

Monthly Newsletter

1. TRADE

(A) CHINA MAY OPEN DOORS TO INDIAN NON-BASMATI RICE



Indian non-Basmati rice may soon make its way to China with Beijing clearing the grain of any risk of introduction of alien pests. India had a couple of months back pitched for market access for a variety of its goods to China in a move to bridge the widening trade deficit. China has agreed to send a team to India next month to inspect mills that produce non-Basmati rice. Based on the inspection, certain mills would be authorized to export non-basmati rice to China.

(B) INDIA STARTS IMPORTING LNG FROM RUSSIA

India has begun importing liquefied natural gas (LNG) from Russia as part of its strategy to diversify its supply sources and cater to the rapidly rising local energy needs.

The Flow



**First LNG ship
from Russia
reaches
Dahej import
terminal**

India also has
long-term LNG
contracts with
US, Australia
and Qatar

Russia is the latest country to begin supplying long-term LNG to India after US, Australia and Qatar. Till two years ago, the country depended solely on Qatar for long-term supplies. India is heavily investing in building LNG import terminals and pipelines to import and supply gas across the country. India imports 45% of the total amount of natural gas it consumes. Natural gas consumption in the country rose 5% to 58 billion cubic meters in 2017-18. The government expects half of India to have access to piped gas for cooking and transport after the new city gas licensing round, which is currently underway.

(C) INDIA'S GOLD IMPORT IS LIKELY TO FALL AT LEAST 15% IN 2018



After a steep rise last year, gold import is likely to fall at least 15% in 2018. Gold import projection is expected to be lower for the second half of the year. The bullion market is rife with rumours of the government putting more restriction on import. Expectation is that gross import this year is to be 720 to 750 tonnes, as against 880 tonnes last year. Demand is low on account of poor investment, firming up of US interest rates and increased prices. Equity is still a preferred asset. Import has been falling since January and remained low in April. There was a 32.6% year-on-year decline to 63 tonnes. High prices will continue to dampen retail consumption and it is likely that a high proportion of old jewellery will get exchanged for new ones (instead of buying fresh).

(D) VARANASI'S GAME-CHANGING FREIGHT VILLAGE UP, EXTENDS GATEWAY TO BANGLADESH

The country's first freight village in Varanasi, is a one-of-its-kind concept that can prove to be a game changer not just in multi-modal transportation but also in the logistics and warehousing segment of the value chain. Freight village is a specialised industrial estate to attract companies in need of logistics services and can cluster to improve their competitiveness. The concept will also bring together retailers, warehouse operators and logistics service providers supplying the regional FMCG market. It is modelled on concepts that are prevalent in Europe. The Inland Waterways Authority of India (IWAI) has been assigned the task of executing this project, the pilot of which will be in Varanasi and after that more villages will connect freight corridors in the country. This concept is also in line with the government's thrust on multi-modal transportation connectivity for seamless trade. Multi-modal transportation is the way cargo is shipped from factory to customer. The country's first multi-modal terminal at Varanasi, at an investment of Rs 1.7 billion, is likely to emerge as a major logistics gateway connecting North India with eastern and north-eastern states, extending up to Bangladesh. The ongoing construction of the Varanasi terminal, which will have waterways, rail and road connectivity, is part of the government's Rs 53.69 billion Jal Marg Vikas Project (JMVP).

(E) COTTON EXPORTS LIKELY TO JUMP 43% IN 2018-19

India's cotton exports are expected to jump 43% to 10 million bales (of 170 kg each) in the 2018-19 marketing year on strong overseas demand, especially from China. The demand for Indian cotton is high as prices are almost 10% lower than the international prices. Indian cotton is quoted at Rs 46,500 per bale in the spot market, much lower than Rs 54,000 per bale in the US

and Rs 58,000 per bale in Australia. Therefore, China - the world's second largest producer - has signed an advance contract for 5 lakh bales of new cotton crop from India for delivery in November-December of the 2018-19 marketing year. Total cotton exports to China could increase to 30-40 lakh bales in the next marketing year from 10 lakh bales this year as the crop in the neighbouring country is pegged lower and its buffer stock was also getting exhausted. Out of India's total cotton shipment of 6.2 million bales undertaken till May of this marketing year, 20 lakh bales have been exported to Bangladesh; 10 lakh bales to China; 12-13 lakh bales to Vietnam; 11-12 lakh bales to Pakistan; 7-8 lakh bales to Indonesia and rest to Sri Lanka and others. India is the world's largest cotton producer and second-largest exporter. Gujarat, Karnataka, Andhra Pradesh, Madhya Pradesh and Tamil Nadu are main cotton growing states.

2. ECONOMY

A) INDIA GROWTH FORECAST TO 7.4% FOR FY'19

Fitch Ratings raised India growth forecast for 2018-19 to 7.4% from 7.3%, but cited higher financing costs and rising oil prices as risks to growth. For 2019-20, it estimated the country to grow at 7.5%. The economy grew at 6.7% in 2017-18. India has better macroeconomic fundamentals than in 2013 and very low foreign ownership rates in the domestic government bond market, but the current account deficit has been widening as a result of rising oil prices, reviving domestic demand and poor manufacturing export performance. Fitch also said the near-term global growth prospects remain robust despite rising trade tensions and political risks.

3. GOVERNMENT CIRCULARS AND POLICIES

A) INDIA TO RAISE DUTY ON 30 US GOODS

India will raise duties on 30 products originating in the US, including motorcycles with engine capacity over 800 cc, fresh apples and almonds, as it strikes back against Washington's move to impose higher duties on Indian steel and aluminium exports. Motor cycles with engine capacity over 800 cc is going to attract 50% of duty, almonds 20%, walnuts 20% and apples 25%. India notified the World Trade Organisation (WTO) of its decision to suspend concessions to the US and expects around \$238.09 million of duty to be collected through the measure. India notified the WTO of imposing retaliatory tariffs on 20 items including peas, chickpeas, wheat, soybean oil, refined palmolein, coco powder, chocolate products and golf carts.

4. GLOBAL BUZZ

A) MEXICO STILL NO. 1 FOR SILVER PRODUCTION



Goldcorp's Peñasquito mine in Zacatecas

Mexico held on to first place in global silver production last year for the eighth year in a row, a situation that shows no sign of changing. Mining firms operating in Mexico extracted a total of 196.4 million ounces of silver during the year. Despite global silver production dropping by 4.1% between 2016 and 2017, “the story was more upbeat in the case of Mexico,” where the volume of production rose by 5%, or 10.1 million ounces. Mexico being the top silver producer in the world, is a consequence of the investment of firms that have made the effort to counter conditions like higher taxes and insecurity, a clear sign that miners can overcome those obstacles. Although worldwide silver production was down, demand was as strong as ever, especially in the industrial and jewelry sectors.

B) JAPAN SUSPENDS SALE OF CANADIAN WHEAT AFTER GMO VARIETY FOUND IN ALBERTA

Japanese farm ministry has suspended its tender and sale of wheat from Canada after grain containing a genetically modified trait was discovered last summer in Canada’s Alberta province. Canada is one of the world’s largest wheat exporters. While other crops such as corn and soybeans have been widely genetically modified to improve yield or withstand threats, GMO wheat has not been approved anywhere for commercial production because of concerns by consumers. The wheat, discovered near a rural road after it survived herbicide spraying, has not been approved for commercial use.

C) US IMPOSES 25% TARIFF ON UP TO \$50 BILLION OF CHINESE IMPORTS

US has approved tariffs worth \$50 billion on import of goods from China, triggering the possibility of a trade war between the world’s two largest economies. China had previously said it would respond to American tariffs on \$50 billion worth of Chinese exports with retaliatory tariffs on \$50 billion of US products such as cars, planes and soybeans. After China warned it would retaliate, Trump threatened tariffs on a further \$100 billion of Chinese products. China, the world’s No. 2 behind the US, has pledged to retaliate on US exports including soybeans and pork. The US imported \$505 billion of goods from China last year and exported about \$130 billion, leaving a 2017 deficit of \$376 billion.

5. INDIA POSITIVE

A) INDIA MIGHT HOLD WORLD'S SECOND LARGEST GAS HYDRATE RESERVES



India has the second largest gas hydrate reserves after America. The Krishna-Godavari (KG), Cauvery and Kerala basins alone contributing 100-130 trillion cubic feet of estimated reserves. A study is being conducted by a team of officials led by ONGC, along with the US Geological Survey and the Japanese Drilling Company. Apart from the US and Japan, India has entered into an agreement with Canada to develop technology in this regard.

Disclaimer: This information has been collected through secondary research; IICCI is not responsible for any errors in the same.

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