian capital market as Qualified Foreign Investors (QFI). A QFI is an individual, group or association resident in a foreign country but do not include FII/sub-accounts. Government is also working to attract foreign investment in corporate bonds. The FIIs can invest upto US$20 billion in corporate bonds and US$15 billion in Government securities.

■ Mauritius and US account for half of FII inflows in India

Mauritius has been largest source of foreign investment of India not only in terms of FDI but as port-folio investment as well. Mauritius based FIIs outstanding investment in Indian stock is to the tune of US$ 56 Bn as on April 30, 2012 which is highest from any single country into India. This is followed by US with investment of US$ 55 Bn. The two countries accounted for over 50% of the total assets of US$ 208 Bn as on 30.4.2012.

Taxation

■ GAAR to be part of DTC to be effective from1st of April,2013

The General Anti-Avoidance Rule (GAAR)

approved under the Finance Act will be part of the Direct Tax Code (DTC) and is likely to be implemented from 1.4.2013.However, if the implementation of DTC is deferred, the government will introduce GAAR under the I T Act next year. To address the concern of the investor, government has modified the provision and put the onus to prove tax avoidance on the tax department and no on the tax payers as proposed earlier. Government has also agreed to include in non-tax officers in the three member bench that would approve invocation of GAAR provision.

■ Exports sops resulted in Rs.70,000 crore in 2011-12

The duty foregone in the various Export Promotion Schemes during 2010-11 was Rs.70,877/- crore which was 52% of the total collection of Customs Duty. In order to promote exports, government operates various schemes like Advance License (duty foregone Rs.25,423/- crore.)EPCG (Rs.10,621/- crore); Duty Drawback (Rs.8859/- crore)and DEPB(Rs.8736/- crore)

Services

■ Service Exports grew by 4% in 2012 against 20% growth in Merchandise Trade

Global uncertainties in Euro Zone have taken a severe toll on India's Service Exports. According to the provisional RBI data, service exports grew by 4% to US$ 137 Bn in 2011-12 while service imports contracted 3.8% to 81.1 Bn. The share of services in country's GDP increased to 56.3% in 2011-12.

■ IT policy to give fillip to exports

Secretary, Department of Electronics and IT said that policy will look at giving IT export a fillip by giving cash incentives and make the country attractive for foreign technology manufacturing firms to built factor. The incentives will be for tear-II and tear-III cities. If companies are located in these towns, certain financial incentives would be given.

Others

■ Government to restructure Rs. 35000 crore debt of textile industry

The Government has agreed to restructure Rs. 35000 crore out of total outstanding debt of Rs. 1.55 lakh crore of the textiles sector. The Ministry of Finance would examine in consultation with RBI for a 2 year moratorium on term loans, special provisions in NPA norms to avoid asset reclassification and working capital eroded to be converted into working capital term loans payable over a period of 3-5 years.

■ Marine products exports up by 20%

Marine products exports grew by 20% to US$3.42 billion in last physical on the back of increased shipment to Southeast Asia, Japan and the US. The country had shipped marine products worth US$2.85 billion in 2010-11.

Currency Monitor

Name	%YTD (S)*	Since Aug'2011
Indian Rupee	-18.47	-20.68
Chinese renminibi	2.5	1.4
Indonesian rupiah	-7.26	-8.32
Malaysian ringgit	-2.86	-6.67
South Korean won	-6.32	-10.8
Thai baht	-3.61	-5.92
Turkish Lira	-8.15	-13.04
South African rand	-19.95	-16.37
Brazilian real	-22.66	-19.70
Russian rouble	-12.51	-10.49

* Year to date