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THE DOLLAR BUSINESS™

INDIA'S ONLY MAGAZINE ON FOREIGN TRADE

EXCLUSIVE INSIDE

CHAUDHARY BIRENDER SINGH
Union Minister of Steel,
Government of India

FRANÇOIS-PHILIPPE CHAMPAGNE
Minister of International Trade,
Canada

DR. MURTAZA KHORAKIWALA
Managing Director, Wockhardt Ltd.

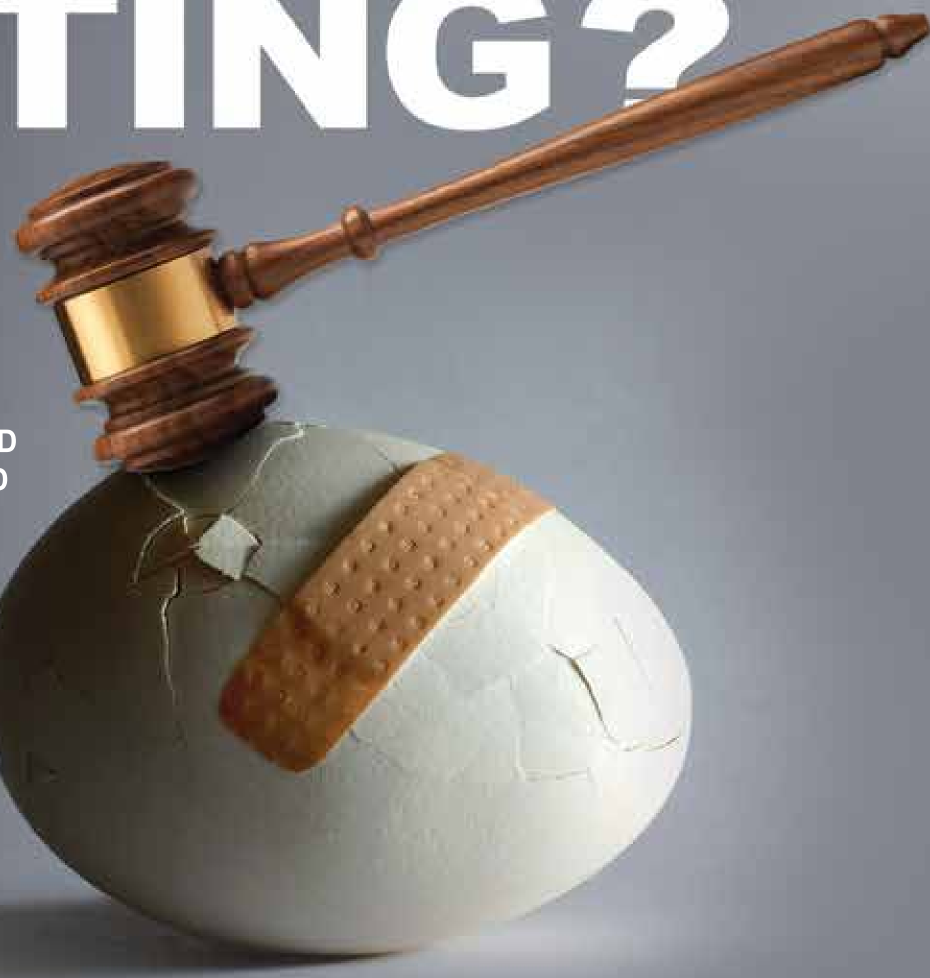
MAHAVIR PRATAP SHARMA
Chairman, CEPC

KEVIN McCOLE
Chief Operating Officer,
UK-India Business Council

...AND MANY MORE!

ANTI-DUMPING LAWS HELPING OR HURTING?

DESPITE HAVING INITIATED THE LARGEST NUMBER OF ANTI-DUMPING MEASURES AMONGST ALL WTO MEMBERS, CRITICS CLAIM THAT THE INDIAN ECONOMY HAS NOT BENEFITTED FROM THE MEASURES. IS INDIA'S ANTI-DUMPING POLICY STRUCTURALLY FLAWED? OR SHOULD A COURSE-CORRECTION BE ADOPTED AT THE EARLIEST?



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Retail Distribution	250 Sq.ft.	INR 11 Lakh	105%	1 Year, 10 Months	5 Years
Academy	1700 sq.ft.	INR 27 lakh	394 %	1 Year 10 Months	5 Years

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A TIME BOMB?

Ever seen bikers on Indian roads, imagining their ride to be a battle wagon from Mad Max and threatening to kiss your vehicle bumpers like daring 'bishops on a chessboard'? Appears, they're sitting on a moving time bomb. The news their dependents don't want to hear; it could be any day.

Indian exports is riding on a similar time bomb.

There is excitement in the air as May begins. News of India's exports having grown at its fastest pace in five years has made the summer air cooler. Developments across industries in the past quarter are signaling to a year that will see India touch the $500 billion mark. Natural rubber exports from India reaching the highest in the past four years; remarkable jump in engineering goods, steel and petroleum products categories; lifting of the ban on bulk exports of major edible oils; India becoming a net exporter of power for the first time; horticulture and Services exports from India out-pacing global growth last year; and many such developments. But the biggest expectation from the year is from the showdown called GST.

A positive change in exports value during a tough year is praiseworthy. Everyone's pleased. But you don't need a foreign trade expert with a freakish understanding of how to deal with a spaghetti bowl of factors to tell you that incentives and subsidies were to a great deal responsible for pushing Indian exports to credible highs in the year gone past.

There is little logic in ignoring warning signs that have started emanating from the WTO camp. Two issues. First, as per the WTO's Agreement on Subsidies and Countervailing Measures, when the share of a developing country (India) in global exports touches 3.25% in any product category for two consecutive years, it has to phase out all export subsidies within eight years. Second, India no longer qualifies for differential treatment, as its GNI per capita has breached the $1,000 mark three years in a row starting 2012. As per TDB Intelligence Unit, there are 27 chapters accounting for about 43% of India's exports value (in CY2016) that no longer qualify for any subsidy. Objections have already started pouring in from Western powers to force the WTO to make India comply. US for instance has objected that India should stop incentivising its garment and textile exports as it has achieved "export competitiveness". That the WTO reflects and reinforces US economic interests is no hidden fact (remember how US struck back with a reverse complaint at WTO about India's solar programme being anti free-trade and won?). Means, India has limited time to give the maximum to its exporters before WTO puts a lid on subsidies that are supporting India's exports. Therefore, why shouldn't it?

GST and a modified FTP are two platforms that policymakers can use to express positive intent. Uncertainly surrounds GST's impact on exports – like discontinuance of duty-free imports, delays in refunds, restrictions on usability of scrips, etc. Similarly, while WTO compliance is important, FTP should be recast in a manner that gives maximum relief to exporters, be it for the short term. With rupee appreciation here to stay, can we ignore the tough weeks to follow for Indian exporters? Simply creating an Export Development Fund with a corpus of about Rs.5,000 crore will do little when currently, Indian exporters need an annual support system that's almost 12 to 15 times that amount.

If we are to avoid making Make in India, UnMake in India, when the WTO bomb explodes, we will have to give up the idea of "domestic self-sufficiency" being Option B.

So what'll 'Option B' be? That answer will decide whether our exports continue to grow in the years to come, just like it did in recent months.

Uncertainly surrounds GST's impact on exports – like discontinuance of duty-free imports, delays in tax refunds that will cause trouble to India's exporters in the MSME sector, restrictions on usability of scrips, etc.

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Contents

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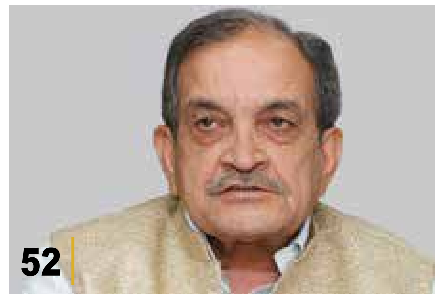

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WE VALUE YOUR FEEDBACK, WHETHER CRITICISM OR APPRECIATION. AND HERE ARE A FEW THAT HIT OUR MAILBOXES IN APRIL 2017

I am from Rosland Capital, a precious metals company that tracks gold, silver as well as currencies. One of the articles published in *The Dollar Business*, titled ‘Yellen hints at Fed rate hike in March’, caught my interest for a new idea. With the Fed planning to reassess its $4.5 trillion portfolio this year, the timing would be perfect for revisiting a few data points I found on this map of global monetary policy while researching how central bank decisions affect investors. I would be happy to send over a chart and outline to summarise some key aspects of the post I had in mind.

ROBERT ELWAY
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I really enjoy reading the e-magazine. *The Dollar Business* website has plenty of data for exporters and importers. I am eagerly looking forward to more information and analyses.

RAM
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ramrathnae@gmail.com

The magazine is highly informative on currently relevant issues related to business within and beyond India. It’s also of great value to management students like me who need to keep themselves updated on the latest developments in international business.

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The April issue of the magazine was a great read. The cover story package on Star Exporters was exciting and inspirational. In fact, contents of your magazine not only cater to my business requirements, but also provide me information that could enable me to explore new avenues. Keep up the good work.

RAMESH AGARWAL
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agarwalexportsindia@gmail.com

I am a subscriber of *The Dollar Business* and have been reading the magazine for the last several months. *The Dollar Business* is indeed a very informative publication and gives information about exports and imports in detail.

DHEERAJ GUPTA
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The magazine offers some really useful information to the Indian exporter-importer community. The stories featured in the magazine are to the point and relevant in today’s international trade environment.

DHRUV LAKRA
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I have been a subscriber of *The Dollar Business* magazine for quite some time now. The magazine offers good data and analyses. I would like to read more on shipping industry. A regular feature on facilities available at existing and upcoming ports in our country will be of great help for exporters and importers. Hope to see some great insights on the subject in the near future.

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The magazine offers some good insights into the world of exports and imports. Look forward to reading future issues of *The Dollar Business*.

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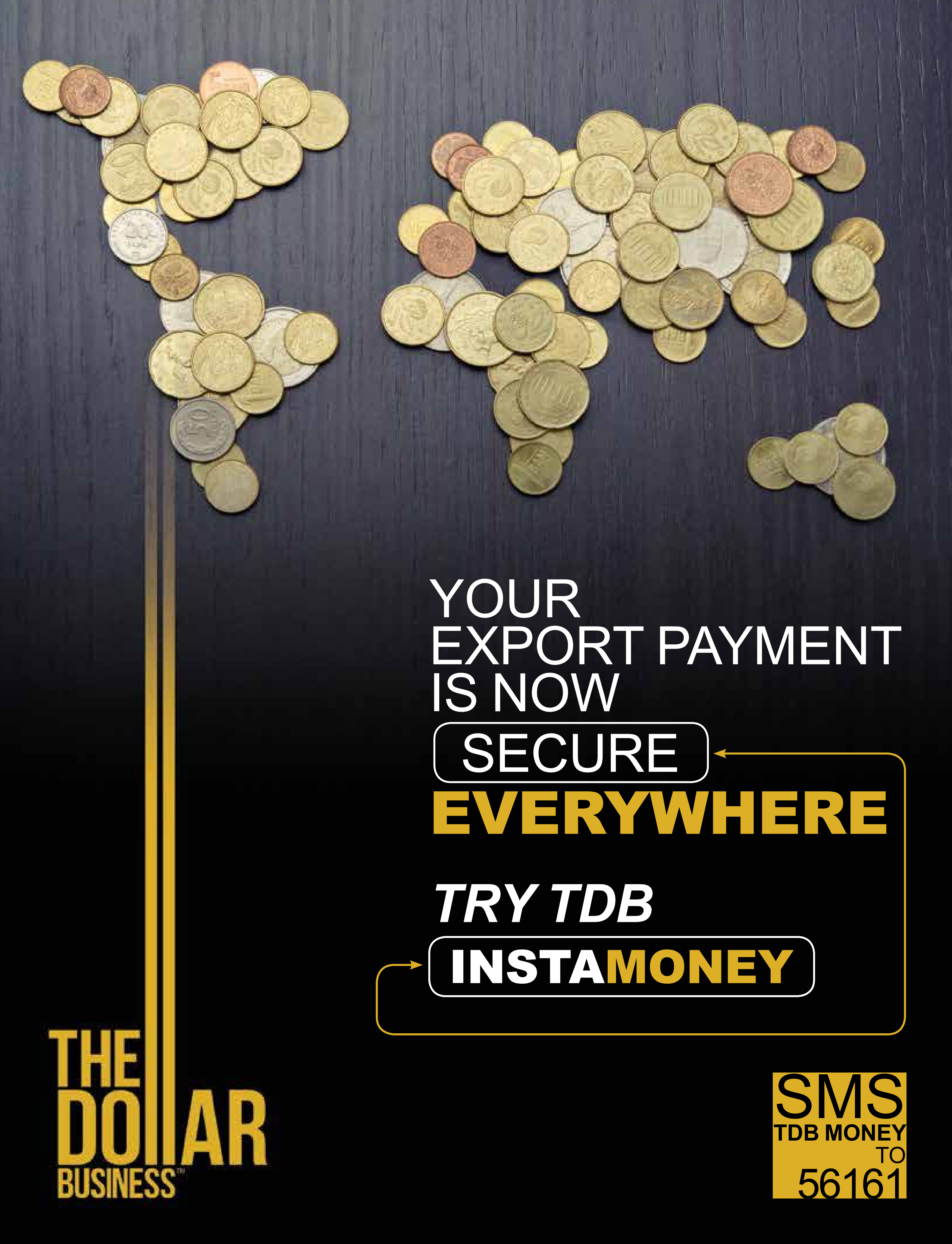
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We have continued to consolidate past success and identify new areas where we can work together over the next couple of years, preparing for the point where Britain leaves the EU and is able to engage with Indian colleagues in a deep discussion about a future FTA between the UK and India.

PHILIP HAMMOND

UK CHANCELLOR OF THE EXCHEQUER

On UK-India relations post-Brexit

Source: PTI

It is possible for the luxury industry to promote products of artisans…They need recognition and this industry today is well poised to bridge the gap between artisans and the market.

NIRMALA SITHARAMAN

INDIAN COMMERCE AND INDUSTRY MINISTER

On promoting India-made luxury goods across international markets

Source: PTI

Modi and I want the matter to be resolved and we have a great economic relationship and it's getting stronger all the time. It will grow, whether or not there is a free-trade agreement, but it would obviously be enhanced if there was.

MALCOLM TURNBULL

AUSTRALIAN PRIME MINISTER

On the importance of an India-Australia FTA

Source: IANS

Any trade clash between the United States and Europe would be dangerous not only for our economies, but also for the rules that govern globalisation.

CARLO CALENDA

ITALIAN MINISTER OF ECONOMIC DEVELOPMENT

On the future of Europe-US relations

Source: Reuters

I think our dollar is getting too strong, and partially that's my fault because people have confidence in me.

DONALD TRUMP

PRESIDENT, UNITED STATES OF AMERICA

On strengthening of the dollar

Source: The Wall Street Journal

The good news is that, after six years of disappointing growth, the world economy is gaining momentum as a cyclical recovery holds out the promise of more jobs, higher incomes and greater prosperity going forward.

CHRISTINE LAGARDE

MANAGING DIRECTOR, INTERNATIONAL MONETARY FUND

On the state of the global economy

Source: Reuters

TURKEY-RUSSIA

TRADE DISPUTE

A stiff Turkey?

Relationship between Turkey and Russia became more strained after Turkey imposed stiff tariffs on imports of Russian grains, which include wheat, corn and maize. Even as Ankara denied reports of a ban, it was claimed that Turkey had removed Russia from the list of countries that enjoy zero customs duties. This means that Russian grains will now face a prohibitive 130% duty while entering Turkey, making its imports unprofitable and unfeasible.

Turkey being the second-largest buyer of Russian wheat, the trade disruption has not only added pressure to Russian grain market but has also upset Turkish millers who are now purchasing grain from EU and Black Sea countries to cover their short-term needs.

Moscow-Ankara ties have been strained since late 2015 when Turkey shot down a Russian airplane in Syria prompting Russia to impose a damaging food import ban on Turkey. The relations started to thaw in August 2016 as Moscow lifted restrictions on import of Turkish onions, cauliflower, broccoli and salt. But the trade sentiment soured again as a Russian ban on several Turkish fruits and vegetables came in force. Meanwhile, accusing Turkey of violating global trade standards, Russia has been saying that it will not lift its current import ban on Turkish poultry, frozen meat as well as tomatoes, cucumbers, grapes, apples and pears. It's worth mentioning that Turkey is the fifth-largest importer of Russian goods and one of the biggest buyers of Russian grains. The sides have much to lose if relations don't improve soon.

CHINA-UK

FIRST FREIGHT TRAIN

Reviving the Silk Route

Heralding the dawn of a new commercial era between UK and China and reviving the ancient Silk Road route, the first-ever UK to China freight train started its journey in the first week of April. Loaded with British goods including whisky, soft drinks, vitamins and baby products, the 32-container train will take three weeks and cover 7,500 miles, travelling across France, Belgium, Germany, Poland, Russia and Kazakhstan before it reaches China. Cheaper than air freight and faster than sea cargo, the freight service offers an optimum solution to logistics companies and is likely to be a harbinger of new trade opportunities.

US-CAMBODIA

BREAST MILK EXPORTS

No baby's play

Putting a complete end to a controversial trade, Cambodia banned the export of human breast milk – a move that is welcomed by the UNICEF. The order came after Cambodia temporarily halted exports of breast milk to a US-based company Ambrosia Labs. The company had been buying milk from 90 Cambodian women and selling it to mothers in US. While UNICEF hailed the Cambodian government's decision saying the practice of selling breast milk was exploitative, the company has defended the practice stating that its business provided income to needy Cambodian women besides helping mothers in US.

INDONESIA-FREEPORT

COPPER CONCENTRATE EXPORTS

A stitch in time

After prolonged negotiations and open conflict, the long-running dispute between mining giant Freeport McMoRan and Indonesian government appears to have reached an end. At least for now, as Jakarta allows the miner to temporarily resume copper concentrates exports from Grasberg, the world's richest copper mine. With losses mounting to millions of dollars on both the sides, Freeport and the Energy and Mineral Resources Ministry of Indonesia negotiated a deal and resolve the dispute over the future of this mine. The company has been pe rmitted to ship 1.1 million metric tonnes of copper concentrate till October 2017.

WTO, IMF AND WORLD BANK

FREE GLOBAL TRADE

A clarion call

Amid growing concern over US President Donald Trump's protectionist trade stance, a report by World Trade Organisation (WTO), International Monetary Fund (IMF) and World Bank defended free trade against the protectionist agenda, saying an "open trading system based on strong, well-enforced rules" was critical for the world's prosperity. In a joint report, the trio also asked governments across the globe to address the negative effects of free trade, such as job losses in the importing country. The report pointed out that the impact of open trade across borders has left too many individuals and communities behind. In addition, the report emphasised the role of trade in a global economy saying "it is at a critical juncture". It must be recalled that WTO had recently forecast the growth of global trade to be at 2.4% in 2017, slightly higher than that in 2016. The report by these three influential global institutions urged policy-makers to defend the current rules of global trade.

ISRAEL-EU

GAS TRADE

Aiming for the sea

With an aim to pump natural gas from Eastern Mediterranean to EU markets, Israel and several EU nations have agreed to move ahead with the world's longest undersea gas pipeline. By signing the preliminary agreement with Cyprus, Italy and Greece, Israel signalled its ambitions to export natural gas to European markets. Stretching more than 2,200 km across the bed of Mediterranean Sea, the $6-7-billion mega pipeline project aims to link offshore gas fields of Israel and Cyprus to Greece and Italy. If reports are to be believed, more than 900 billion cubic meters of gas has been discovered around the Israeli coast. And if carried out as planned, the pipeline project would reduce EU's dependence on Russian and Turkish energy supplies while changing the energy geopolitics of the region. Eyeing to become a leading gas exporter, Israel is also looking at options to export gas to Jordan, Egypt and Turkey, countries with which Israel has had a strained history.

ELECTRICITY TRADE

NET EXPORTER

A power-packed performance

The country's power sector underlined a turnaround story as India for the first time became a net exporter of electricity during the recently-ended fiscal year. With a total of 5,798 million units exported to Bangladesh, Nepal and Myanmar, India's electricity export during April 2016-February 2017 surpassed the import of about 5,585 million units from Bhutan, data from Central Electricity Authority, the designated authority for Cross Border Trade of Electricity showed. Ever since the cross-border trade of electricity started in 1980s, India has been a net importer sourcing 5,000-5,500 million units from Bhutan, much higher than the electricity supplied to Nepal. However, exports to Nepal and Bangladesh grew 2.5 and 2.8 times respectively, in last three years. Well, a few more cross-border links are in the pipeline, which could further boost electricity exports.

ONION EXPORT

MEIS EXTENSION

Yet another lease of life

Bringing tears of joy for onion growers, the government extended benefit under Merchandise Exports from India Scheme (MEIS) for onion exports for the second time. The three-month extension (till June 30, 2017) – of 5% reward under MEIS – has been welcomed by both farmers and exporters of onions. The second extension is expected to arrest the sharp decline in onion prices and encourage outbound shipments. For the uninitiated, the government had introduced a 5% reward under MEIS for exports of onions in August 2016. The benefit was valid till December 31, 2016, which was further extended till March 31, 2017. Faced with a steep fall in prices on the expectations of bumper output, onion growers and exporters were demanding that the government extend the MEIS benefit. Interestingly, onion exports tripled in FY2017, following the government's decision to incentivise onion exports in August last year.

INDIA-BANGLADESH

DIESEL EXPORT

A gesture of goodwill

With an aim to boost energy trade with its eastern neighbour, India formally commenced the commercial supply of high-speed diesel (HSD) to Bangladesh. Prime Minister Narendra Modi and his Bangladeshi counterpart Sheikh Hasina flagged off a goodwill rail rake consignment of 2,200 metric tonne of HSD from Siliguri Marketing Terminal of Numaligarh Refinery Ltd. to Parbatipur storage depot of Bangladesh Petroleum Corporation. It must be noted that the consignment is being seen as India's symbolic gesture of friendship to strengthen ties with its neighbour. India will also build pipelines to carry diesel and natural gas to Bangladesh, to give a long life to their strong relationship. Until then, HSD will be moved through rail route. As part of the Framework of Understanding on cooperation in hydrocarbon sector with Bangladesh, a 131-km pipeline will be laid from Siliguri in West Bengal to Parbatipur in northern Bangladesh to transport HSD.

NEXT MONTH'S *topics*

A NEVER BEFORE, NEVER AGAIN SNEAK PEEK...

UNVEILING
THE DOLLAR BUSINESS
JUNE 2017 ISSUE

COVER FEATURE

GST CATALYST OR DETERRENT FOR INDIA'S EXPORTS?

THE NEW TAXATION REGIME, POPULARLY CALLED GST, IS EXPECTED TO THROW UP QUITE A FEW SURPRISES FOR INDIA'S EXPORTS COMMUNITY. *THE DOLLAR BUSINESS* ANALYSES THE IMPACT OF THE NEW TAX SYSTEM ON MSMEs AND LARGE CORPORATIONS ALIKE, THOSE WHICH DEFINE THE CONTOURS OF INDIA'S FOREIGN TRADE.

RENDEZVOUS

Mansukh Lal Mandaviya

Minister of State for Road Transport, Highways and Shipping, GoI, reveals the road ahead for his Ministry.

SECRET INGREDIENT

Leather Shoes

India is one of the leading exporters of leather shoes. What makes this product a bestseller in overseas markets?

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INDIA-SRI LANKA

LOCOMOTIVE EXPORTS

On the right track

Having bagged its largest export order, Indian Railways will be supplying train sets and locomotives to Sri Lanka Railways. Rail India Technical and Economic Service (RITES), the engineering and consultancy arm of Indian Railways, has secured an order worth Rs.680 crore for exporting six diesel multiple units (DMU) train sets and 10 broad gauge diesel locomotives to the island nation over a period of two years. Equipped with state-of-the-art technology, the train sets and locomotives will be manufactured in Varanasi and Chennai. RITES' connection with Sri Lanka isn't new. It had earlier shipped 20 DMU train sets and three locomotives to Sri Lanka and had also provided expertise for setting up railway maintenance facilities. In addition, RITES has been actively pursuing exports of passenger coaches to Bangladesh Railways from its Kapurthala factory.

DIVI'S LABS-USFDA

IMPORT ALERT

Small mercies, big boost

There was some respite in store for the Hyderabad-based drug maker Divi's Laboratories after US Food & Drug Administration (USFDA), in early April, exempted some more products manufactured at its Vishakhapatnam plant from the alert list issued under clauses 66-40 and 99-32 of the FDA regulations in March. The company manufactures active pharmaceuticals ingredients (APIs), intermediates for generics and advanced intermediates for discovery compounds for pharma giants. Issuing the import alert, the US health regulator on March 20 had banned the company's production unit-II at Vishakhapatnam, citing violation of manufacturing norms and data integrity issues. USFDA had however exempted 10 products manufactured at the facility from the import alert list. According to the USFDA website, an import alert under clauses 66-40 entails "detention without physical examination" of drugs from facilities which have not met good manufacturing practices (GMPs), and an alert under 99-32 is issued to "firms refusing FDA foreign establishment inspection". Following the US action, several analysts had downgraded Divi's stocks to 'sell', causing the stock to tank to a 52 week low. However, the latest exemption has provided some relief to the drug manufacturer. The stock market also reacted favourably to the exemption.

TRADE FAIR

GLOBAL EXHIBITION ON SERVICES

Expanding horizons

That India is a giant in services sector does not need to be retold. To keep the momentum going and expand its services basket CII and SEPC jointly mounted the Global Exhibition on Services (GES) at India Expo Centre & Mart in Greater Noida, from April 17 to 20, 2017. Inaugurating the exhibition and emphasising on opportunities that services can provide, President Pranab Mukherjee said, "A country which can place 104 satellites in space from a single launch vehicle, provide successful medical surgeries at a fraction of the cost in advanced nations, win global awards for creativity in advertising, and emerge as the largest film producer in the world, has the potential to offer immense value to international services consumers across a spectrum of areas." In line with his speech, this year focus sectors in the exhibition included logistics, healthcare, foreign trade, hospitality, education. etc. Over the years, GES has emerged as a global platform for increasing trade in services, enhancing strategic cooperation and strengthening multilateral relationships amongst services industry stakeholders.

ANTI-DUMPING DUTIES BOON OR BANE?

India holds the distinction of initiating the largest number of anti-dumping cases amongst all WTO members. Under WTO regulations, anti-dumping measures are usually taken to protect the domestic industry. However, critics argue that India has been mostly interpreting and applying the law to protect vested interests and negate competition. And that by initiating an ever-increasing number of anti-dumping cases, the country is hurting its downstream industries and in turn competitiveness. Is it time to review and fine-tune India's approach towards anti-dumping measures?

TDB INTELLIGENCE UNIT

If you've been closely following trends in foreign trade in recent years, you would have noticed that anti-dumping initiations (and impositions) across many countries have been on the rise. Dig into some numbers and research and you'll realise that India has been leading the way in this regard! Nothing surprising, you'd reckon. For this is a clear sign of how countries are trying to protect their domestic industry. And India is supposed to be no different.

What surprised us though was when one of our readers (who happens to be an importer of jute bags) told a senior researcher at TDB Intelligence Unit (during an educational workshop conducted by TDB at Chennai), that he desires and has decided to continue importing jute bags from Bangladesh even after the imposition of anti-dumping duty by India on imports of jute and its products from Bangladesh and Nepal. We were intrigued by his seemingly carefully thought out intent. It got us curious about anti-dumping measures initiated and enacted by India so far. Were these measures actually protecting the domestic industries or adversely affecting the competitiveness of our finished products? And were India's anti-dumping laws, knowingly or unknowingly, favouring the big manufacturers at the cost of the smaller ones, those you'd popularly term MSMEs? We needed answers, and thought our readers would do well with a good dose on anti-dumping initiations.

THE ORIGIN

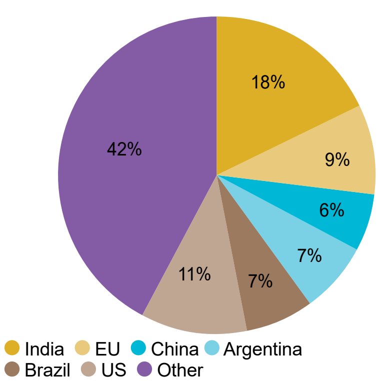
The word 'dump' is over 700 years old. It is said to have been derived from a Danish word called '*dumpe*', which means 'to throw down in a large mass'. But it wasn't until the 1930s that the word 'dump' was used in a business sense. Today, WTO defines the word 'dumping' as "a situation of international price discrimination, where the price of a product when sold in the importing country is less than the price of that product in the market of the exporting country."

The act of dumping is said to be the result of industrialisation, which was pioneered by the western nations. And so, it's not surprising to discover that the western countries were also the first to add the prefix 'anti' to the word 'dumping'. Canada was the first country to take anti-dumping measures (in 1904), against American steel companies that were dumping steel at a discriminatory price. And soon, the practice of using anti-dumping duties (ADDs) as a way to protect domestic industries was adopted by other countries including Australia, UK, New Zealand and more. However, anti-dumping laws were formalised across WTO members only under Article VI of GATT in 1994. This article explicitly "authorises the imposition of a specific ADD on imports from a particular source, in excess of bound rates, in

Canada was the first country to use anti-dumping measures, in 1904, against American steel companies that were dumping steel at a discriminatory price into Canada.

Anti-dumping duties (ADD) imposed by WTO members

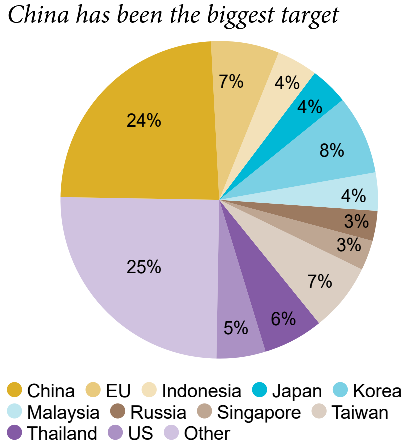
India is the world's largest user of ADD



Source: TDB Intelligence Unit & WTO; break-up till June 2016

India's anti-dumping investigations against various countries

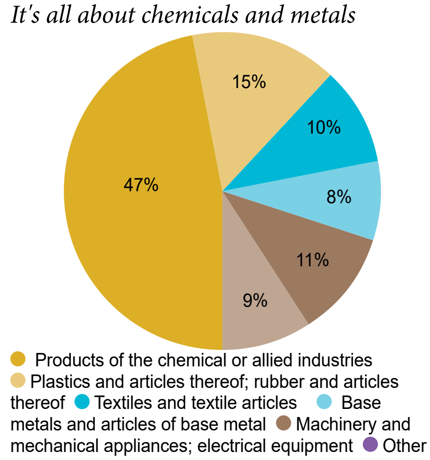
China has been the biggest target



Source: TDB Intelligence Unit & WTO; break-up till June 2016

Sector-wise anti-dumping duties imposed by India

It's all about chemicals and metals



Source: TDB Intelligence Unit & WTO; break-up till June 2016

"THE ANTI-DUMPING LAW IS SKEWED IN FAVOUR OF LARGE COMPANIES"

ARADHNA AGGARWAL, PROFESSOR, INDIAN STUDIES, DEPARTMENT OF INTERNATIONAL ECONOMICS AND MANAGEMENT, COPENHAGEN BUSINESS SCHOOL, DENMARK

TDB: **The nature of India's foreign trade has changed a lot since the country initiated anti-dumping measures in the 1990s. Is there a need to fine tune our anti-dumping law?**
Aradhna Aggarwal (AA): India's anti-dumping law is quite on par with the WTO Anti-Dumping Agreement, except for the finer nuances that some countries have introduced. But, you cannot change the law according to the business dynamics. There are various specifications and provisions and your law has to be compatible with the WTO framework. And, even if India makes the technicalities clear and incorporates some clear models in the decision-making system, the law remains ambiguous at the international level. Many countries, such as US, pick and choose the way they interpret the law. And for the record, even American anti-dumping law has its share of problems. I have also previously argued that India can consider a better methodology for calculating injury margin.

TDB: **Critics believe that the Indian anti-dumping law leans more towards the larger companies. Your take?**
AA: The process is complicated. It requires lawyers who understand the process and the cost involved is very high. This is the reason why only large firms tend to file the petitions. And there are studies which have proven that it's mostly the large companies who have initiated the cases. I agree that the small businesses do suffer because they do not have the competencies and resources. But in the 2000s, the Indian government tried to involve small manufacturers and traders while initiating a case against Chinese toy manufacturers as Chinese toys were killing the entire domestic toy industry. However, the problem was that the industry was unorganised, and no one took the lead. The Ministry of Commerce initiated the case *suo moto*, but because of the lack of evidence it could not proceed. So, the current law isn't the right tool for small companies.

TDB: **Now that you agree that it's the larger companies that have the upper hand in India when it comes to anti-dumping law, what's the situation in other countries?**
AA: The law is surely skewed and it favours the large companies. As per the law, the application should come from firms that constitute 25% of the industry. And if you look at large companies, some of them constitute 25% of the industry. And in this case, one company alone can file a petition. But to answer your question, there are countries where industry associations file the petitions instead of individual companies – for instance in Latin America. And this is an easier approach because the associations have both money and enough members. But for this to be achieved in India, the right tools have to be provided – the most important of which is education.

TDB: **Most of the anti-dumping measures that India have taken are against the developing countries. Do you think these cases have benefited the country?**
AA: Well, most of the anti-dumping cases are against the developing countries because of China's presence. And this is what I have been critiquing about India. It is not about the law, but it's about how and where we use the law to benefit a larger section of the industry without causing any damage to the allied industries. This is where the government needs to focus. Even in the past, I have critiqued that India keeps on initiating cases that have very little impact. The impact is not on the wider section of the industry. It has become more firm-oriented. India must take cases which actually matter to the entire country. The law cannot be changed, but the use can be more prudent. Remember that the tool is ambiguous and the ambiguity is very important in decision-making. It is these ambiguities which have enabled many countries to be more prudent. Take EU for example. They have a large staff and they use the tool only where it hits the hardest. India should be wiser.

TDB: **Also, is it true that the WTO anti-dumping law is biased towards the developed nations?**
AA: Yes, the WTO rules are highly biased in favour of the developed nations. I have written a paper where I have shown that not many developing countries can use anti-dumping measures. I have argued that the tool is complicated and the developing countries do not have the legal expertise. Well, India is the most developed nation among all the developing countries, but even India doesn't have the expertise in taking up CVD measures. In the past, many developing countries have suggested numerous things, but since the Doha round never took place, nothing has happened.

TDB: **If India were to look up to a country, would you have a name to suggest?**
AA: I think India can learn a lot from the developed countries – like how they use the law, cleverly manipulate things in their favour and help their industries. In a way, what they say is not what they do while India follows what they say and not what they do. This is where the difference is as India is always listening to what they say. Actually, we can also learn a lot from China too. They have never followed or copied anybody. They have done what is best suited to them. TDB

cases where dumping causes or threatens injury to a domestic industry, or materially retards the establishment of a domestic industry."

While it may seem strange that WTO – the body that is supposed to promote free trade – is also the body that formalised anti-dumping, by 1995, it was evident that free trade in certain cases was hurting the domestic industry in many countries. So far so good. The problems with the WTO structure of anti-dumping though started unravelling when members started interpreting the laws to suit their domestic industry.

SORE THUMB

As dumping is said to occur when the goods are exported by a country to another country at a price lower than its normal value, the whole procedure of arriving at what should ideally constitute the 'normal value' is a bone of contention among different firms and countries, with each contesting the other's version.

Going by Article VI of GATT 1994, an anti-dumping process can be initiated (by the importing country) in case the price of the product from the exporting country is less than the comparable price of such product, when destined for consumption in the domestic market of the exporting country. In the absence of such domestic price, either the highest comparable price for the like product for export to any third country in the ordinary course of trade or the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit is taken.

This definition presents enough scope for concerned stakeholders to hold diverging opinions on what should ideally be termed 'comparable price' or 'product under consideration' or 'like article', among various other aspects relating to the determination of 'individual margins for exporters or producers'. And that is the reason why a number of anti-dumping investigations around the world have seen countries and firms up in arms against one another on these counts. But before we get into the problems of how these interpretations are hurting free trade, let us look at the scenario in India.

INDIA & ANTI-DUMPING

It was in 1992 that India imposed the first anti-dumping duty – on imports of PVC resin originating from Argentina, Brazil, Mexico, South Korea and US. Interestingly, even before 1992, India had an anti-dumping clause mentioned in the Customs Tariff Act, 1975 (Section 9A Anti-dumping duty on dumped articles – The Customs Tariff Act, 1975). So why didn't India initiate any case before 1992?

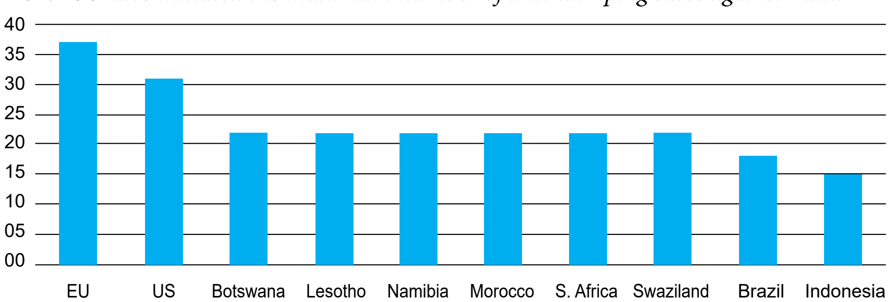
Experts hold that India already had a highly protectionist trade regime, right from its independence till 1991. Prakash Narayanan, Director - Contracts & Legal Services at Bombardier, in his book, 'Anti-dumping in India – Present State and Future Prospects,' mentions, "Combined with restrictive licensing and quantitative restrictions, there was no need for anti-dumping. On the customs tariff side, the import-weighted average tariff for all imports was as high as 87%, for consumer goods as high as 153% and for manufactured goods 92%."

According to Directorate General of Anti-Dumping and Allied Duties (DGAD) annual report, between 1992 and 1995, India initiated only nine anti-dumping cases. But in 1995, coinciding with the creation of WTO, India amended Section 9A and the Centre was given power to impose ADDs when it deemed necessary. And ever since, India has initiated 818 anti-dumping cases – the most by any country!

Dr. Biswajit Dhar, Member, Board of Trade, Ministry of Commerce, GoI, explains, "India has been labelled as the largest user of anti-dumping law and criticised for misusing the law. But look at the economic environment in India. Import tariffs in India are relatively higher than that of its peers. And as there is less scope for increasing tariffs, India has been compelled to levy more dumping duties than other developing countries

Countries with maximum number of anti-dumping cases against India

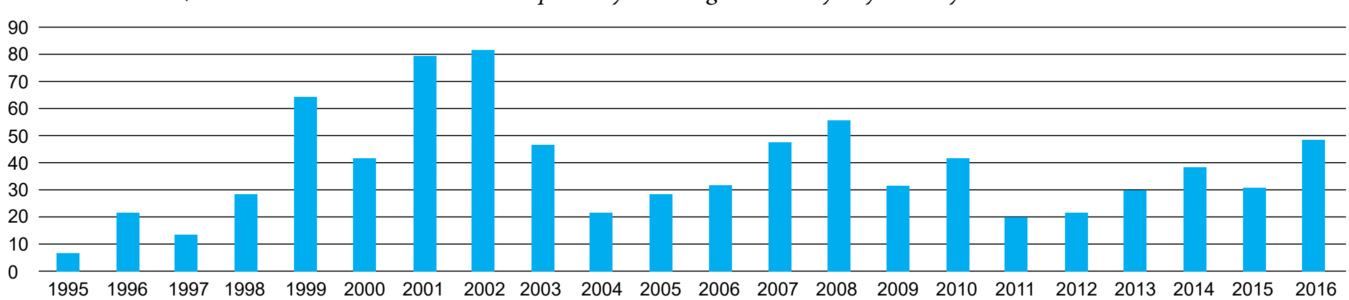
EU & US have initiated the maximum number of anti-dumping cases against India



Source: TDB Intelligence Unit & WTO; break-up till June 2016

Anti-dumping cases initiated by India over the years

In 2001 and 2002, India initiated 79 and 81 cases respectively – the highest ever by any country



Source: TDB Intelligence Unit & WTO; till June 2016

"GOVERNMENT SHOULD IMPROVE ITS COMMERCIAL INTELLIGENCE"

DR. BISWAJIT DHAR, MEMBER, BOARD OF TRADE, MINISTRY OF COMMERCE, GOVT. OF INDIA

TDB: Why do you think India has initiated more anti-dumping cases than any other developing country?

Biswajit Dhar (BD): The import tariffs in India are relatively higher than that of its peers. The average import tariff is around 9%, which is higher than the ASEAN nations and other developing countries. In addition, there are some product lines on which tariffs are way higher than the average. So, the scope for higher tariffs is low. In the current scenario, you can protect domestic players either through imposing tariffs or through some non-tariff barriers. And, you can see, we are moving away from tariffs to non-tariff barriers. So anti-dumping duty (ADD) is the alternative. And the exporting countries know that even with a dumping duty, there is a lot to gain in India. So, speaking about sectors like steel, eyes are on India because it's a growing market that companies find attractive despite ADD.

Another key factor that I see is the lack of preparedness among domestic manufacturers. The domestic players are not ready to accept the reality that they need to be competitive. So, there are instances when the domestic producers complain about dumping, when in reality the problem is inefficiency.

TDB: How do you look at India's approach and track-record of implementing the anti-dumping laws?

BD: I think one country which has been targeted by us quite frequently is China. China, for that matter, remains the bugbear not only for India but for other countries too. We have had a couple of cases with Bangladesh – the anti-dumping duty on the automotive lead acid battery imports and the recent one being the anti-dumping duty on jute.

On one hand, I think, we should give a longer rope to the least developed countries (LDCs). When we imposed anti-dumping duty on Bangladesh, on the imports of automotive lead acid batteries, Bangladesh went to WTO to lodge a dispute – which was first-of-its-kind. So, that instance became a sort of a sore thumb between the two countries. On the other hand, the government should look at initiating anti-dumping in some sectors like agriculture. The price at which some of the European countries and US are exporting some agricultural products is actually dumping. They sell well below the cost price with the help of huge subsidies – for instance, we have been importing fruits at a very low price from developed countries.

We need to be alert. We also need to have better commercial intelligence before we decide on policy matters. However, there is a problem with the agriculture sector as it is not organised. The farmers hardly come forward to complain against dumping. So, I feel agriculture is a gray area for India.

TDB: During the investigations, how difficult is the process to ascertain various factors such as 'country of origin', 'like article,' and determination of 'individual margins for exporters/producers'?

BD: Identifying the country of origin of a particular product has become quite difficult as sometimes some countries intentionally change the name of the country of origin. In case of free trade agreements, there is a specific provision for rules of origin. But WTO has not achieved an agreement on the concept of rules of origin. The countries which are the immediate source of the product may not be the source of dumping – the reality could be something else.

For example, in case of electronic goods that are being imported from South-East Asian countries, the major components come from China. But who knows, those countries could be simply assembling the parts that are being imported from China and exporting. So, the key target for the anti-dumping investigation should be the Chinese company, not the South-East Asian countries.

TDB: Because of a heavy legal cost involved in filing a petition, many argue that MSMEs are put at a disadvantage. What's the solution in your opinion?

BD: I think the government can think of introducing a facilitation mechanism for the MSMEs. For instance, there are certain organisations under WTO that provide support to the developing countries and LDCs, looking to initiate a dispute. We can look at something similar for MSMEs. Unless we introduce a platform for MSMEs, they will always be at a disadvantage.

TDB: How do you compare India's use of anti-dumping law as against western countries? And would you agree that India has become a protectionist?

BD: I think the developed countries are much more adept when it comes to using anti-dumping law. They have the expertise, and on top the relationship between the industry and the government is active which is why their trade policies are driven according to the industry's interest. Whereas in India, the policy formulations are based on top-down method, while in the west the strategy is bottom-up.

And yes, anti-dumping duty is a kind of protection – a contingent protection. Hence, I would say all cases of anti-dumping are not fair. Some cases are the outcome of the lack of preparedness of various industries and their inability to face competition. They feel that the anti-dumping route is an easy option to thwart the competition. TDB to safeguard the interests of its domestic industry."

On the other hand, only 208 anti-dumping cases have been filed against India. However, there are 1,170 cases against China, followed by 384 cases against Korea and 273 against US.

According to many economists though, India has not benefitted from the 818 ADDs it has initiated and the 599 that it has imposed – whereas other countries have immensely benefitted from their carefully selection impositions of ADDs. Rather, India has earned the name of a protectionist state. But has India really turned into a protectionist state, as accused?

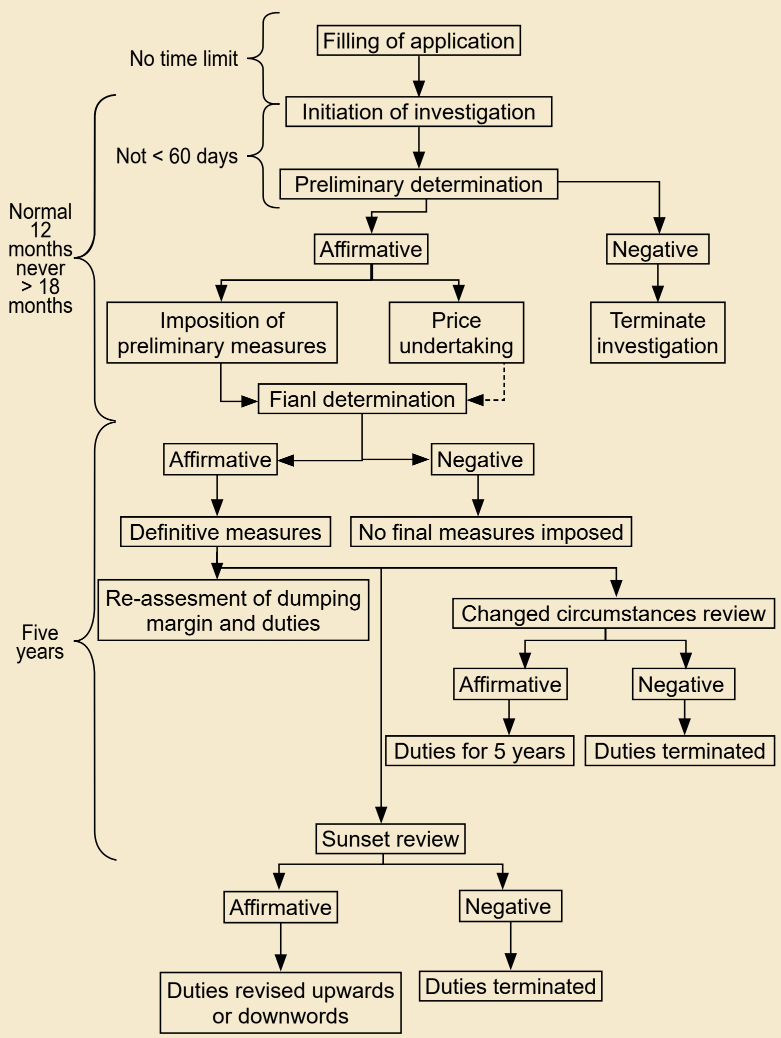
PROTECTIONISM

By definition, WTO anti-dumping agreement is aimed at protecting domestic industries. But US, EU, China and a few other countries have of late, accused India of misusing the anti-dumping agreement. In a report titled, 'Trends and Impacts of India's Anti-dumping Enforcement', Robert M. Feinberg of the US International Trade Commission, reveals that "India has filed roughly 20% of all global anti-dumping cases, quite disproportionate to its share of global imports of 2%." The numbers indicate protectionist tendencies, and M. S. Pothal of M. S. Pothal & Associates, a Delhi-based law firm agrees to some extent. He says, "Protectionism exists everywhere, but one reason why India has filed the highest number of anti-dumping cases is because other developing countries aren't aware of the process. But they will catch up soon. And, yes, anti-dumping is a form of protectionism and India is protectionist in that sense."

While that may be true, a large number of cases may be an indicator of a deeper malaise – that India doesn't have the commercial intelligence or the expertise to take other remedial measures like imposition of countervailing duties which is applicable on subsidised imports. India has also tried using local content requirements (LCRs) regulations to help the domestic industry, specifically in the case of solar module installations to thwart solar panel imports from US. US had initiated a dispute in 2013 at WTO because it considered that India's domestic content requirements were inconsistent with WTO rules that prohibit discrimination against imported products. In September 2016, India lost its appeal at WTO having failed to overturn the US complaint that India had discriminated against importers in the Indian solar power sector. This gives credence to the criticism that India lacks the expertise that developed nations have when it comes to protecting the domestic industry while being compliant with WTO norms.

Experts also believe that India, as an economy, has not been able to benefit from the large number of anti-dumping measures that it has taken, primarily because the present methodology for initiating anti-dumping measures favour the big firms and not the industry as a whole. Aradhna Aggarwal, Professor of Indian Studies, Department of International Economics and Management, Copenhagen Business School, says, "Despite initiating a large number of cases, India has not benefited from them. ADD has become a firm-oriented movement. Perhaps, India needs to be more careful while selecting cases."

PROCESS FLOW CHART FOR ENACTING ANTI-DUMPING MEASURES



FAVOURED TREATMENT

Is it then true that India's anti-dumping law tilts in favour of larger companies? Well, that is the case in India and across

"ANTI-DUMPING DUTY ON JUTE IMPORT HAS RESULTED IN A PRICE HIKE"

MANISH KAJARIA, CHAIRMAN, JUTE PRODUCTS DEVELOPMENT AND EXPORT PROMOTION COUNCIL

TDB: Are countries like Bangladesh and China a threat to our domestic jute market?

Manish Kajaria (MK): China impacts the domestic market, but not directly. China does not produce jute, so the country is not a threat to natural products. They have many other alternatives products that replace jute. But since India also uses many Chinese products, the alternative ones, China has an indirect impact on India. As for Bangladesh, it is no longer a threat because the government has imposed anti-dumping duty – which is an advantage as well as a disadvantage.

TDB: There has been criticism that the dumping duty, rather than protecting the domestic industry is actually harming its long term prospects. What is your take?

MK: The anti-dumping duty has introduced a monopolistic approach in the jute industry. The reason being, in India there are only about 30-40 jute mills. And in a situation like this, the dumping duty inflates the prices of raw materials. The government thinks that it is good to impose dumping duty to protect the domestic industry, but that has not been the impact.

India does not have enough land to grow jute and by imposing anti-dumping duty, enormous pricing power has been handed over to those 30-40 players in the industry. And these few players want to have all the power in their hands – thus the anti-dumping duty.

But, what's the result? The prices have gone up. And who suffers? It's the traders who are being hit. Only a handful of manufacturers reap the benefits. Allowing imports of jute from other countries had introduced a sense of competition among traders and manufacturers. But now that the anti-dumping duty has been imposed, they (the manufacturers) will comfortably sit at a round table and make price decisions. Let me tell you that since the imposition of anti-dumping duty in January 2017, the price of jute has already gone up 15%.

TDB: Would you agree to the idea that all stakeholders must be a part of the decision making? Must the government consider public interest before imposing dumping duty?

MK: It depends on who you call a stakeholder. If you call manufacturers the stakeholders, then they do get a say. But if you want to include traders, their voice is still not heard. Today, there are more than 1,000 jute traders who are not even listed. Forget about a one-on-one meeting with the government, they are not even given an opportunity to voice their opinions or concerns. The current practice is not fair.

But with that said, maybe the anti-dumping duty will result in something positive in the long run – provided more land is demarked to grow jute and farmers are assisted through various schemes. And then when we have enough raw material the scenario will be different. In that environment, the government can protect the domestic market from unscrupulous traders who bring jute from Bangladesh.

TDB: Do you think the government should consider a clause for the downstream sector?

MK: The government must look at the number of people involved – such as manufacturers, traders, suppliers, etc. Because if it can bring people from all parts of the industry, not only will the decisions have a positive impact but will also benefit all. Also, the possibility of changing the current situation will be higher. And by considering the downstream industries in the decision making, the government will see the real picture. TDB

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the globe due to the WTO framework under which anti-dumping laws are enacted. "WTO anti-dumping laws are skewed and favour only the large companies," says Aggarwal while adding that, "As per the law, the application should come from firms that constitute 25% of the industry. And if you take Reliance Industries as an example, as a big player it may have already cornered around 25% of a particular industry!"

What happens then to the remaining 75% of the industry or the larger whole? The small-scale enterprises bear the maximum brunt. Aggarwal points out that except for a few, most countries impose ADDs even when it is not in the interest of the industry as a whole. And when we speak about a country like India, which has a large number of companies in the unorganised sector, it becomes a difficult task for the remaining 75% to come together and form a group that can table their views at DGAD.

Aggarwal further adds, "In some countries, instead of individual companies filing the anti-dumping petition, it's the industry associations that file the petition. But for such practices to become active in India, the associations have to be educated first. In many countries, the associations are trained and equipped with the right tools to deal with the legalities and technicalities of anti-dumping."

As per the current setup, DGAD measures the injury to the domestic industries either by volume (effect on demand, consumption, capacity utilisation, product, sales and inventories) or by price (effect on profits cash flow, return on investment, selling price and employment and wages). A pertinent question – how can the injury be measured precisely if 75% of the industry has no representation in the process? Pothal (of M. S. Pothal & Associates) too agrees that the current system needs a revamp as it favours larger players.

The jute industry is an apt example of what happens when all stakeholders are not consulted during an anti-dumping investigation. On January 5, 2017, the Indian government imposed an ADD on imports of selected jute products from Bangladesh and Nepal. And what Manish Kajaria, Chairman, Jute Products Development and Export Promotion Council (JPDEC), has to share with *The Dollar Business* could be an eye opener. "In India, there are only about 30-40 jute mills – still, the government felt the need to impose the duty. And that too without taking into consideration the more than thousand traders in this industry. And, since there are only a few manufacturers, the duty has ended up in giving pricing power to the manufacturers," tells Kajaria.

JUTE PRICES IN INDIA HAVE GONE UP 15% AFTER ADD WAS IMPOSED ON ITS IMPORTS

So, how can the government ensure that its decisions can evenly benefit the whole chain – including the allied and subsidiary industries? This leads us to the question of 'public interest'.

'ADD'ING FAIRNESS

In recent years, some countries have been safeguarding their MSMEs and downstream industries from the adverse impact of ADDs when imposed on raw materials. For instance, EU has always protected its downstream industries, and countries like Canada, Brazil, Paraguay, Thailand and Malaysia also have a provision called the 'public interest test'. "Since June 1, 2004, even China has introduced the concept of 'public interest' to protect its downstream industries, but India doesn't have one till date," shares Aggarwal.

So, what India has clearly neglected is its downstream industries that encompass many manufacturers, traders and small-scale setups – which many argue is an act of favouritism towards the larger companies. "This is where the current law is unfair. India is a growing economy – largely formed by fragmented sectors. The downstream industries are as important as the larger companies. And when we say downstream industries, we mostly mean the MSMEs. Can't the government redefine or at least fine-tune the law?" questions Pothal.

The other point in question is, how do ADDs on raw materials impact the

Automobile and auto-component industries have seen the adverse impact of anti-dumping duties. ADD on iron and steel products have resulted in an inverted duty structure for these industries and made their products uncompetitive in the global markets.

"ANTI-DUMPING DUTIES ADVERSELY AFFECT DOWNSTREAM INDUSTRIES"

MUKESH BHATNAGAR, PROFESSOR, CENTRE FOR WTO STUDIES, INDIAN INSTITUTE OF FOREIGN TRADE

TDB: According to WTO data, since 1995 India has initiated 818 anti-dumping cases against various countries. What do you think is the reason behind this big number?

Mukesh Bhatnagar (MB): When we speak about numbers, we also need to look at the number of measures a country has imposed against the number of investigations initiated. Having said that, the number of cases are also increasing because an application mostly involves more than one country and each country is counted as one case. And the reason why India has initiated one of the highest number of cases is because Indian economy is a diversified economy – we have a significant number of chemical, dye, textiles and steel industries, which have several allied industries, say from yarn to fabric. Hence, there is a possibility of more number of applications.

TDB: Some critics say that dumping duties do not benefit the overall industries. What is your take?

MB: It does help the industry because levying anti-dumping duty does not mean stopping imports. It just gives a signal that imports should come at a fair price and should not be injurious to the domestic industry. But again, the measure would only help the industry that has come to seek the help and will have an adverse impact on the downstream industries.

TDB: Are there countries that have introduced a provision to protect their downstream industries?

MB: There is a concept called 'public interest examination', but it is not mandatory in the WTO Anti-Dumping Agreement. However, there is a section which suggests that the investigating authority has to see that the duties will be in favour of the overall public interest. It allows the industrial users, consumer organisations and consumer groups to share their views regarding dumping and injury rates.

And to answer your question, EU has its own public interest test which they exercise invariably. And lately, Brazil has also introduced some provisions. In addition, Canada has also been practising the same on special requests by the affected party.

TDB: Would you agree that the anti-dumping law has favoured mostly the large companies?

MB: When it comes to injury examination, there is a lacuna in the agreement where the domestic producer represents either the whole or a major proportion of the domestic industries. What happens in many instances is that 25% of the inefficient ones may file a petition, leaving out the 75% efficient ones. And this is the weak link of the agreement. However, the authority tries to garner and gather as much as possible support and cooperation from the industry so that the entire domestic industry is not injured because of a few inefficient companies.

TDB: Cases have also been initiated on products that constitute less than 3% of Indian imports. How?

MB: An importing country cannot initiate a case on an exporting country if the imports of that particular product is less than 3% of the country's total imports. However, if there are 10 exporting countries and the total imports from them is more than 7%, then a case can be initiated even if imports from some of the countries is less than 3%. So, the importing countries may choose to pick the second instance even if imports is negligible. And this you will find under Article 5.8 of the agreement. TDB

government's 'Make in India' initiative? Clearly ADDs on raw materials make them expensive and result in raw materials suffering a higher duty than finished products, making India made finished products uncompetitive both in domestic and international markets. If the aim of 'Make in India' is to make India a manufacturing hub, how do we plan to make it a success if we keep having inverted duty structures – a duty structure that clearly discourages manufacturers from making in India? Let's take the automobile industry as an example. In this industry, the cost of raw material constitutes approximately 60% of the cost of an auto component. But the government, on January 13, 2017, imposed anti-dumping duty on imports of colour-coated or pre-painted flat products of alloy or non-alloy steel from China and EU. And the automobile and auto-components industry uses a wide variety of raw materials, which include these pre-painted flat products of steel. Therefore, any increase in raw material prices due to an ADD will have an impact on the automobile industry as well as on other industries that use this steel. Surely, ADD on steel has not benefitted downstream industries like automobiles. And because the auto and auto-component segment also contribute significantly to India's exports, there is a case for introducing a 'public interest' clause.

EXPORT IMPACT

While we are looking at exports, let us also look at the impact anti-dumping has had on exports in different countries. An investigative paper titled 'The Impact of Anti-dumping on EU Trade' by Jan Baran of Warsaw University, in 2015, reveals, "Anti-dumping introduced by EU reduced the sales of French exporters in foreign markets by 8%. And for French exporters with foreign-based subsidiaries, the decline in exports is even greater and amounts to 17%." A report titled, 'Anti-dumping Guide: A Latin American Overview for Chinese Exporters' by Uría Menéndez's Latin America Network, corroborates the fact and says, "Anti-dumping duties may sometimes have an overall negative effect on the overall economy of the importing country. Dumping duties should only be imposed only if they would benefit the overall domestic market."

ANTI-DUMPING DUTIES ON RAW MATERIALS CAN HAVE AN ADVERSE IMPACT ON MSMEs

Kajaria, of JPDEC, compliments the argument, "Prices of jute have increased after the ADD was recently imposed on jute imports. It's the traders who are suffering – and the aftermath of the government's decision will be seen in exports of finished goods."

Satish W. Wagh, Chairman, Basic Chemicals, Cosmetics & Dyes Export Promotion Council (CHEMEXCIL), adds, "The SME sector is always hit as they do not have enough volumes to get discounts from the local manufacturers. Also, it has been noticed that when anti-dumping duty is imposed, the local manufacturers increase the price." And this diminishes India's competitiveness in the international market when it comes to finished products.

So, if the domestic industry is also an exporter, is it better not to impose ADDs? Vinnie Mehta, Former DG of Automotive Component Manufacturers Association of India (ACMA), answers, "The association has asked the government to reduce or eliminate customs duty on raw material, as Indian auto-component industry is burdened with high raw material prices and declining profitability. The dumping duty on steel makes it difficult for the industry to compete with cheap auto component imports from emerging economies and FTA partner countries." And to add, zero duty on steel and aluminium will help keep a check on domestic prices of raw materials, and keep them closer to international prices. This will create a more conducive environment for the component industry to compete in the global market.

Baran's research paper also suggests that the impositions of ADDs cause an increase in imports from countries not covered by the anti-dumping investigation (the trade diversion effect), thus minimising the protection that anti-dumping offers.

There is certainly logic and economics that makes the case of ADDs weak.

While India has initiated a large number of anti-dumping cases in the textile sector, it has also been at the receiving end when it comes to certain product categories. Brazil, Peru, Egypt and Turkey have all at some time or the other imposed anti-dumping duties on Indian textile.

"MSMEs ARE DYING BECAUSE OF ANTI-DUMPING DUTIES"

SATISH W. WAGH, CHAIRMAN, CHEMEXCIL

TDB: Do you think the Indian anti-dumping law is effective and indeed helping the industry?
Satish W. Wagh (SWW): I don't think the current law is serving the intended purpose. Today, the anti-dumping duties are not only detrimental to the growth of just the pharmaceutical sector but to the entire spectrum of the chemical sector. But, I do admire the idea behind imposing the anti-dumping duty, which is to protect domestic industry players. It is its execution with which I have a problem.

Before going about imposing any anti-dumping duty, should the government not build consensus among all the stakeholders and make sure whether they are (and not just a select few) are self-reliant in one given product/item under consideration for dumping measure? Take for example the pharmaceutical sector. Is it not the duty of the concerned Ministry to determine beforehand that how many players in the country are making a substitute of a particular API or intermediary?

Also, take a look at the thousands of companies across the length and breadth of the country that import intermediaries and make the final product. But, what is happening now? Only a select few big firms with 'good networking ability' with the Ministry are calling the shots – all as per their own whims and fancy. And perhaps, an even bigger irony is that the Ministry seems to be paying heed to such requests and is going about imposing anti-dumping measure suggested by those players.

TDB: Are you hinting that the government is not taking adequate measures to protect the small-scale industries?
SWW: Yes, I am. I believe, an arbitrary imposition of anti-dumping duty, suiting the business interest of a select few has done a lot of damage to the medium and small scale enterprises operating in the sector, which are and have been the backbone of our sector. This is the case in dyes, basic chemicals and organic chemicals, among others. Today, only the top guns who enjoy the virtual monopolies (in select items) are speaking on behalf of everybody across the board.

Let me ask this. Shouldn't there be a well-thought-out plan with respect to anti-dumping duty measures and should the government not consider how many companies are making the API/ intermediary and how effectively they are catering to both domestic and international markets? In many cases, MSMEs have been found to be faring better than their larger counterparts. The government must take this fact into account too because once the anti-dumping duty is imposed, these MSMEs producers are no longer cost competitive. Meanwhile, these big firms, who enjoy the monopoly power and also set the price, raise their prices if MSMEs want to source from them. This makes it increasingly difficult for MSMEs to operate in an already tough economic environment. The government must be holistic in its approach to anti-dumping duties, because a lot of MSME players have either closed down or are on the verge of closing down soon.

TDB: Do you think export promotion councils (EPCs) can be a part of the solution to this problem?
SW: As an export promotion council (EPC), we are well-connected with the small-scale industries and end-users. Thus, the government must consult us before imposing anti-dumping duties and not just listen to Confederation of Indian Industry (CII) or Federation of Indian Chambers of Commerce and Industry (FICCI) or the Associated Chambers of Commerce & Industry of India (ASSOCHAM) alone. We can definitely offer our expertise to the government and help them formulate policies that are in sync with the ground realities of the sector. Anti-dumping duty notifications mostly come as a shocker to many of us. And later, when we knock at the Ministry's door, we are told that it's too late for any change but 'soon some solution will be introduced'. My question here is, if at all, the government is so fine with the idea of modifying its own policies so frequently, then why can't it spend some more time, making them all-inclusive and effective in the first place?

TDB: In the absence of domestic market price, the normal exports value from China is generally constructed on the basis of 'best available information' provided by domestic producers in the importing countries – or on the basis of the costs and prices of a third country comparable to China. Do you think that this is a fair method? Do you think there is a solution to this?
SW: This is one of the issues that is affecting us severely. Most of our imports are from China, so most of the anti-dumping duty notifications are also against China. The Chinese suppliers enjoy very high incentives, which help them export at a much low price. But since there is no transparency on the incentives available to Chinese suppliers or domestic price, our anti-dumping duty investigations may not be correctly reflecting the actual market price in many cases. And as a way out, my suggestion is that our embassy in China play a proactive role. The embassy must be having a full-time Trade Attaché, comprised of officials who are well-versed in commercial data collection and related aspects. I believe, this method can help us in getting the required price information. TDB

RESOURCE CRUNCH

So, is there a way to avoid damaging one industry while protecting others? Is there a way that the DGAD can come up with a methodology that will take into consideration all stakeholders? Indian lawyers, who have been working on anti-dumping cases for the last two decades, believe that the current system has to undergo a major change and employ more manpower. "In India, DGAD takes about 6-8 months to start an investigation, whereas in the west it takes just about 2-3 months," says Pothal.

And this makes critics question: Is DGAD well-equipped to handle the many cases that India files? Mukesh Bhatnagar, Professor, Centre for WTO Studies, Indian Institute of Foreign Trade, says, "DGAD needs to recruit enough manpower. This will help the office perform more efficiently and reduce the time taken for investigations."

At present, a team of officers in the West works on 2-3 cases a year, whereas in India a team of officers works on 10-12 cases a year. Rightly put – since India is a growing economy, the situation will not get any better. A fresh case has to be closed within 12-18 months, but lawyers and accountants in India get less than a quarter of a year to evaluate and close ADD cases, and that's not a positive sign.

Dr. Dhar also echos similar sentiments and points another lacuna. "I think data-related problems do genuinely exist in India and the government must pull up various agencies for the lapse. Simultaneously, the government can improve its commercial intelligence – which is very weak at present," he says.

Mature economies, on the other hand, have a very active commercial intelligence network which involves the embassies. And because obtaining information about key players, sectors and partner countries has become strategically important for formulating a right approach to safeguard the economic interests of a country at the global level, having access to the right information network is important. If India can obtain the information critical to assist the anti-dumping investigation authorities, the injury margins will be more in tune with the ground reality.

TIME TO CHANGE

That there is need for change as far the process applied by DGAD is concerned is almost unanimous. This structural change in the method of initiating and processing an anti-dumping investigation by adding a public interest clause will give Indian MSMEs and downstream industries the much-needed voice that they have lacked for years. In addition, exporters, who are stakeholders, can also actively get involved in the cases.

Goes unsaid that while nobody has stopped anyone from questioning the government, MSMEs have never done that as they do not have the wherewithal to do the same. Further, according to experts, first, the industry members lack the knowledge; second, the financial cost involved is too high; and third, India is too unorganised and fragmented. And even if all the above issues are resolved, the government actually has no manpower to address the concerns prompt-

Experts say that imposing anti-dumping duties without taking into consideration all stakeholders may harm a country's economy. Interestingly, over the past decade, India has become the world's leading user of anti-dumping measures. India has filed roughly 20% of all global anti-dumping cases, quite disproportionate to its share of global imports of just 2%.

ly. With more resources in terms of data and manpower at hand, DGAD officers can take more time to study the pros and cons of cases and also actively educate the neglected sectors – which comprises the bigger whole.

Moreover, Indian policymakers need to be more realistic and comprehensive in their approach while handling anti-dumping cases and that alone will make a huge difference.

India also has to be careful about picking cases that it wants to pursue. Here, a case in point would be the handling of demand of domestic solar cells and modules manufacturers to impose ADDs on cheap imports from certain countries, and inclusion of the local content clause. Obviously, our case was weak as it was incompatible with WTO norms and we lost the dispute. In fact, had we won, it would have harmed the industry players more. Narender Surana, MD, Surana Solar Ltd., echoing similar sentiments, says, "Any ADD on China, USA, Malaysia and Taiwan could have jeopardised India's solar programme as the cost of solar energy would have gone up by at least 75%, if we were to use India-made solar cells or module".

Are ADDs logical? Seriously?

Rushabh Shah, President, Trade Association of Information Technology (TAIT), also feels that there hardly is any need to disturb the existing ecosystem in IT trade flow and any imposition of ADD would do more harm than good to the sector. "There are hardly any IT products that are being manufactured in India and only assembling takes place here. Hence, even if some manufacturers demand it there is not much relevance of ADD in my sector," says Rushabh. Clearly, all sectors are not ripe for ADDs.

There is nothing wrong with protecting the domestic industry. What is needed though is a holistic view of the industry, while considering to protect it. Industry insiders believe that ADDs imposed by India have hurt the country's downstream industries, its MSMEs, nay the entire economy. But that does not mean that anti-dumping as a measure is flawed. Fact is, in the current climate

INDIA NEEDS TO CHOOSE ANTI-DUMPING CASES WISELY, INDUSTRY-WISE

India will need to protect its industry from predatory pricing by foreign manufacturers. What needs to change is the method and process.

Policymakers need to take the entire industry and all stakeholders into consideration while investigating an anti-dumping case, have an excellent intelligence network to ensure that the right injury margins are applied, and last but definitely not the least, choose our battles wisely. [We cannot carpet-bomb 'fair' exporting nations across industries by doubting their very intentions from the word go.]

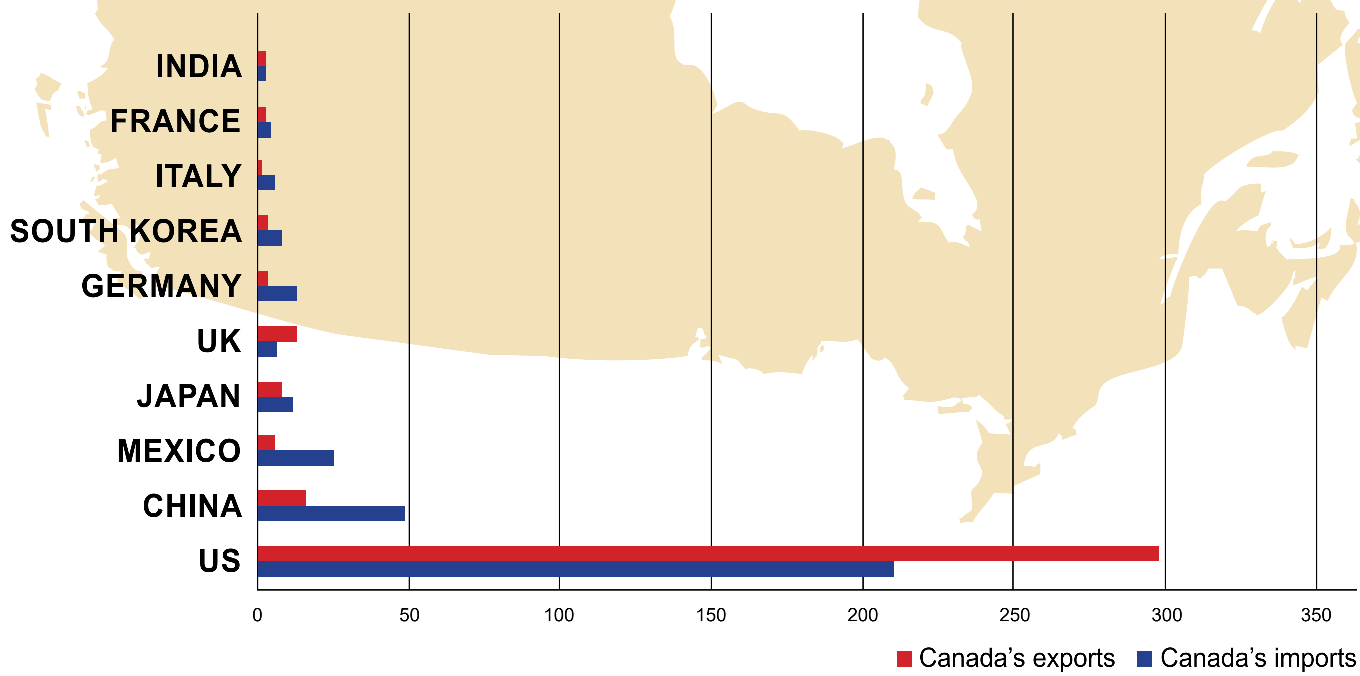
We cannot miss the woods for the trees in this case. There's too much at stake for India. Too much. TDB

AWAKENING OF A GENTLE GIANT

Canada is the 2nd largest country in the world (by area), covers six time zones, and is a veritable powerhouse in motor vehicles and energy exports. However, it is still highly dependent on US for trade. But with Trump administration trying to change the rules of global trade game, it's time Canada looks beyond its neighbours.

TDB INTELLIGENCE UNIT

CANADA'S LARGEST TRADING PARTNERS

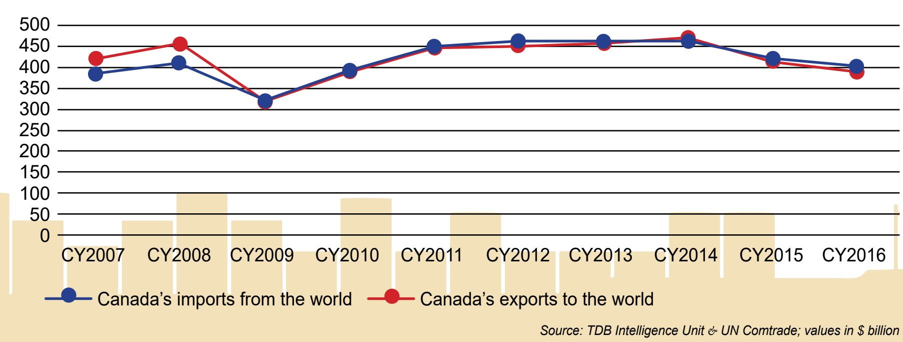


Neighbour US is by far Canada's largest trading partner and the two have enjoyed cordial relations for decades. However, with the Trump administration seeking a review of the North American Free Trade Agreement (NAFTA), Canada has been actively seeking new partners and has just signed a Comprehensive Economic and Trade Agreement (CETA) with European Union (EU). Canada is also in talks with China, its second largest trading partner for a free trade agreement (FTA). While India ranks 10th among its trading partners, a Canada-India FTA is also in the making.

Source: TDB Intelligence Unit & UN Comtrade; values in $ billion; break-up for CY2016

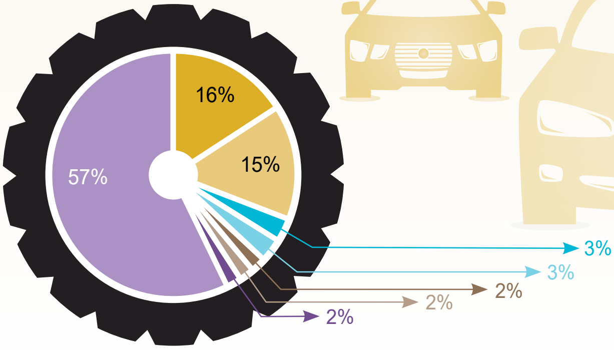
CANADA'S MERCHANDISE TRADE

Until the Global Financial Crisis (GFC) crippled global trade, Canada had always enjoyed a trade surplus. The North American nation reported a trade deficit for the first time in this century in CY2009. Though Canada still enjoys a huge trade surplus with US (its largest trading partner), its trade deficit has been widening since CY2015.



Source: TDB Intelligence Unit & UN Comtrade; values in $ billion

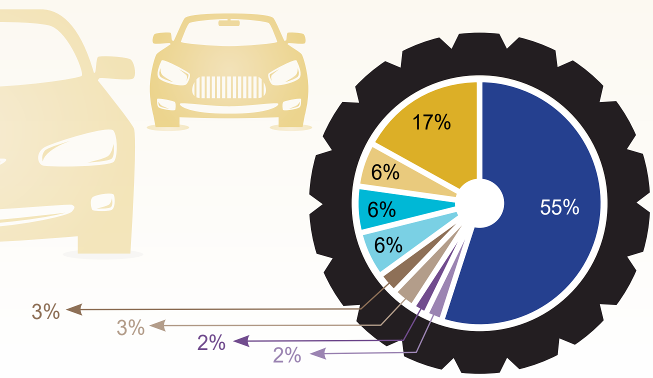
CANADA'S EXPORTS TO THE WORLD



- Motor cars, tractors and their accessories
- Petroleum oil, crude, gas & coke
- Gold and silver (unwrought or semi-manufactured)
- Wood, particle boards and articles of woods
- Powered aircraft & accessories
- Pharmaceutical products
- Aluminium (unwrought, scrap, plates & sheets, etc.)
- Other

Motor vehicles and mineral oils are Canada's leading exports. In CY2016 while exports of vehicles, wood, pharmaceuticals saw handsome growth, exports of mineral fuels, electrical machinery, etc., declined sharply.

CANADA'S IMPORTS FROM THE WORLD

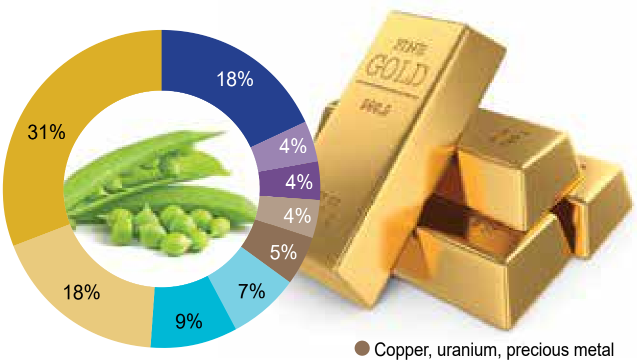


- Motor cars & vehicles, tractors and their parts
- Petroleum oils, crude, gas, etc.
- Telephone sets, televisions & other electrical & electronic items
- Heavy machinery and their parts
- Mechanical appliances & machines
- Pharma products
- Gold & silver (unwrought or waste & scrap of precious metal)
- Computers and accessories
- Other

Canada's total imports witnessed a y-o-y drop of 3.86% in CY2016, as imports of some of it most imported items including mechanical appliances, electrical machinery and mineral fuels dropped sharply.

Source: TDB Intelligence Unit & UN Comtrade; break up for CY2016

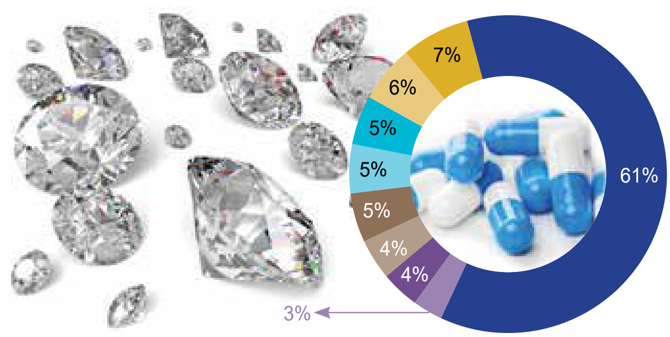
CANADA'S EXPORTS TO INDIA



- Dried leguminous vegetables
- Diamonds & gold (worked or not worked)
- Coal
- Mineral or chemical fertilisers
- Copper, uranium, precious metal & their concentrates
- Newsprint
- Chemical wood pulp
- Aircraft, spacecraft & articles thereof
- Other

Between FY2011 & FY2016, Canda's exports of dried leguminous vegetables to India grew by about 195%, touching a value of $1.41 billion in FY2016. Gold and diamonds too are Canada's big exports to India.

CANADA'S IMPORTS FROM INDIA



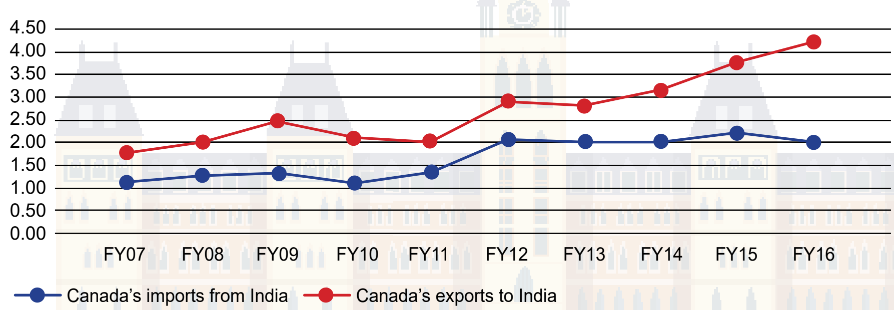
- Pharmaceutical products
- Diamonds & articles of jewellery
- Bed, table, toilet & kitchen linens
- Cloth apparels, sacks & bags
- Hetrocyclic compounds of nitrogen, ketones & other organic compounds
- Crustaceans
- Articles of iron or steel
- Parts of motor vehicles
- Other

Canada imports pharmaceuticals, diamonds, precious metals, home furnishings and garments from India in large volumes. Chemicals, marine products and iron & steel also form a significant part of its import basket.

Source: TDB Intelligence Unit & Ministry of Commerce, GoI; break-up for FY2017 (April-January)

CANADA'S MERCHANDISE TRADE WITH INDIA

Canada has always enjoyed a trade surplus with India. In fact, since FY2013 the surplus has been growing at a rapid clip. The two countries are also presently negotiating a free trade agreement (FTA) and a foreign investment promotion and protection agreement (FIPA) to further enhance bilateral trade.



Source: TDB Intelligence Unit & Ministry of Commerce, GoI; values in $ billion

"FIPA WILL BOOST CANADIAN INVESTMENT IN INDIA"

Canada's economic and trade relations with India are expanding at a never-seen-before pace. And Canada's Minister of International Trade François-Philippe Champagne was in India recently with an agenda to strengthen ties further. *The Dollar Business* caught up with him to understand how the two nations plan to intensify and boost bilateral trade.

BY AAMIR H. KAKI

TDB: Your visit to India is the fifth by a Canadian cabinet minister in the past seven months. What does this reflect?

François-Philippe Champagne (FPC): Both governments are making efforts to build upon our excellent relationship. Canada and India enjoy a longstanding, diverse relationship which is rooted in the shared values of democracy, peaceful pluralism, tolerance, human rights and the rule of law. We also want to expand on our economic engagement and people-to-people ties. In recent months, our relationship has been further strengthened by several high-level visits, by Canadian ministers to India and by Indian ministers to Canada. In addition, people-to-people ties play a central and dynamic role in the Canada-India partnership, particularly because of the growing community of more than 1.3 million Canadians of Indian origin and their contributions to our societies.

Canada considers India a high-priority trading partner. Bilateral trade and foreign direct investment (FDI), which have increased dramatically over the last few years, are expected to continue to do well in the coming years. Both countries are looking to conclude the bilateral free trade agreement (FTA) negotiations and ensure that the Foreign Investment Promotion and Protection Agreement (FIPA) is inked and brought into force at the earliest.

TDB: Apart from FIPA and FTA, what else is being discussed?

FPC: We had discussions regarding the Canada-India Comprehensive Economic Partnership Agreement (CEPA), in view of increasing bilateral trade and investment. Canada-India CEPA involves liberalisation of trade in goods and services by bringing down tariffs and investment barriers and it also has a separate chapter on investments.

The two sides made significant progress towards concluding negotiations on FIPA – which focuses exclusively on investments – that would serve to promote both India and Canada as ideal destinations for investment.

Indian Commerce and Industry Minister Nirmala Sitharaman raised the issue of reforms in our Temporary Foreign Workers Programme (TWFP), which apparently impacts the services trade from India. To that, we assured that Canada has taken several steps to facilitate the ease of movement of professionals into Canada. We also discussed the potential benefits of business-to-business interfaces and, therefore, the importance of a CEO Forum to provide the required perspective for improvement in bilateral trade and investment. We agreed that business leaders from both sides should meet and provide key inputs for furthering our bilateral relationship. A resolution at the earliest would provide the way forward for continued access for Canadian goods into India.

We also met Indian business executives to discuss investment opportunities in Canada and took part in a round-table discussion with Canadian business executives active in India to celebrate their successes in the Indian market and highlight the Canadian government's efforts to strengthen trade and investment opportunities with India.

I am confident that this visit will pave the way for future collaborations between Canadian and Indian companies that will further enhance our bilateral trade relationship.

TDB: Though bilateral trade between India and Canada has been growing at a fast pace, it is still below the potential. Will these trade and investment agreements help bridge the gap?

FPC: India is Canada's largest trading partner in South Asia. However, at $8 billion annual trade, we have only touched the tip of the iceberg – of what is possible. But we see every reason to be optimistic about the ongoing growth in

INDIA AND CANADA ARE LOOKING TO CONCLUDE BOTH CEPA AND FIPA AT THE EARLIEST

bilateral trade and investment. In fact, there remain significant opportunities for a greater cooperation between Canadian and Indian companies in sectors such as food and agriculture, energy and clean technology, education and skills development, infrastructure and aerospace to name a few. Indian Prime Minister Modi recently told Canadian Prime Minister Justin Trudeau, "Canada and India are made for each other." I strongly believe that an early signing of the FIPA will further boost the confidence of Canadian investors in the Indian market.

TDB: Are you happy with the way the talks have progressed so far? Are Canadian companies enthusiastic about investing and operating in India?

FPC: I had very good meetings with Finance Minister Arun Jaitley and Commerce & Industry Minister Nirmala Sitharaman. We stressed on CEPA, in view of increasing bilateral trade and investment, which we believe will lead to better cooperation. Working together and partnering in business is one of the ways people learn from each other. There are now over 1,000 Canadian companies doing business in India, with approximately 400 Canadian companies and educational institutions already having a physical presence in the country. Canadian companies like Bombardier, Magna, McCain, Linamar have been 'making in India' for many years. Newcomers like Magellan Aerospace and Survival Systems are also now manufacturing here.

TDB: Canada is one of the biggest sources of FDI and FII into India. What opportunities do you see in various Indian government schemes like 'Digital India' and 'Smart Cities'?

FPC: Canadian investment into India has skyrocketed to billions of dollars over the last few years, through large institutional investors like pension funds and private equity companies. When we factor in investments from large institutional investors such as pension funds, Canadian investment into India has taken off and currently stands at an estimated $13-14 billion. Canadian pension funds have been investing heavily in Indian infrastructure projects for quite some time now.

I see further potential for collaboration in this sector as Canada has had the experience of connecting its vast land, despite great expanses of inhospitable terrain, by developing physical and digital infrastructure. We have the experience of creating smart, livable cities, which have been consistently ranked among the best in the world. We are keen to share that experience with India and to collaborate through Canadian companies to contribute to the government of India's 'Smart Cities' initiative.

Similarly, there is great potential for collaboration in the information technology (IT) sector. IT companies, the world over, are recognising that Canada is the centre for research and development in artificial intelligence (AI). Indian companies are no exception. That is why Paytm is undertaking all its research and development work in Toronto. Canadian companies are bringing these innovations to India and partnering with Indian organisations and thereby contributing to the Government of India's 'Digital India' initiative.

TDB: In view of the US adminis-

tration's decision to pull out of the Trans-Pacific Partnership (TPP), of which Canada is also a member, an immediate CEPA with India seems to be the need of the hour. Why do you want FIPA to be signed before CEPA?

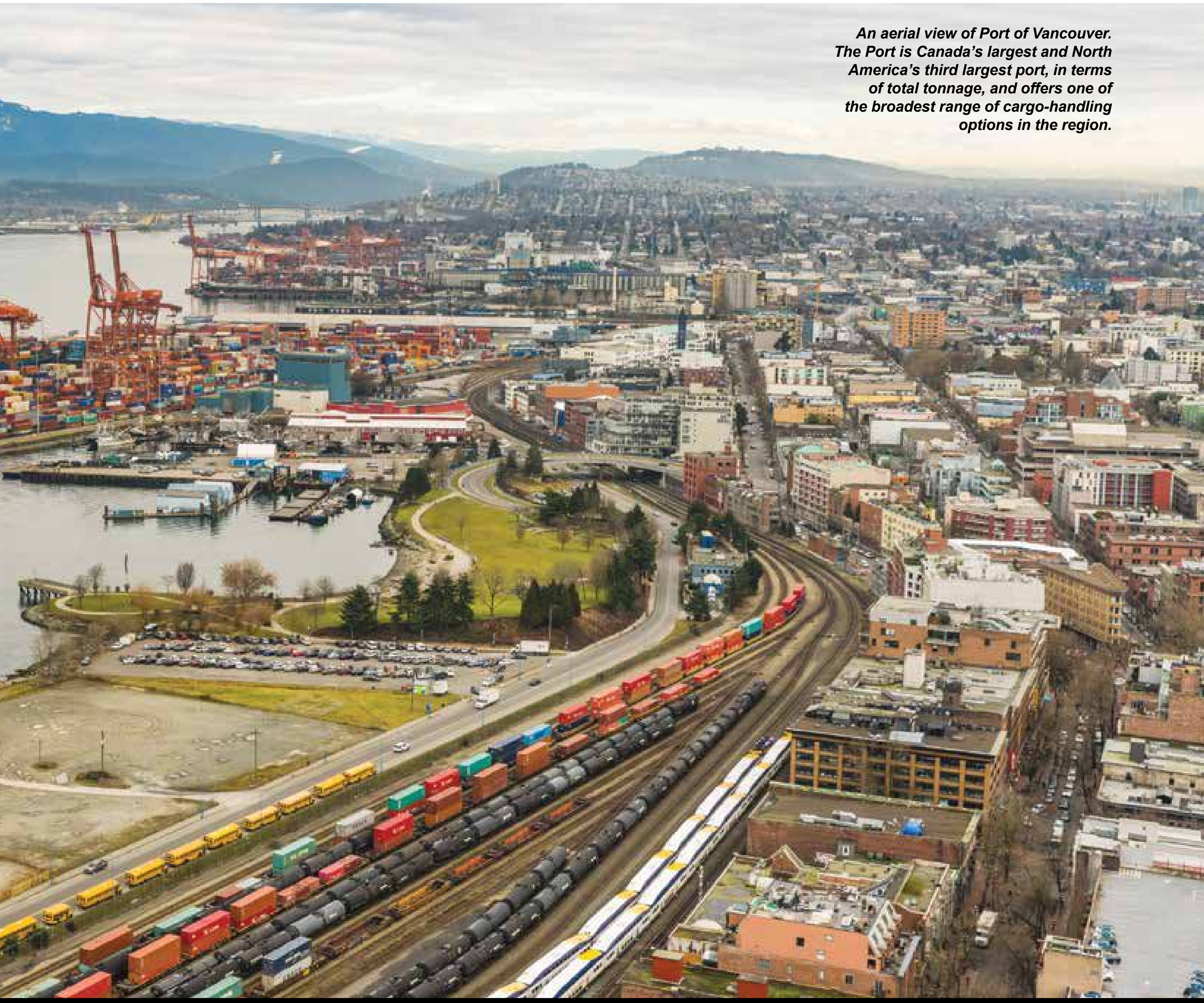
FPC: Canadian investors feel that the absence of a FIPA is restricting the scope and volume of investments they can make in India. For me, it is very important that we work to put that in place as quickly as possible. While Canada recognises the importance of signing both the agreements as soon as possible for trade relations to reach their full potential, FIPA is a simpler agreement and we see it as a positive step that we should take as soon as possible in the path towards deepening of our relations.

The fact that we may sign FIPA before CEPA should not be interpreted as a lack of interest in CEPA. In fact, we are very committed to working towards both the agreements. India and Canada are looking to set a time-frame for CEPA.

In fact, the agreement we reached with the European Union (EU) was the most progressive trade agreement ever negotiated by Canada or EU, and it included provisions on environment, labour, rights of governments to regulate health and safety as well as protecting cultural diversity. So, we want to be at the forefront of promoting a progressive trade agenda.

During my meetings with my Indian counterpart, we both recognised that the agreements that are going to be concluded with Canada will have progressive elements in them.

Canada has been very clear that in every agreement it signs, it wants to include these progressive elements. This we believe is the way forward for trade treaties of the future. TDB



An aerial view of Port of Vancouver. The Port is Canada's largest and North America's third largest port, in terms of total tonnage, and offers one of the broadest range of cargo-handling options in the region.

PROFITS ON YOUR PALMS!

India is the world's biggest importer of palm oil. Interestingly, over the last one year, while imports of crude palm oil has been on a decline, that of refined palm oil has been rising sharply. Export taxes by major producers like Indonesia and Malaysia have a lot to do with this anomaly as does India's custom duties. Is this the right time to jump into imports of RBD Pamolein? *The Dollar Business* examines.

BY ANISHAA KUMAR

If you are one of those health-conscious people who use palm oil for their daily cooking needs, chances are, you have been buying oil produced in either Indonesia or Malaysia. Yes, you have been a consumer of imported palm oil all this while. And even if buying locally produced palm oil was your want, it'd be rather hard to fulfil it. The reason is simple – in the last few years, Indian producers of palm oil have not been able to catch up with the growing domestic demand for the product.

Data from US Department of Agriculture reveals that the domestic consumption of palm oil in India has increased from 7,000 metric tonne (MT) in CY1964 to a humongous 10.20 million metric tonne (MMT) in CY2016. In fact, India's consumption of plam oil increased 10.8% just between CY2015 and CY2016. To add to that, of all the edible oils that are consumed in the country, palm oil constitutes a major share – especially refined bleached and deodorised palmolein oil (RBD palmolein oil). And, guess what! Experts say that the demand for this commodity is only going to go one way from here – upwards! Looks like a good business to get into? *The Dollar Business* is glad to have triggered your curiosity. And if you're thinking whether it's worth investing in the imports business of palm oil, let us tell you that all facts lead to the conclusion that India cannot do without importing palm oil in one form or the other.

GROWING POPULARITY

According to a recent report by Pune-based Grand View Research, the Indian palm oil market size will reach $13.1 billion by 2025. "Rapid urbanisation and changing lifestyles backed by increasing disposable income in India have influenced consumption trends of consumers," states the report. Interestingly, market researchers and economists, all have spoken many a time about India's humongous appetite for consumption. In fact, India is already by far the largest importer of palm oil in the world – in CY2016 India's imports were 19.97% of the world's total imports of palm oil.

So, what makes India its biggest importer? And why experts believe that imports of palm oil will only grow going forward? Well, there are many factors at play – one, India's hard summer is harmful for the palm plant which effects yield drastically; two, palm trees consume too much of water; three, there isn't enough land for cultivation; four, India lacks infrastructure, expertise and modern technology. Well, this list could go on forever. Further, while India's population continue to rise, consumption shows no signs of slowing down. Result: the demand for palm oil is bound to grow in the foreseeable future. And with domestic production not being able to keep up with the rising demand, importing palm oil remains the only option.

Shailesh Singh, Director, Risk Management and Commercial Sales, Cargill (India), says, "Millions rely on palm oil to feed their families, especially in countries with a growing population, like India. Further, the benefits of palm oil are being slowly realised as it can also be used in many solid fat formulations without the need for hydrogenation.

Profit estimates for RBD palmolein imports

RBD palmolein offers good profits; one needs to import in high volumes

Cost ($/MT)*	862.00
Freight & Insurance ($/MT) **	33.00
CIF ($/unit)	895.00
CIF (Rs./unit) ***	58,175.00
BD (15%)	8,726.25
CIF + BD	66,901.25
CVD (4%)	3,578.75
BD + CVD	2,676.05
Cess (3%)	342.07
CIF + BD+ CVD + Cess	69,919.37
ACD (0%)	0.00
Final Cost	69,919.37
Selling Price in India	72,000.00
Profit	2,080.63
Profit Margin (%)	2.98

**RBD palmolein, RSOP certified,CP10 grade; Government of India has fixed tariff value of RBD palmolein at $862 per metric tonne; HS Code: 15119020;*
***Freight and insurance from Penang in Malaysia to Haldia in India; Minimum order quantity (MOQ) = 125 MT;*
**** Assuming USDINR at 65.00*
 # Wholesale price, packaged in bottles or jars

When used in this fashion, it does not contain trans fatty acid and that makes it a healthy oil. Also, it does not contain any cholesterol and is a good source of vitamin E." This indicates that the popularity of this edible oil will keep growing.

NOT MANY CHOICES

RBD palmolein, the variety of palm oil that India has been increasingly importing over the last few years, is currently only being sourced from Indonesia and Malaysia, with Indonesia accounting for about 80% of India's total imports of the product. While India imported RBD palmolein worth $1.58 billion in FY2016, the import value of the product stood at $1.78 billion in FY2017 (till January). What's more? Between FY2010 and FY2016, India's imports of RBD palmolein grew by over 55%.

Even when it comes to crude palm oil, it's again Indonesia and Malaysia – and in very small quantities Honduras, Papua New Guinea, Philippines, Guatemala and Colombia – that have been feeding India's humongous appetite for the product. While Indonesia contributes to about 59% of India's imports of crude palm oil, Malaysia contributes 40%.

One fact that's worth noting though is that India's imports of crude palm oil have been declining over the last few years – from $5.4 billion in FY2015 to $4.2 billion in FY2016, and to $3.2 billion in FY2017 (April-January period). While in value terms crude palm oil is still being imported more than RBD palmolein, the growth trajectories of the two sure point to the fact that RBD palmolein is a better bet for importers, at least for the foreseeable future.

And meanwhile if you were wondering what makes Malaysia and Indonesia two preferred sources of India's palm oil imports, you need to know that the two countries together account for about 85% of the world exports of palm oil.

IMPORTER'S MARKET

We all know that the business of agri-commodities does come with its fair share of challenges, and not the least of which is monsoon. According to latest government estimates, the domestic production of cash crops is expected to be higher this year because of favourable monsoon. Estimates suggest that the domestic production of palm oil would be up 8% this year, reaching 271.98 MT as compared to 251.57 MT in the previous year. But, what goes in favour of importers is the fact that this is still a tiny fraction of India's demand for the product. Agrees Sanjiv Sawla, Chairman of Indian Oilseeds & Produce Exporters Association (IOPEPC), as he tells *The Dollar Business* that the projected higher domestic production and its impact on imports of edible oil and oilseeds must be looked at from a more holistic way. "The production may be increasing, but at the same time the consumption is also rising. So, to meet the deficit, imports will continue to grow," says Sawla.

MALAYSIA AND INDONESIA HAVE PLACED A HIGH EXPORT DUTY ON CRUDE PALM OIL

In fact, our domestic production can be a threat to imports only if the government provides adequate encouragement to farmers, which has been missing till date. S. N. Jhunjhunwala, Managing Director, JVL Agro Industries Ltd., comments, "There is some cultivation happening in southern part of India, but it is almost negligible. While availability of land is a major issue, the climate in India too isn't favourable for palm cultivation. But if the government initiates palm plantation on coastal areas, it may have an impact on the imports." However, even if the government decides to wake up to the call, India will have to wait a while before it reaps the fruits.

"INDIA HAS AN ENORMOUS APPETITE FOR PALM OIL"

Shailesh Singh
DIRECTOR – RISK MANAGEMENT AND COMMERCIAL SALES, CARGILL INDIA

TDB: India is the world's third-largest importer of RBD palmolein. What are the advantages of palm oil?

Shailesh Singh (SS): India's production of crude palm oil is negligible if we weigh it against India's consumption needs. India's annual production of palm oil is 250,000 metric tonne (MT), against its consumption requirements of 8.5-9 million metric tonne (MMT).

In terms of consumption, palm oil is one of the world's most significant vegetable oils. Millions of people worldwide rely on palm oil to feed their families, especially in a country with a growing population like India. Palm oil can also be used in many solid fat formulations without the need for hydrogenation.

When used in this fashion, it does not contain trans fatty acids. It also does not contain any cholesterol and is a good source of vitamin E. Palm oil contains a number of fatty acids that have been shown in scientific studies to have a neutral impact on blood lipid levels.

Oil palms produce 5-10 times more vegetable oil per acre for acre than other oilseed crops. In other words, it requires lesser land to produce the same amount of oil than say crops like rapeseed and soya. In addition, when oil palm is planted on degraded land, which is the way Cargill develops its plantations, it absorbs and stores more carbon from the environment as compared to the degraded land before it was developed.

Economically too hundreds of thousands of people across the globe rely on the palm oil industry for their livelihoods. The palm oil industry creates jobs and incomes for families in some of the most desolate areas of the world.

TDB: Advance estimates for FY2017 show a y-o-y increase of 8% in cash crop production. Do you believe this will have an impact on imports of palm oil?

SS: India witnessed a good monsoon during FY2017, which has resulted in a better production of oilseed crops, especially soya bean, ground nut and mustard. So, the overall availability of domestically produced oil has gone up during FY2017. And, as a result, the requirement for imported oils, including palm oil may go down.

TDB: Domestic palm oil producers have been demanding an increase in import duty on refined palm oil. How do you think it will impact importers of RBD palm oil and RBD palmolein in India, especially in the long-run?

SS: There has been a demand from the industry to hike the import duty of RBD palmolein to 45% from 15%. This will disincentivise imports of RBD palmolein in India. However, we don't expect the overall palm oil portfolio to suffer as RBD palmolein imports will be replaced by crude palm oil if the duty differential between crude and refined is increased.

OF DUTIES & TAXES

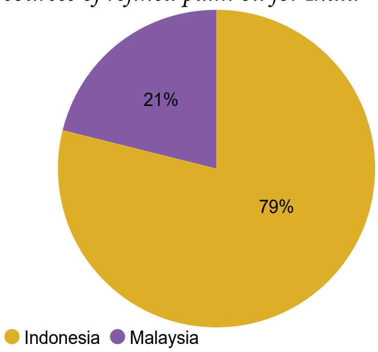
Interestingly, in September 2016, the government reduced import duties on both crude palm oil and refined palm oil by five percentage points to 7.5% and 15%, respectively. And with the reduction in import duty, imports of RBD palmolein has emerged as an attractive option to many importers. Naturally, domestic refiners who import crude palm oil are not pleased with the deduction in duty on RBD palmolein. "Import duty on crude palm oil is 7.5% and duty on refined palm oil is 15%. If the difference remains so small, our domestic refineries will suffer," explains Jhunjhunwala.

What's more? Both Malaysia and Indonesia, to provide a boost to their domestic edible palm oil processing industry, have too levied taxes on exports of crude palm oil. And this is the reason why imports of RDB palmolein has suddenly become a more profitable business than imports of crude palm oil.

While the export duty on crude palm oil in Malaysia ranges between 4.5% and 8.5%, it's $18 per tonne in Indonesia (as of April 2017). However, Fadhil Hasan,

India's sources of RBD palmolein

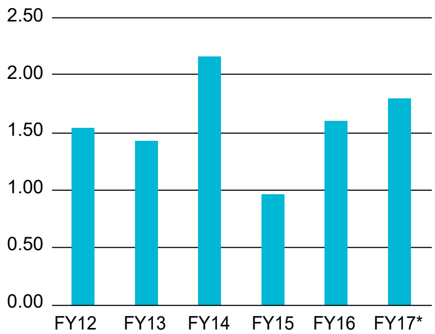
Indonesia and Malaysia are the only two sources of refined palm oil for India



Source: TDB Intelligence Unit & Ministry of Commerce, GoI; break-up for FY2017(April-January); HS Code: 15119020

Imports of RBD palmolein

Imports of the product peaked in FY2014 before dropping sharply in FY2015



*Source: TDB Intelligence Unit & Ministry of Commerce, GoI; *for FY2017(April-January); HS Code: 15119020; value in $ billion*

TDB: Do you expect the demand for palm oil to grow in the next few years?

SS: India has an enormous appetite for both refined and crude palm oil. For the record, its consumption has grown at a CAGR of 2.5% over the last three years. And depending on the price and its relative value as against other competitive vegetable oils, we expect palm oil markets to grow at a CAGR of 3.5-4% over the next four years.

TDB: How has demonetisation impacted palm oil imports? There were reports that Indian importers had to even cancel their orders as they were not able to pay for their consignments. Is the situation back to normal now?

SS: Yes, demonetisation has had a significant impact on palm oil consumption in India and in turn its imports. India's palm oil consumption during December-February FY2017 went down by 4.5% as compared to the same period in FY2016. But, we expect the overall situation to improve from here on as the currency circulation in the economy has improved considerably.

TDB: While the demand for RBD palmolein has seen an increase, there has been a decline in imports of crude palm oil. What is the reason for this change in demand?

SS: The overall imports of crude palm oil have declined this year. This is largely due to the inverted duty structure that incentivising refined oil imports into India. This, I think, has put the domestic refining industry under tremendous pressure and the overall refining margins continue to suffer. In other words, our current duty structure favours import of RBD palmolein over crude palm oil.

TDB: Where do you source your palm oil from? And what is the current duty structure for palm oils?

SS: We mostly import from Indonesia and Malaysia. For crude palm oil import duty is 7.5%, while for RBD palmolein, the duty is 15%. Crude palm oil comprises 60% of our overall imports, while RBD palmolein accounts for 35%. The rest is a combination of palm fatty acid distillates (PFAD) and crude palm stearin.

TDB: What is the biggest challenge you face as an importer of palm oil?

SS: The biggest challenge for importers in India has been negative margins across the entire value chain. The inverted duty structure, which disincentivises local refining and allows more imports of RBD palmolein rather than crude palm oil, is something that needs to be addressed.

TDB: Palm oil has been criticised many a times for its environmental impact. What has Cargill done in this regard so far and what are its future plans?

SS: Cargill believes that palm oil should be produced sustainably and we want to lead the efforts towards moving the palm oil industry to a more environmentally sustainable model.

As such, we are committed that the palm oil products supplied to our customers in Europe, US, Canada, Australia and New Zealand will be Roundtable on Sustainable Palm Oil certified and/or originated from smallholder or growers.

By 2020, this commitment will be extended across all our oil and trading businesses to cover 100% of our palm oil products and to all customers worldwide – including those in India. Our policies for responsible palm production in our own plantations include no planting on high conservation value forests, not developing new plantations on deep peat land, as well as a "no-burn" policy for land preparation.

We have been committed to responsible environmental stewardship by ensuring sound environmental management on our own plantations and are working with NGOs and local communities to preserve forests with high conservation value and biodiversity. TDB

Executive Director of Indonesian Palm Oil Association (better known as GAPKI), believes that the industry will not be impacted no matter what type of palm oil is imported by India.

"I am aware that there have been problems because of the imposition of export taxes on crude palm oil. But, I do not think that impediments will impact our palm oil exports as India continues to need palm oil and Indonesia offers competitive prices. We understand that India would want to import more crude palm oil than RBD palmolein because the industrial refineries in India need crude palm oil," says Hasan.

A VOLUME GAME

The profit margin on imports of RBD palmolein, as per importers, is in the range of 3-4%. But since this is a volume game, the overall returns are high. "In the business of edible oil imports, traders can garner higher returns only if they get into volume game," says Chitresh Ag-

"DEMAND FOR PALM OIL CAN BE MET ONLY THROUGH IMPORTS"

S. N. Jhunjhunwala
MANAGING DIRECTOR,
JVL AGRO INDUSTRIES LTD.

TDB: **India is a leading importer of refined, bleached and deodorized (RBD) palm oil. What do you think drives the demand for RBD palm oil?**

S.N. Jhunjhunwala (SNJ): There are two reasons. First, the customs duty on crude palm oil is 7.5%, while the duty on refined oil is 15%. The low differential makes refined oil imports more profitable. The second reason is that Malaysia and Indonesia have placed an export tax on crude palm oil, which is making imports of crude palm oil more expensive – as compared to the imports of refined oil.

We have been asking the government to increase the duty on imports of refined oil and make the duty difference at least 15%. The reason being, if the crude oil does not come from these countries, all the refineries located in India will stop functioning. And it's only when the government imposes a higher duty on imports of refined oil, the oil refineries in India will have a chance to survive and imports of RBD palmolein will go down.

TDB: **Does the refined oil in India and other countries have any difference?**

SNJ: The question has never been about the differences in quality. And there is really no difference in oil quality between India and Malaysia or Indonesia. The quality of refined oil in India is like that of any other country.

TDB: **India is one of the biggest importers of palm oil in the world as the domestic production doesn't meet demand. What do you think are the reasons for low production?**

SNJ: First of all, there is not enough land for cultivation. But if the government can help farmers cultivate palm trees on seashores, it will be beneficial for both the palm oil industry as well as allied sectors. Secondly, the climatic condition in India isn't suitable to grow palm trees. Well, there are some farmers in south India who cultivate palm trees, but the production volume is almost negligible.

Just like we have become self-sufficient in rice, we have to become self-sufficient even in edible oils – maybe not palm oil, but we can be self-sufficient in other edible oils. We should become capable to not only meet the domestic demand but also have enough to export. If there is a discrepancy in quality, people can always choose to import from other countries.

TDB: **What has been the consumption pattern of palm oil as compared to other edible oils in India?**

SNJ: I think palm oil constitute at least 40% of the total edible oil we consume in India. The demand for palm oil is huge and is only rising. I think it is the most consumed edible oil in India today.

TDB: **How long have you been importing crude palm oil. What margins can an importer expect in this business?**

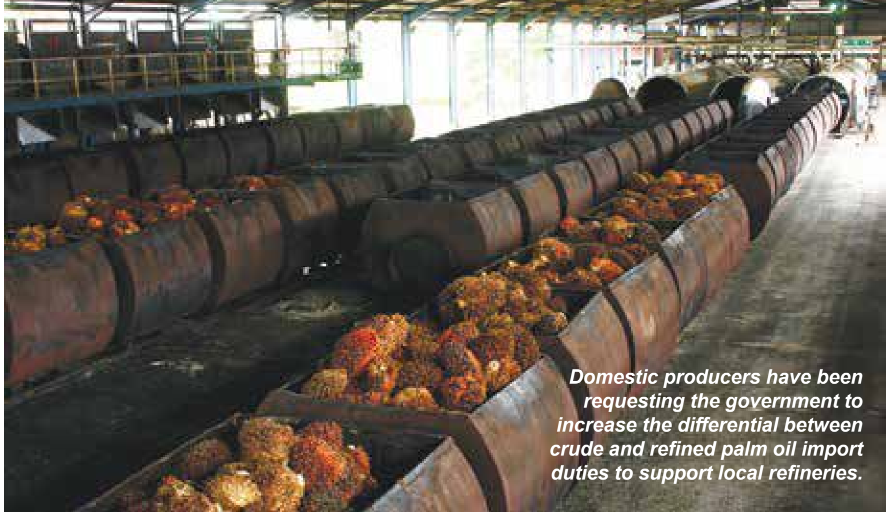
SNJ: We have been importing palm oil from Malaysia and Indonesia for the last 15-16 years. But because of an unattractive duty difference, importers of RBD palm oil and RBD palmolein are benefitting the most.

On the other hand, importers of crude palm oil, who refine in India, are suffering losses. Importers of RBD palm oil and RBD palmolein can fetch a margin of 3-4%. The margin may look small, but then this is a volume game.

TDB: **The government has an optimistic outlook for cash crop harvest this year. According to you, how will this impact imports of palm oil?**

SNJ: When it comes to imports of palm oil, there will be no impact. Imports of palm oil will continue at a steady pace because there is a huge shortage of edible oils in India. If we increase domestic production of edible oils by at least 20%, then it will be a different story altogether. No doubt we have mustard and soya oil, but since consumption is really high in India the demand can be met only through imports of palm oil.

At present, India imports about 15 million metric tonne (MMT) of edible oils every year, out of which about 9 MMT is palm oil. We are hoping that the duty difference is agreed upon and then people will import more of crude oil, reduce dependency on imports of RBD palm oil and help the local industry grow. TDB garwal, Director of B. M. Oils Pvt. Ltd., a New Delhi-based importer of edible oils. Jhunjhunwala echos a similar sentiment and says that the key to high profits is in volume. However, at the same time, he feels that a reduction in import duty of crude palm oil will benefit the industry more. “At present, India imports about 15 MMT of edible oils every year, out of which about 9 MMT is palm oil. We are hoping that the duty difference is agreed upon and then people will import more of crude oil, reduce dependency on imports RBD palm oil and help the local industry grow,” adds Jhunjhunwala.



Domestic producers have been requesting the government to increase the differential between crude and refined palm oil import duties to support local refineries.

India imports 15 MMT of edible oils every year, of which 9 MMT is palm oil.

IN NEED OF HELP?

It’s not that the government has not been doing its bit to increase domestic production of palm oil. In fact, recently, on April 12, 2017, the central government announced relaxation of land ceiling limit for oil palm cultivation under National Mission on Oilseeds and Oil Palm (NMOOP). The programme was until now catering to farmers with farm lands of not more than 25 hectares. However, under the updated scheme, benefits have been extended to farm lands of more than 25 hectares as well to attract corporate bodies towards oil palm cultivation and help them derive maximum benefit of 100% FDI in the palm oil sector.

All this seems good for domestic producers, but experts are sceptical about how soon this will bear fruit. Sairam Chaganti, CEO of Vishakaptnam-based Beont Trading says, “To set up plantations like Malaysia and for them to produce enough oil India would take at least 10-12 years.” Meanwhile, the domestic demand for palm oil is expected to continue to rise as it is one of the cheapest oils available in the market.

FUTURE BRIGHT

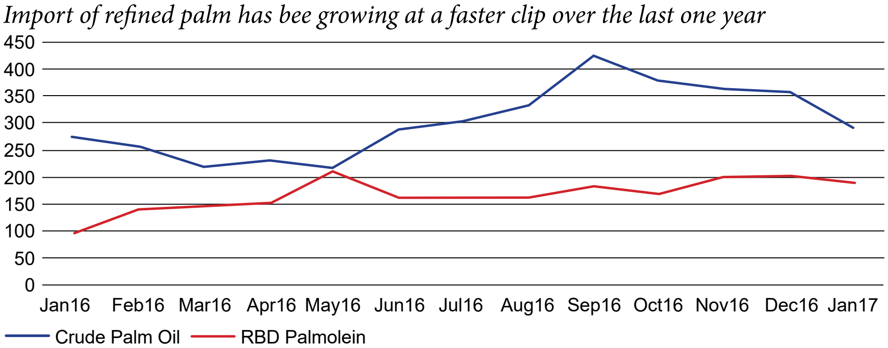
Considering all this, the future definitely looks bright for the importers of RBD palmolein. “Imports of palm oil will continue at a steady pace because there is a huge shortage of edible oils in India. If we increase domestic production of edible oils by at least 20%, then it will be a different story altogether. No doubt we have mustard and soya oil, but since consumption is really high in India the demand can be met only through imports of palm oil,” says Jhunjhunwala.

Industry experts believe that India might try hard, but its domestic production of palm oil will never be enough to satiate an ever-increasing demand. Not at least in the ftoreseeable future. Interestingly, National Mission on Oilseeds and Oil Palm has also been reinvented time and again without making much of a difference to oilseed production. This obviously means music to ears for palm oil importers. While production in India could be an option, importing RBD palmolein from either Malaysia and Indonesia and selling in Indian market makes more sense at the moment.

What’s more? With demand for palm oil expected to move northwards in India, margins are bound to expand. Sounds lucrative, doesn’t it? TDB

India’s import of crude palm oil versus refined palm oil

Import of refined palm has bee growing at a faster clip over the last one year



Source: TDB Intelligence Unit & Ministry of Commerce, GoI; value in $ million

"ACQUISITIONS HAVE FUELLED OUR GROWTH"

Wockhardt is a true Indian pharmaceutical multinational with full-fledged operations in several countries, including US, UK, Ireland and France. In an exclusive interaction with *The Dollar Business*, Dr. Murtaza Khorakiwala, Managing Director of Wockhardt Group, talks about the company's innovative business models that are in motion to make the most of emerging opportunities across the globe.

INTERVIEW BY ANISHAA KUMAR

TDB: Could you give us some insights into the journey of Wockhardt Group?
Dr. Murtaza Khorakiwala (MK): Wockhardt ranks amongst India's leading pharma and biotech companies with a global footprint and a strong R&D focus. It traces its roots back to the 1960s when the Khorakiwala family bought a pharma company that primarily manufactured medicines for common cold and cough. Till 1992, the company centred its operations towards becoming a major player in the Indian pharma industry. Thereafter, it concentrated on becoming a global drug maker.

TDB: What role have acquisitions played in Wockhardt's growth?
MK: Acquisitions have helped Wockhardt continuously strengthen its presence in the global market. In 1998, we acquired Merind, a former affiliate of Merck Sharp & Dohme of US. This enabled the company to penetrate into new therapeutic areas like corticosteroids, psychiatry and neurology. The same year, Wockhardt also acquired UK-based Wallis Laboratory. Later in 2003, it took over CP Pharmaceuticals, another UK-based company, thereby gaining access to a large customer base of hospitals under the National Health Service (NHS). Largely due to these highly successful acquisitions, today, it is the largest Indian pharmaceutical company in UK.

Expansion through acquisitions continued in 2004 when we acquired the brands, businesses and marketing infrastructure of Esparma GmbH of Germany, followed by the purchase of US-based Morton Grove and France-based Negma Laboratories.

Today Wockhardt's manufacturing facilities, with capabilities for both finished dosage formulations and active pharmaceutical ingredients (APIs), are spread across India, US and UK. The company has subsidiaries in US, UK and Mexico, and marketing offices in Africa, Russia, Central and Southeast Asia. Such has been the diversification that India, which in 2000 contributed to about 78% of Wockhardt's business, now contributes just about 32% to the total revenue. The rest 68% comes from overseas markets.

TDB: Besides India and UK, which other markets are of importance to you and where are you looking to expand?
MK: When it comes to overseas markets, US contributes significantly, after UK. At the same time, emerging markets in Asia, Africa, CIS and Latin America – where Wockhardt has a portfolio of more than 50 products with a strong network of more than 65 regional partners – are important as well. We are currently looking to expand into the fast-growing and strategically important emerging markets.

TDB: What opportunities and challenges do you foresee for Indian pharma companies in foreign markets?
MK: India is likely to gain its fair share of global opportunities that are currently emerging around biosimilars. Indian biotech companies are building capabilities in development and manufacturing of biosimilars. The development of biosimilars is more challenging than the development of small-molecule generics due to the greater complexity of biological drugs and the complex manufacturing process. It is because of this inherent complexity that the production, approval and uptake of biosimilars follow a different trajectory than that of the existing generic drugs market.

We recognised this opportunity early and went through the learning curve with high involvement and commitment. In fact, our products have been well received by clinicians as well as patients in over 25 countries around the globe.

Another area of opportunity for India is new drug discovery research. While it's at a nascent stage, new drug discovery research by Indian fraternity is gaining momentum on the global landscape. The Indian pharma industry has reached mid-to-late-stage global clinical development in areas of diabetes, respiratory diseases, immunology and oncology.

The global antibiotic scenario has deteriorated considerably due to rising resistance to existing medication, lack of new medicines and an increase in new resistant organisms. This became more complicated when most pharmaceutical majors distanced themselves from the anti-infective development research and moved towards the chronic illness space. Against this backdrop, Wockhardt Discovery engaged itself in the pursuit of developing new antibiotics with the vision of targeting the realm of unmet medical needs. Two decades of research yielded five major drugs.

Though very rewarding, new drug development is a lengthy, complex and expensive process, entrenched with a high degree of uncertainty.

TDB: Today antimicrobial resistance (AMR) is being considered as a major problem globally. However, Wockhardt is amongst the top pharma giants that have vowed to eradicate it. Can you elaborate a bit more on this?

MK: Today, globally, AMR is responsible for more than 0.7 million deaths annually and the number is slated to increase to 10 million by 2050. Due to AMR, the additional healthcare cost per year is approximately $4 billion, globally. Moreover, it has resulted in a collateral damage – the ability of the global healthcare system to manage various surgeries, organ transplants, etc., has been compromised. Wockhardt's Drug Discovery Programme focuses on finding novel solutions to this growing threat and has achieved significant successes in fulfiling these needs. With five new drugs accorded qualified infectious disease product (QIDP) status, Wockhardt aspires for global leadership in antibiotics.

TDB: Where do these five QIDP designated drugs currently stand in the drug development cycle?

MK: The five QIDP-designated novel antibacterial drugs (WCK 771, WCK 2349, WCK 4873, WCK 4282 and WCK 5222), are in advanced stages of clinical development. They belong to four different classes of antibiotics. Each of these new antibiotics has a distinct mechanism of action, making them active against multidrug-resistant pathogens responsible for serious infections. Wockhardt's new antibiotics would be useful in the treatment of bloodstream infections, pneumonia, surgical wound infections, community respiratory infections and pneumonia caused due to ventilators. All these products have the potential to significantly reduce the mortality and morbidity attributed to life-threatening infections in both hospital and community settings.

TDB: USFDA has frequently flagged Indian pharma majors over quality. Should the government intervene?

MK: The Indian government may like to engage with the US government for faster redressal of regulatory issues, considering the strategic relationship between two countries and the strong presence of Indian pharma companies in US.

TDB: Medical tourism is gaining momentum in India. What can be done to make India more attractive to patients from across the world?

MK: India is not only price-competitive compared to other South-East Asian countries but is also high on the skill index. This has resulted in a large influx of international patients, over the last quarter of a century. Currently, a reasonable amount of business is coming to metros such as Bengaluru, Hyderabad, Chennai, Delhi and Mumbai, largely from the third world countries. It is estimated that roughly 5% of the business of high-end tertiary care hospitals in metros and tier I cities comes from global patients.

At Wockhardt Hospitals, business from international patients is rapidly rising at a pace of 60-70% every year. At our hospitals in south and north Mumbai, international patients constitute a substantial portion of our business. Wockhardt has been able to reach out to various under-served geographies and is also privileged to leverage the Wockhardt brand and network. Our clinical acumen and credibility makes us stand out from the crowd.

The two major markets of medical value travel are the underdeveloped interiors of the African subcontinent and the Middle East. This constitutes about half of the medical value travellers arriving in India. India must look at it as an activity of creating dollar tourism and follow programmes created by countries such as Thailand. The issuance and of medical visas should be increased considerably and specific facilities should be created with help from the private sector to generate high-value medical tourism. TDB

ROMANTIC APPEAL OR BUSINESS CHARM?

Despite tough competition from China, India's candle exports have been rising at a fast pace. The credit for this, to an extent, goes to high anti-dumping duties that have been imposed on China-made candles in US and EU. *The Dollar Business* explores the ways to catapult India into the big league of global candle trade by countering price wars and focussing on a diversified product basket.

BY NEHA DEWAN

Don't be surprised if the next time you walk into a big branded home décor store in New York, pick up a designer candle placed on the shelf and find that it sports a 'Made in India' tag. While Chinese candles continue to flood markets across the western world, a good number of scented and decorative candles adorning homes and offices in US, UK and Australia are now increasingly being sourced from India.

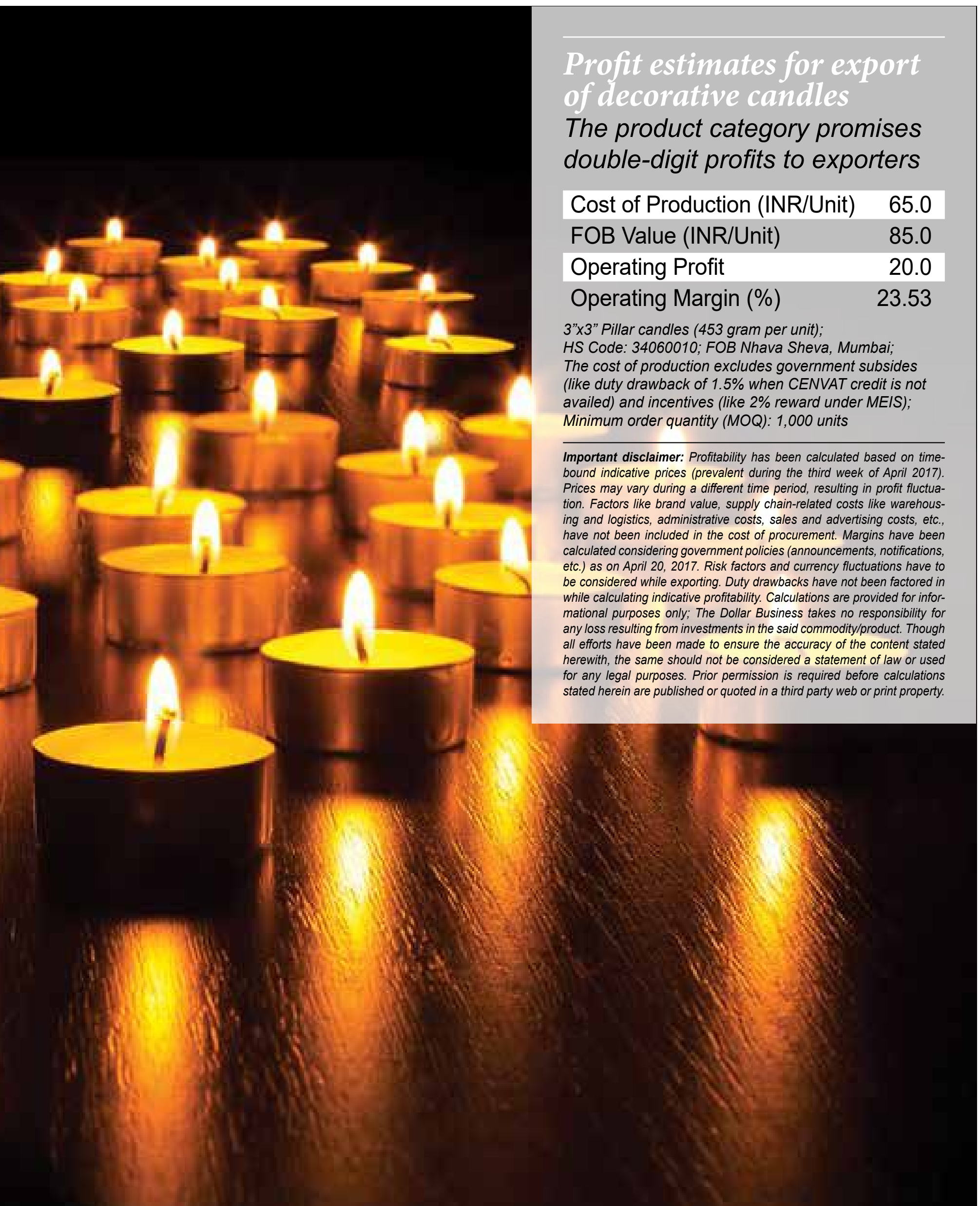
Consider this: In FY2016, India exported $27.80 million worth of candles to US – a market where candles are used in 7 out of 10 households (as per the National Candle Association, USA). Well, this was a 31.34% y-o-y jump. In the same year, India exported candles worth $9.96 and $2.89 million to UK and Australia reporting y-o-y increases of 22.81% and 47.44%, respectively. Ireland, Sweden and Italy were some of the other big markets where India's exports of candles witnessed impressive growth in FY2016 over the previous year.

Unfortunately, despite such impressive growth numbers, candle exporters from India are still struggling to counter competition from Chinese exporters who continue to rule the roost as far as candle exports are concerned. Candle (HS Code: 340600) exports from China stood at $594.29 million in CY2016, surpassing the likes of Poland and US, while India's exports during the same period stood at $50.53 million.

THE GREAT DIVIDE

What gives Chinese candles an advantage over India-made candles? "Low pricing and large volumes," rue most exporters. Delhi-based Pallestra Home Décor and Lifestyle Products exports a variety of candles and home décor handicrafts across the world. Nitesh Sharma, Founder of Pallestra, says that China-made candles sell at very low prices that Indian manufacturers are unable to match. "While India supplies tealights for say Rs.2, China, on the other hand, ends up selling it for only 90 paise! Chinese candles are machine-made, while the ones from India are even today mostly the hand-poured varieties. So, competing when the price differential is so high gets extremely challenging," he says.

However, despite competition from China, the business has proven to be profitable for Sharma, who is a first-generation entrepreneur. When he started his business of candle exports way back in 2009, his offerings got a modest response from overseas markets. His first export order of $500 was to Maldives where he shipped 50 pieces of hollow candles. "I targeted both small retailers and big hotels, and I succeeded in selling my products to them. The hotel which I supplied to in Maldives (my first export order), used to buy from Sri Lanka earlier. However, they liked my designs and I was able to deliver their order within a week's time. Thereafter, things really picked up, and since that day, for my business, there has been no looking back," fondly recalls Sharma.



Profit estimates for export of decorative candles

The product category promises double-digit profits to exporters

Cost of Production (INR/Unit)	65.0
FOB Value (INR/Unit)	85.0
Operating Profit	20.0
Operating Margin (%)	23.53

3"x3" Pillar candles (453 gram per unit); HS Code: 34060010; FOB Nhava Sheva, Mumbai; The cost of production excludes government subsides (like duty drawback of 1.5% when CENVAT credit is not availed) and incentives (like 2% reward under MEIS); Minimum order quantity (MOQ): 1,000 units

***Important disclaimer:** Profitability has been calculated based on time-bound indicative prices (prevalent during the third week of April 2017). Prices may vary during a different time period, resulting in profit fluctuation. Factors like brand value, supply chain-related costs like warehousing and logistics, administrative costs, sales and advertising costs, etc., have not been included in the cost of procurement. Margins have been calculated considering government policies (announcements, notifications, etc.) as on April 20, 2017. Risk factors and currency fluctuations have to be considered while exporting. Duty drawbacks have not been factored in while calculating indicative profitability. Calculations are provided for informational purposes only; The Dollar Business takes no responsibility for any loss resulting from investments in the said commodity/product. Though all efforts have been made to ensure the accuracy of the content stated herewith, the same should not be considered a statement of law or used for any legal purposes. Prior permission is required before calculations stated herein are published or quoted in a third party web or print property.*

ANTI-DUMPING DUTY ON CHINESE CANDLES IN US HAS HELPED INDIAN EXPORTS

While Indian candle exporters have managed to find their niche abroad, it is not just competition from China which is hurting their bottomlines. The manufacturing process itself comes with its fair share of challenges. The primary raw material used for making candles – paraffin wax – is not only expensive, but is also prone to severe price fluctuations. As this variety of wax is made from petroleum, its prices see an increase whenever there is a hike in petroleum prices. Adding to that are the challenges of managing and sourcing labour as well as maintaining consistency, since candle-making is a labour-intensive industry.

DIFFERERNT STROKES

Even when an exporter is able to navigate his way through the manufacturing hurdles, he is faced with a new set of challenges when it comes to exports as he needs to be aware of the trends in his destination markets. Neha Sawant, Founder of Mumbai-based Resonance Candles, a company which caters to lifestyle products, says that the way candles are used in India is strikingly different from the way they are used abroad. This also means that the candles in demand are also different. While candles are seen more as a household décor and utility item in India, they are used not

"THE INDUSTRY NEEDS TO ORGANISE ITSELF BETTER"

Sankar Mathur
CEO, WELBURN CANDLES PVT. LTD.

TDB: **What is the size of India's candle exports industry? How has it evolved over the last few years?**
Sankar Mathur (SM): While authentic data on candle exports from India is not always available, one could hazard a guess that India's candle exports would be approximately Rs.300 crore. India has primarily been a source of mass-market, low-cost candles for US, EU and the Far East, especially where there is a levy of anti-dumping duty on candle imports from China. High-end candles are now also gaining market share, but we are still exporting smaller volumes.

TDB: **What are the top markets for you as an exporter? Are you exploring any new market as well?**
SM: Our biggest export markets are US and UK and we have been receiving a good response for our products from these markets. We are now expanding and will be foraying into Caribbean and Central American markets soon.

TDB: **How lucrative is candle exports as a business?**
SM: Margins in this line of business are pretty thin. The recent currency fluctuations have made matters even worse. Especially, the significant devaluation of sterling pound, post-Brexit, and to some extent the euro have impacted business volumes as well as had an adverse effect on margins. Having said that, to some extent, this has been compensated by the strengthening of the dollar.

TDB: **What can the government do to help boost candle exports?**
SM: It would bode well for candle manufacturers to first come together like their counterparts in the west – such as National Candle Association (NCA), The Latin American Candle Manufacturers Association (ALAFAVE), etc. – and form a body to collectively represent themselves before the government. This can be the first step for things to start moving in a more organised manner.

TDB: **What is the driving force behind the growth of Indian candle exports industry in recent years?**
SM: The candle export industry in India has pretty much been unstructured, until recently. The primary attraction to import candles from India into United States or European Union has been the incidence of 'zero' duty compared to anti-dumping duties of 54-108% on imports of candles from China. The candle industry in US alone is close to $5 billion. While US manufacturers continue to dominate the medium to high-end segment, candles imported from low-cost sources like India get a share in the mass-market segment. However, over the last few years, new entrants in the medium scale manufacturing category have attracted significant attention among major western retailers and importers, which possibly explains the recent increase in exports from India.

TDB: **How do you deal with the seasonality of the sales cycle?**
SM: Like most other products in this category, candles too are a seasonal buy with more than two-thirds of the sales happening in the last two quarters of the calendar year. In India too, Q2 and Q3 can be considered as the primary season for candle sales. This need not be a disadvantage. Instead, it calls for better production planning and cash flow management to avoid supply chain bottlenecks during peak season.

TDB: **As an exporter, how do you plan to innovate to stay ahead of the curve?**
SM: We, like most of our competitors, are diversifying into other fragrance-delivery products apart from candles, like aerosols, diffusers, plug-ins, electronic fragrance sachets and similar products. While candles will remain our core focus, we will look at other product categories as well to further strengthen our portfolio. It is important to keep innovating and expanding product portfolio to stay relevant in the marketplace. TDB

just for décor but also for stress relief, aromatherapy and relaxation in markets outside India. "The export market for candles is growing roughly at 30% year-on-year. Container candles, pillar candles and votive candles are quite popular abroad. There are also the tealights, in a variety of sizes, which sell a lot in these markets. Consumer preferences as well as quality benchmarks of candles is different in the domestic and international markets," she highlights.

In fact, if one looks at data offered by National Candle Association (NCA), a trade association representing US candle manufacturers and their suppliers, it reveals an interesting habit of US consumers. Most US consumers start using candles within a week of buying them. This makes its demand a continuous one unlike in India where most of the times the candles are used only during festivals and on special occasions. Their research also indicates that 42% users in US light up candles in the living room, 18% in the kitchen and 13% in bedrooms. This makes fragrance and colour two crucial influencers among US buyers.

So, when it comes to exports its obvious why manufacturers in India lean towards decorative scented candles. Most of the exporters we spoke to feel there is a good demand for decorative vegetable wax candles abroad. On the other hand, in the Indian market, they say, it is the cheaper, non-scented, paraffin wax candles that sell more. "We get export orders for vegetable wax candles since they are more eco-friendly and non-toxic. The designer candles are also in high demand amongst overseas clients. In India, however, it is the paraffin wax candles that are bestsellers with their low entry price points," says Amandeep Singh, Retail Brand Manager, Good Earth.

AN ART AND A SCIENCE

Incidentally, there is an assortment of waxes which are available when it comes to the making of candles. Paraffin wax, for instance, is by far the most commonly used – however its use has been considered hazardous and toxic owing to the soot emanated from it. Sawant says, "The wax in paraffin candles is filled with petrochemicals – it is like breathing exhaust from a car! It is not at all safe to inhale. Vegetable-based waxes are expensive but well worth the investment."

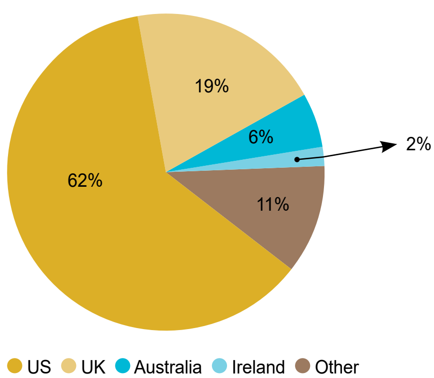
Besides paraffin, there is soy wax, made from soya beans is known to burn cleaner with less soot being released. Most soy waxes are made from 100% soya bean oil, while some may also include other vegetable oils. Then there is gel wax, which is an amalgam of resin and mineral oil. It is often used to replicate water or liquids. The texture is clear and rubbery and gel wax boasts of staying alight for twice as long as paraffin, without the hazardous fumes associated with burning paraffin wax candles.

Another popular but slightly expensive variety is beeswax, a traditionally famous candle-making wax which is produced by bees during the honey-making process. This is more expensive owing to its natural and chemical free characteristics. Yet another environment-friendly but expensive wax is palm wax that is produced from hydrogenated palm oil. It is a firm wax that is perfect for pillar candles and votives. At times, it is also mixed with soy wax to strengthen its form further. While both are known for their environment-friendly components, their high cost adds to the overall pricing of a candle.

If one talks about bestsellers that hog the limelight, candle varieties such as tealights, pillar candles, container candles and votives find a robust demand abroad. One variety found in many homes outside India (with a growing domestic demand during festivals) is tealights, which are essentially candles enclosed in a metal or plastic cup, typically small in size, and burn for approximately 3-5 hours. Another type of candle which is a favoured option internationally are votive candles – these are small cylindrical candles that melt into oil

Top markets for Indian candles

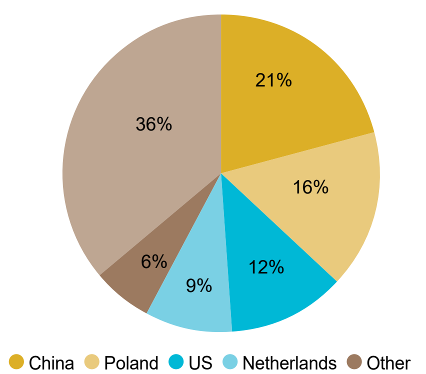
US is by far the biggest market for India



Source: TDB Intelligence Unit & Ministry of Commerce, GoI; break-up for FY2017 (April-January); HS Code:34060010

World's biggest candle exporters

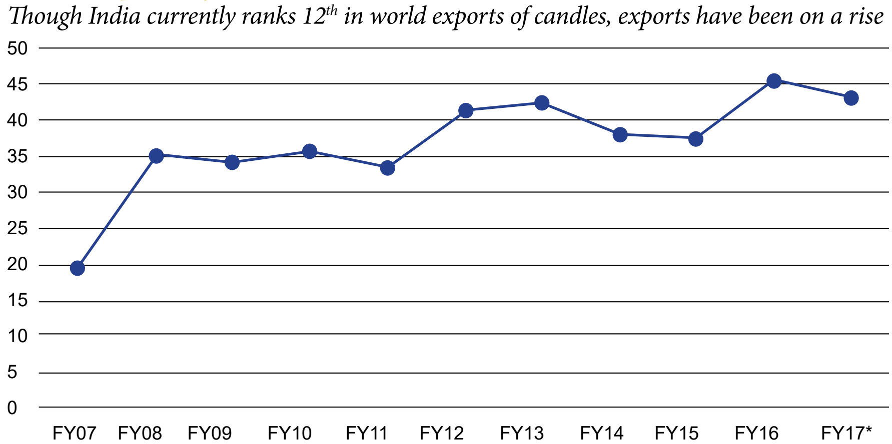
China, Poland & US lead from the front



Source: TDB Intelligence Unit & UN Comtrade; break-up for CY2016; HS Code: 340600

India's exports of candles

Though India currently ranks 12th in world exports of candles, exports have been on a rise



Source: TDB Intelligence Unit & Ministry of Commerce, GoI; figures in $ million; FY2017 figures for April-January period; HS Code:34060010 once lit. Incidentally, both tealights and votives are low-cost options for home décor and an easy way to brighten up one's home. Container candles, on the other hand, come in non-flammable containers full of wax and wick. Another category is the pillar candle, which is a sturdy candle and can either be short or tall or for that matter square or round – they are thick and wide which makes them burn for a longer duration, and are also used as decorative pieces. In fact, the width of a pillar candle is its defining feature as it can be cast in different shapes. And this is the variety of candle Indian exporters are focussing on as of now.

BUMPS AND BENEFITS

The versatility of candles can hardly be questioned, especially with such a plethora of options that can notch up the aesthetics and appeal of any space, manifold. According to 'Global Candle Market Research Report 2017', the candle manufacturing industry is expected to continue to draw benefits from a buoyant demand, both domestically and abroad. This will be triggered by an increased spending power and an inclination towards candles as a source of fragrant and coloured add-ons to homes.

According to the same report, there is also expected to be an increasing incli-

"RAW MATERIAL COSTS ARE HURTING CANDLE EXPORTS"

Nitesh Sharma
FOUNDER & PROPRIETOR, PALESTRA HOME DÉCOR AND LIFESTYLE PRODUCTS

TDB: **Over the last few years, the growth rate of candle exports has not been consistent. Why?**
Nitesh Sharma (NS): There are various factors that have contributed to this scenario. First of all, China sells at a very low price and they have invested a large amount in infrastructure. While most of their candles are machine made, in India most are hand poured. Secondly, the raw material, which is wax, also ends up being costlier. And since wax is a by-product of petrol, an increase in the price of petrol also leads to a consequent increase in wax prices. Moreover, the quality standards required for export are quite stringent and high – so at times, if the quality is not up to the mark, the product doesn't make it to the export markets. That said, Chinese products are more popular because overseas buyers prefer bulk shipments at lower prices.

TDB: **As an exporter, what support do you expect from the government?**
NS: The price of raw material needs to be slashed – that will of great help. Besides this, the process of setting up factories needs to be made easier. International buyers ask for many certifications which have to be taken from different departments. There should be an easier way to get such certifications for the benefit of all concerned in the business.

TDB: **Candle exports, in a sense, is a seasonal business with the product's demand being more at the time of festivals or special occasions. Does this seasonality affect the business?**
NS: It is not a disadvantage in exports market as our products are such that they are used all year round in homes across overseas markets. So, it is not seasonal in that sense. Our candles are commonly used in homes and places of worship to create an aesthetic and fragrant ambience. In fact, the seasonality is more at play in Indian market.

TDB: **What margins can one expect in this business? How much investment is required to step up a production unit?**
NS: The margins are quite decent – one can look at a 20-30% margin even in the low-end mass market. The way it works is that there are big margins if one exports to a small buyer or retailer and relatively lesser margins if you are exporting to a renowned one. But, it is surely a profitable business if you have a good network abroad. However, one has to invest once in good machinery used for jar candles and tea lights, which are hot selling products abroad. Investment in these machines can make quite a difference to productivity and profitability.

TDB: **Where does India's strength lie in this business? How can we maximise our strengths?**
NS: Indian exporters should look at segments where they can hope to gain a definite advantage over China. For instance, we can look at designer candles – these are not made in bulk and hence China doesn't have an advantage in this category as Chinese manufacturers produce in bulk. Moreover, despite the cost advantage that China offers, some clients want to work with Indian manufacturers instead. I have clients who say that Indians are more honest and trustworthy. So, there are certain cultural dynamics that work well for Indians.

TDB: **How do you plan to expand your global footprint in the coming days?**
NS: Maldives is a top market for us and will continue to be. I have targeted small retailers as well as big hotel chains in Maldives in the past. Besides this, we have also exported to Singapore, Indonesia and Thailand. Going forward, we will continue to innovate in different categories of candles which will work well for overseas markets. We also plan to diversify into home décor as a business and include other lifestyle products in our overall range. TDB

nation towards candles which are environment-friendly and stay clear of any health disadvantages. Interestingly, in India, candle manufacturers are already customising their offerings in step with this all significant and 'healthy inhaling' trend. Sawant of Resonance Candles, for instance, has a line-up of products that include pure vegetable wax candles and will soon be coming up with 'ghee' candles for the domestic market. The brand also uses indigenous ingredients such as lemongrass and sandalwood which are mixed with essential oils for a unique aroma. Next on agenda for the company are certified vegan products in home décor, a move towards more 'responsible and healthy' manufacturing.

So, despite the challenges, when it comes to the future of the candle industry, there is light ahead – no pun intended! And one major reason for cheer for Indian manufacturers is that in US there is zero duty on candle imports from India as against an overwhelming up to 108% anti-dumping duty on candles import from China! This duty has robbed Chinese manufacturers of their low-cost advantage and has helped Indian exporters get a toe-hold in the low-end mass market, which was earlier dominated by Chinese products. "This has been a big attraction for importer of candles from India into US or EU. India is now a good source for mass-market, low-end varieties of candles," reveals Sankar Mathur, Managing Director at Welburn Candles, a manufacturer and bulk exporter of decorative candles to US and EU.

Support from the government too has come in handy when it comes to fighting a price war in global markets. Currently candle exporters receive a 2% incentive under MEIS, and if the candles are classified as handicraft products they are eligible for 5% incentives under MEIS.

LIGHT AHEAD

What does the industry then need to do to reach its potential? Many exporters feel that there remains a need to bring together all stakeholders under a common umbrella. Initiatives from the government to bring members from different parts of the manufacturer-exporter-distributor chain together and offer an avenue to access raw materials at a low cost sure will help. What would also help is a concerted effort of marketing Indian candles abroad. "There are not enough portals to promote us across international markets. For instance, there are websites like Alibaba that promote Chinese products in a big way. We also should have something similar where our products can be showcased to represent what India offers. More exhibitions and marketing efforts should be there to build awareness about candles that are sourced from India," asserts Sharma.

Exporters also believe that access to low-cost credit will help them make the required investments in machinery and equipment that they need to keep abreast of the competition. From the exporters' side, more innovative offerings, customisation and leveraging India's strengths in handicrafts can aid in creating a differentiation in the minds of the overseas clientele. As Sharma says candidly, "We make better quality products than China. It is just that their throwaway prices makes them quite appealing for high volume orders. However, if we do more value additions and keep innovating, I am sure clients will not mind shelling out a little more for the quality that comes to them."

Well, it's time to take cue from Sharma and make the most of this lucrative opportunity. Are exporters listening? TDB

Jar candles, filled with coloured wax and wick, being mass produced in a candle factory. Exporters also add different fragrances to the candles, keeping with the demands of importers. The jars are made from non-inflammable materials.

"STEEL INDUSTRY IS ON AN EXPANSION MODE"

India's steel industry today faces challenging market conditions arising out of a global steel glut. In an freewheeling interaction with *The Dollar Business*, Chaudhary Birender Singh, Union Minister of Steel, GoI, talks at length about the government's initiatives and plans to overcome global challenges while fueling growth and enhancing competitiveness of Indian steel industry.

INTERVIEW BY KANCHI BATRA

TDB: Exports from the iron & steel industry are on the rise. What policy changes have facilitated this?

Chaudhary Birender Singh (CBS): Over the last two years, the government has taken several targeted interventions in the form of trade remedial measures such as imposition of minimum import price (MIP), anti-dumping duty, safeguard duty, etc., and strategic interventions such as an increased focus on the expansion of the MSME sector, raw material security, enhanced R&D activities, reduction in import dependency & cost of production to tackle the global glut in steel industry.

At the same time, 100% FDI through the automatic route has been allowed and large infrastructure projects in the public-private partnership (PPP) mode are being formed. Together, these steps have resulted in improved capacity utilisations, increased cash flows and profit margins for steelmakers, reduced imports and significantly high exports. We also hope that the new National Steel Policy (NSP) will encourage the industry to reach global benchmarks. Similarly, policy clarity and stability in the leasing of mines and forest clearances are also bound to benefit the sector.

TDB: According to Steel Ministry data, exports surged by almost 78% y-o-y during the first 11 months of FY2017, while imports plunged by 39%. Can we expect this trend to continue?

CBS: The growth has been sustained in the 12th month of FY2017 as well. All the strategic interventions taken by the Ministry of Steel during FY2017 has led to a series of milestones and achievements in the sector, including an increase in crude steel production by 8.5% y-o-y in FY2017, increased cash flows and profit margins for steelmakers, reduced imports by 37% y-o-y and increased exports by 97% y-o-y. These developments have provided some relief to the domestic industry. We believe this trend will continue in FY2018.

TDB: The MIP on steel was withdrawn in February this year. Will the safeguard duties also be withdrawn?

CBS: MIP was notified under exigent circumstances to counter the then (during 2014-16) existing challenges of increasing cheap imports, decreasing prices and to suitably act against the predatory pricing strategy of major steel-manufacturing countries. MIP was being gradually phased out and was finally withdrawn on February 4 this year, leaving only other trade remedial measures such as anti-dumping duty and/or safeguard duty notified by the designated authority based on the petitions filed by the industry. Under the current circumstances, it is necessary to continue with such measures, else all the benefits accrued by the industry so far will be neutralised.

TDB: India's current per capita steel consumption stands at 60 kg, which is well below the global average of 208 kg. What are we doing to leverage this enormous growth potential presented to the industry?

CBS: Indian steel industry is already in expansion mode. Older steel plants are being modernised and expanded and newer greenfield plants with state-of-the-art technologies are also coming up. India overtook US to become the world's third largest steel producer in 2015. India is now poised to emerge as the second largest steel producer after China over the next 12-18 months. Steelmakers are adding capacities in anticipation of upcoming demand given the government's enormous focus on infrastructure sector, which has a budget outlay of about Rs.4 lakh crore for FY2018. However, per capita steel consumption is still quite low as against the world average, which no doubt indicates a huge growth potential for our steel industry.

Against this backdrop, the Ministry of Steel will make the best use of the 'Make in India' initiative. Under this initiative India is expected to witness significant investments in infrastructure, automobile, shipbuilding and power sectors, which, in turn, will stimulate steel demand. The ministry will also promote India-made steel in infrastructure development and construction. Alongside the impetus on increased steel usage in any upcoming development activities, these factors will further boost the demand for steel in the country. With weak global economic prospects, the Indian steel industry will have to depend on the growth of domestic consumption for its future. It is expected that the per capita consumption of steel will rise to about 160 kg by 2030-31.

TDB: The steel industry presently contributes just about 2% to India's GDP. What initiatives is the government taking to increase its share?
CBS: Construction, infrastructure and automobiles are India's largest steel consuming sectors. Total real consumption of steel is estimated at 81.5 million metric tonne (MMT) in FY2016 and is expected to reach 104 MMT by FY2017, driven by rising infrastructure development and the growing demand for automotives. Based on higher demand requirements from construction and other steel-intensive sectors, the government aims to double the consumption of steel and alloy steel to by 2020. We believe all these factors will increase the usage of steel across industry segments, in the process increasing the steel industry's contribution to the country's GDP.

WE NEED TO FOCUS ON R&D AND COME UP WITH DISRUPTIVE INNOVATIONS

TDB: Is our industry focussing on product development to produce better and more value-added steel?
CBS: Product development is a major challenge being faced by the Indian steel industry. Even though leading Indian steel companies have in the recent past carried out some significant R&D work in the areas of raw material beneficiation, agglomeration and product development, the major focus of R&D has been limited to day-to-day operations and hence there has been a lack of disruptive innovations. Indian steelmakers need to evolve a time-bound action plan to enhance their R&D expenditure to at least 1% of the turnover.

In the coming years, production of value-added, front-end and strategic products will be facilitated through the acquisition of foreign technology by setting up joint ventures or subsidiaries of foreign companies or by indigenous development. Measures will also be taken to ensure the development of a variety of special steel alloys.

TDB: What are you doing to encourage Indian companies to set up environment-friendly scrap-based steel production units?
CBS: Scrap-based steel plants are environment-friendly, energy-efficient and cost-effective. These will have the capability to produce high-quality steel, a pre-requisite for our 'Make in India' initiative. The Ministry of Steel is currently looking at the cost-benefit analysis of setting up scrap-based steel plants in North and West India as these regions have the required amount of scrap and are import hubs too.

Simultaneously, the ministry has also set up MSTC-Mahindra Intertrade state-of-the-art auto shredding plant, which is likely to be functional in 2018. This joint venture (JV) between MSTC Ltd. and Mahindra Intertrade Ltd. will be India's first greenfield auto shredding and recycling facility. Additionally, MSTC Ltd. and Ministry of Steel have jointly launched an e-platform called 'MSTC Metal Mandi' under the 'Digital India' initiative to facilitate the sale of finished and semi-finished steel products.

TDB: What operational challenges does the industry face and how do you plan to alleviate them?
CBS: Recently, multiple issues have adversely impacted the steel sector, like the cancellations of iron ore and coal mine allocations, delays in land acquisition and environmental clearances, which led to many of the projects to incur significant cost and time overruns. Additionally, companies also face substantially increased operating expenses due to increased logistics and raw material costs.

To give an impetus to the industry, the Ministry of Steel has already drafted a preferential policy for Domestically Manufactured Iron & Steel Products (DMI&SP) which is applicable to all government departments, ministries and agencies/entities. The policy mandates that preference be given to DMI&SP in government procurement. This policy has been envisaged to promote growth and development of domestic steel industry and reduce the inclination to use low-quality, low-cost imported steel in government-funded projects. The policy is currently in the final stages of its approvals and will be notified soon. TDB

"WE'RE DEEPENING OUR ENGAGEMENT WITH INDIA"

UK seems to be getting ready for a trade deal-signing spree as it looks to a future beyond EU. In a freewheeling interaction with *The Dollar Business*, Kevin McCole, COO, UK India Business Council (UKIBC), explains why a comprehensive UK-India bilateral economic agreement must not wait for the Brexit dust to settle.

INTERVIEW BY AHMAD SHARIQ KHAN

TDB: In a post-Brexit world, how is UK India Business Council realigning strategies to promote UK-India trade?

Kevin McCole (KM): We will be working with our members to coordinate the dialogue between the governments and the Joint Working Group set up by UK International Trade Secretary Liam Fox and Indian Commerce Minister Nirmala Sitharaman. When the time comes to begin talks, we will be encouraging both governments to prioritise bringing down both tariff and non-tariff barriers through a Comprehensive Economic Partnership Agreement (CEPA). In terms of tariff barriers, if duty on alcohol is brought down, it would be of great benefit. Non-tariff barriers are also an issue, and efforts to improve the business environment by Prime Minister Modi's government are very welcome but must go further to ensure a future CEPA is successful. Any agreement should be forward-looking and take into consideration the economic drivers of the future.

There is a rising interest and demand for UK goods, services, technology and know-how to help achieve the goals set out in programmes such as 'Make in India', 'Digital India', 'Skill India' and 'Swachh Bharat'. And there are several areas where more bilateral trade and investment can bring near-term benefits to both countries. Time waits for no one and it is important that companies do not wait for the Brexit dust to settle. For a comprehensive bilateral economic agreement, the opportunity is now!

TDB: Has British Prime Minister Theresa May's visit to India made any difference to India-UK relationship?

KM: The UK-India relationship has gone from strength to strength under Theresa May's leadership, with the Prime Minister making India the destination for her first non-EU bilateral visit. Many cabinet ministers have visited India and several others are expected to do so in the next couple of months. There is much to be optimistic about. And with 2017 being the UK-India Year of Culture, there will be many events and initiatives aimed at celebrating the strength of our relationship. As UK negotiates its exit from EU, India will remain an important partner. And with goodwill on both sides the possibility of negotiating an FTA or CEPA in future is certainly on the table.

TDB: What about the issue of Indian companies that despite being the largest manufacturing employers in UK find it difficult to hire skilled workers from outside the country?

KM: The contribution Indian businesses and individuals make to UK's economy is well-understood and much appreciated in UK. In fact, the UK government engages closely with Indian businesses to help them expand their investments in the country. Access to talent is only one of the factors at play when businesses in UK consider investment decisions. This applies equally to indigenous UK companies or investors from India and elsewhere. What we see on the talent development front is that industry, schools, further colleges, universities, local authorities and the government, all are working together to build a pipeline of industry-ready talent.

TDB: In a fast-changing global scenario, is India doing enough on the policy reforms front to create a conducive business environment?

KM: There is no doubt that India is a fast-emerging economic power. Simultaneously, there is no doubt that the reforms introduced by the government over the past three years have solidified this strong economic performance. Efforts are being made to further improve the ease of doing business and the smooth rollout of GST this year is the most important step in doing so. There is large untapped potential. Moves to open up areas in the services sector to foreign investment would go a long way in improving the business climate.

A number of programmes have also helped improve confidence. For example, businesses believe the 'Make in India' initiative, which has undoubtedly been a success, is an important plank in India's growth story as its successful implementation will create jobs for the growing pool of young workers in India. This, in turn, will boost domestic demand and unleash a cycle of growth for the country. As 58% of UK's investment into India is in manufacturing, companies such as Perkins and GSK are already contributing to the 'Make in India' story. At the same time, 'Digital India' aims to create a knowledge economy and promote good governance, which will help grow India's economy in the 21st Century. UK companies such as Vodafone and BT are already collaborating with the Indian government to realise this effort. In fact, in UKIBC surveys of 2015 and 2016, most respondents felt that it is getting easier to do business in India. In other words, the government's intentions to bring about wide-ranging reforms have not gone unnoticed.

TDB: Which sectors are of mutual interest to India & UK? And what makes UK an ideal investment destination?

KM: There is great potential across a range of sectors. For example, there is a growing demand in India for high-quality consumer goods. The country also has a largely untapped market in financial services – in fact, services like insurance could unlock great opportunities for both countries. Companies in both countries are benefiting greatly from partnerships and at the UK India Business Council, through our export opportunities initiative, we are helping connect businesses to perfect partners.

UK is leaving EU, but we are deepening our engagement with the world. PM May's vision of a 'Global Britain' means that we are entering a new age of international trade and investment. UK remains a compelling investment destination for Indian companies. For a start, it is the 5th biggest economy in the world. It is English speaking, has competitive corporate tax rates with extraordinary talent and London as the world's leading financial centre. There is much beyond London, with dynamic and fast growing cities like Sheffield being home to advanced manufacturing businesses with world-beating technologies.

TDB: As both India and UK are economies characterised by a large number of SMEs, do you believe both governments should promote more SME-SME collaboration?

KM: There is clearly an opportunity for SMEs to play a larger role in the bilateral relationship. However, since SMEs are often short of time, finances and the experience needed to enter a new market, particularly a complex market like India, they require a certain degree of support to help them establish themselves. At the same time, it is also worth noting that while SME-SME collaboration is possible, it is more likely that an SME will enter UK or India to partner with an MNC. So, Indian SMEs shouldn't look to connect with just UK SMEs and vice versa. They should look to find the right partner or client, regardless of size.

THERE IS HUGE POTENTIAL LYING UNTAPPED ACROSS A RANGE OF SECTORS IN BOTH INDIA & UK

TDB: The Indian government is slowly opening more sectors for foreign direct investment (FDI). Do you see any barrier that could hamper its inflow?

KM: The Indian government has taken great strides over the last few years. In a recent consultation of UKIBC members, FDI caps were barely mentioned. Three years ago, this would have been a hot topic. Nevertheless, there are some areas where FDI liberalisation would benefit India and the UK-India business relationship; for example, foreign corporate lawyers cannot operate in India and the defence offset rules inhibit investment from manufacturers in that sector.

TDB: How will GST, India's big tax reform, impact doing business in India?

KM: GST will go some way in making India a world-class business destination, by removing many state-to-state barriers that currently exist. Coupled with the increase in digitisation of government services, this is about bringing India's economy into the 21st Century. However, there are several issues associated with GST, including the treatment of sectors such as alcohol, petroleum products and services that are delivered pan-India. The industry would welcome any clarity on the implementation. TDB

"CHINA IS A FOCUS MARKET FOR US!"

For more than three decades now, Carpet Export Promotion Council (CEPC) has been instrumental in connecting Indian carpet exporters with overseas buyers. 'Rugs of India', a brand promoted by CEPC, today, defines India's hand-weaving skills, globally. However, when it comes to exports, even these exotic, traditional rugs need to be branded and marketed well in the face of competition from machine-made products. CEPC Chairman Mahavir Pratap Sharma explains why.

INTERVIEW BY AAMIR H. KAKI

TDB: The 33rd edition of India Carpet Expo was held in New Delhi last month. How was the response from visitors?

Mahavir Pratap Sharma (MPS): We brought together 305 small, medium and large manufacturers and exporters from across the country and showcased their products to 397 overseas carpet buyers who visited the expo held in New Delhi. The latest edition of the expo generated about Rs.800-1,000 crore business during the four-day exhibition period.

As India accounts for about 35% of global export of handmade carpets, India Carpet Expo (ICE) provides an ideal platform for international carpet buyers, buying houses, buying agents, architects and Indian carpet manufacturers and exporters to meet and establish long-term business relationship. In fact, for the first time 60 countries participated in ICE – buyers from countries like Bulgaria, Israel, Malaysia, Mauritius, Taiwan, Zimbabwe, Vietnam, Serbia and Hungary attended the event for the first time along with traditional buyers from Australia, Brazil, Canada, China, Chile, Germany, Mexico, Turkey, UK, US, Japan, etc.

The expo has been very successful in opening new markets for the industry and in helping small and medium carpet manufacturers promote their products across overseas markets.

TDB: Which are the key export markets for Indian handmade carpets?

MPS: Indian handmade carpets are exported to 73 countries around the world, with US being the largest importer.

In fact, India has been dominating the US carpet market for more than a decade now, emerging as the most preferred carpet supplier to US among all major carpet exporting countries, including China, Nepal, Iran and Pakistan.

Apart from US, we are looking at China as a focus market. Carpet Export Promotion Council (CEPC) is planning to establish a warehousing facility in China. We are also conducting a market study to prepare an export promotion plan for improved penetration of Indian handmade carpets and floor coverings in the Chinese market. Simultaneously, we are also looking at opportunities in newer geographies in North and South Africa. To achieve that we are organising trade and road shows, and are undertaking branding exercises in these countries.

Exports of handmade carpets and other floor coverings from India stood at $1.45 billion in FY2016. For FY2017, the government has set an export target of $1.56 billion for carpets and floor coverings, which we believe will be easily achieved. Even though global economy is sluggish, India is not losing its world market share. But as consumption has declined, the growth rate has been slow.

TDB: Do you foresee any impact on export of Indian handmade carpets to US under the Trump administration?

MPS: Indian handmade carpets are known for their attractive colours, quality raw material, skilled workmanship, fine weaving and finishing. Supported by a large labour pool, the Indian carpet industry has today positioned itself as a high-volume, cost-effective producer of a wide range of carpets. We have dominated the US market for years now. Hence, as long as demand is there, I think exports to US will not decline.

TDB: What competition do our carpet exporters face in international market?

MPS: The main competition is from machine-made products, regardless of the country of origin. If tomorrow, India starts manufacturing machine-made carpets, then even that will be a challenge. Carpet weaving, which is an ancient Indian tradition, has been a flourishing industry in the country, 16th century onwards. Today, we are the world's largest producer and exporter of handmade carpets both in terms of value and volume. About 70–75% of carpets manufactured in India are exported. Made-in-India carpets are known for their excellent design, fascinating colours and quality.

To counter the looming threat from machine-made products, CEPC is now focusing on marketing and branding of handmade carpets across the world. But by not demeaning machine-made carpets in any way. We are trying to show the world what is better, what is different, why handmade carpets are more expensive and why they are more durable. We

CEPC IS LOOKING AT CHINA AS A FOCUS MARKET AND PLANS TO SET UP A WAREHOUSING FACILITY THERE SOON

are trying to create a marketing strategy that will focus on attracting customers, from across the globe, towards Indian handmade products.

TDB: In today's age of machine and technology, weavers need support, particularly when it comes to skill development, to keep up with the competition. What are you doing on that front?
MPS: From time to time, CEPC helps and supports skill development centres that are imparting skills to our weavers. We also work with local associations and NGOs and help them in organising training programmes for weavers. In fact, over the years, we have created more than 2,000 new weaver families that were originally not weavers. Hence, CEPC continues to harness this traditional art form.

TDB: What support do you expect from the government?
MPS: The industry needs the government's support in marketing and branding and helping the weavers' community. And if we continue to sustain the weavers, they will not move away from this industry. If we get marketing and positioning of handmade carpets right, I think sooner or later Indian carpet exporters will benefit. We don't want subsidies for manufacturers and exporters, but we do want weavers to be subsidised. Competitive interest rates though will go a long way in helping this industry.

TDB: How will Goods and Services Tax (GST) benefit exports?
MPS: In general, all Indian exports, which have long suffered due to differential taxes existing in the country that led to the lack of competitiveness in international markets, are expected to benefit from the GST regime. The subsuming of major central and state taxes in GST will reduce the cost of locally manufactured goods and services. This will definitely increase the competitiveness of Indian goods and services, globally.

Meanwhile, as carpet making is a labour-intensive industry that involves a lot of small manufacturers, CEPC has conveyed its point of view to the government that handmade carpets should be exempted from GST or refund should be made through the drawback channel.

TDB: How has the Council evolved over the last few years?
MPS: CEPC understands the market well. It understands the needs of weavers, manufacturers and exporters. It is also aware of the needs of importers across countries. We know that designs and colours are ever changing. As a promoter of handmade rugs and carpets, it is our endeavour to keep track of the changing trends so that we are able to educate weavers on the latest designs and colours and help our members showcase these trending products in different countries.

CEPC aims to provide an exclusive business environment to both carpet importers and manufacturer-exporters, which ultimately will benefit about two million weavers and artisans employed in this MSME-driven industry. TDB

"RED-TAPISM IS STILL AN ISSUE IN EXPORTS"

Exports wasn't Anil Peshawari's forte. But in 1999, this chartered accountant decided to take the plunge and start a garment export business. Come today and he has been successful in establishing Meenu Creation, a 100% export-oriented company that boasts of an annual turnover of Rs.300 crore. In an interaction, Peshawari shares lessons that experience has taught him and other thoughts on textile exports business.

INTERVIEW BY MANISHIKA MIGLANI

TDB: You have been in the business for almost 19 years. How did you start?
Anil Peshawari (AP): In the 1990s, I was a chartered accountant and some of my clients were into the business of garment exports. Taking a lead from them, in 1999, I started my own business. Initially, it was a small setup with about 25-30 workers and 40 sewing machines. Luckily, we received our first export order from Stradivarius, a clothing company based in Spain. They ordered women wear worth Rs.2 lakh. This gave me confidence and, gradually, we ventured into other European markets, followed by the US market. In the first year our turnover was Rs.35 lakh and in FY2016 we clocked a turnover of Rs.290 crore.

TDB: Considering the unpredictability of business environment in US and EU, do you plan to explore new markets?
AP: No, we are focused on expanding our presence in US. However, I must mention that South America looks interesting. The only reason why we aren't tapping into South America is because they are finding it difficult to import products from other countries, which is a direct impact of their currency devaluation. Also, they are trying to manufacture either within the country or procure from neighbouring countries with whom they have trade treaties.

TDB: What about currency fluctuations in India and China?
AP: Between 2007 and 2015, the Chinese currency appreciated by almost 24%, and during the same period Indian currency depreciated by about 45%. The net effect was that we got an advantage of around 70% over China – just on the account of currency. Despite this huge advantage, India could achieve only 10% of China's total exports. We are not doing anything constructive to boost exports. Instead, we are trying to control the value of the currency artificially, due to political reasons. Also, in the last two years, the Chinese currency has depreciated by 19% while Indian currency has depreciated by 7%, and that is a cause for serious concern. The government is not ready to understand that if this trend continues for a few more years, we might lose all our business to China. The industry will face a complete shutdown and millions of workers will lose their jobs.

TDB: What other challenges does the industry face?
AP: India has a certain limitation when it comes to fabrics. We do not have the required yarns, technology and machinery. This is because the sector has done poorly over the last few years and proper investments have not been made.

TDB: What government intervention would the textile industry require to improve the business climate?
AP: For exports, the government should take care of all the red-tapism and bureaucracy barriers involved in the clearance of goods. Also, it should see that control by the *inspector raj* (government regulation in non-essential areas) is restricted. There should be relaxation with respect to the laws related to Provident Fund (PF) and Employment State Insurance Scheme (ESIS). For instance, the government should ensure that the employees work for a minimum of 30 days before they can avail the benefits provided under these schemes. This is because workers tend to quickly jump from one company to the other, making accounting of their salaries a difficult task.

TDB: Both India and EU seem to be keen on an FTA. Do you think an FTA will boost exports from this sector?
AP: Of course, it will help the industry – but we may have missed the boat! Even though negotiations have been going on for sometime now, I don't see the EU-India FTA happening anytime soon. It might take a couple of years for the agreement to see the light of the day – if things go smoothly. The agreement could not happen earlier due to a variety of reasons – when we asked EU to give us duty concessions, EU asked us for duty concessions on automobiles and wines and we did not agree. We will need to compromise somewhere to sign the FTA. EU's economy has slowed down. They aren't as liberal as they used to be in terms of duty concessions. So, even if they agree to give some benefits, they would need their pound of flesh. What our government doesn't realise is that it is not a matter of only increasing exports

THE GOVERNMENT SHOULD TAKE CARE OF RED-TAPISM INVOLVED IN THE EXPORTS PROCESS

through these pacts, but that they will help generate more employment. The textile sector is the one of the few sectors that provide employment to uneducated masses in large numbers. Doubling the export value also means doubling the number of people in this sector. In my opinion, if the agreement happens now, it will double our export to Europe, which constitutes 40% of the total exports from our industry.

TDB: What makes other countries more competitive than India?
AP: Take Bangladesh as an example. It is way ahead of us for numerous reasons. Bangladesh imports fabric from India, but garment exports constitute a major chunk of their GDP. I must add that since they do not have other significant industries, garment exports have become the country's single focus. Wages in Bangladesh are also about 40% lower than India, and as a less-developed country it also enjoys duty-free access to EU.

TDB: What is the biggest change the industry has witnessed over the years?
AP: When we started, our customers and partners did not ask us to fulfil any social compliance, which we are subject to in the present times. Now it is impossible for the industry to employ anyone who is below the age of 18 as we stand the risk of our orders getting cancelled or the company getting blacklisted. We are also monitored in terms of timely wage payments to our workers as per the law and are subject to regulatory audits by our customers.

Complying with these regulations is important while dealing with large companies abroad. Initially, we were unaware of the significance of these laws and regulations, but now we follow them by choice because it has become very important for export-oriented companies like ours. Something that we have realised over the years is that if we keep our employees happy, they are likely to be more productive and that in turn will help us generate better revenues.

TDB: Did demonetisation affect the garment industry?
AP: Yes, it impacted us in a positive way. Now, all our workers have a bank account and that has solved all our problems related to wage payments. That said, there was no reason why demonetisation would have a negative impact on our business. Our buyers have nothing to do with the situation in India. Our supply chain constitutes of players from organised sector and we have always used banking channels for payments.

TDB: How will Goods and Services Tax impact the business going forward?
AP: Goods & Services Tax (GST) is good as a concept. But as of now, it lacks clarity. We don't know if GST will be applicable to fabrics, which has been a tax-free item so far. But, if it does fall under the new tax regime, it will be a big challenge for the industry. Another challenge with GST would be applying for refunds at a later stage. This is bound to increase our working capital requirement by almost 30%, which is not a good thing for this already-struggling industry. The government has fixed a 60 days time-frame, to release the refunds. Considering the loop-holes in our system, this timeline might not be met. We already face many challenges in the release of drawbacks, so we can't expect these problems to not exist in GST. I think it will be like demonetisation where the government will have to keep making adjustments. TDB

Ask a Question

In the world of export-import, each shipment counts. And you cannot afford to make any "uninformed investment". So, if you have any doubt or a question, ask us. Our team of experts at *The Dollar Business Intelligence Unit* will be happy to answer your queries. Your question(s), if approved, will also be published on www.thedollarbusiness.com, and/or in the forthcoming issue of *The Dollar Business*

Q **I want to import copper wire scrap. Do I need any licence? How much do I have to pay as import duty? Please advise.** *(Kartik Trivedi, Manager, Chemitex Impex Enterprise, Vadodara, Gujarat, +91-7201985XXX, kartik87418@gmail.com)*

A **Dear Kartik:** We assume you want to import copper wire scrap falling under ITC HS Code: 740400. Since the import of products under the said six-digit HS Code (except for products falling under ITC HS Code:74040012) is restricted you need to apply for grant of an 'Authorisation' for import or export of the said items to Regional Authority (RA), with a copy to DGFT headquarters in ANF 2M (as prescribed in Handbook of Procedures) along with documents prescribed therein. Original application along with Treasury Receipt (TR) / Demand Draft needs to be submitted to RA concerned and self-attested copy of the same needs to be submitted to DGFT in duplicate along with proof of submission of application to concerned RA.

As mentioned before, copper scrap falling under ITC HS Code: 74040012 can be imported through all ports into the country. However, import of copper scrap falling under the said HS Code also need to fulfil the conditions mentioned under Paragraph 2.54 (b) of the Handbook of Procedure. You can type the following URL in your browser – https://www.thedollarbusiness.com/HANDBOOK_OF_PROCEDURES__2015_2020 and go through the said paragraph to have a detailed understanding of what you need to do to import copper wire scrap into India.

Coming to the second part of your question, copper waste and scrap falling under ITC HS Code: 740400 attract a total import duty of 21.042%. [In case our assumption about the intended import product isn't exact, please write to us.]

Response by:
Steven Philip Warner
President (VMPL)
& Editor-in-Chief,
The Dollar Business

Q **We have recently started a company for supplying disposable areca leaf plates and bowls to both domestic and international markets. We have asked for payment terms to be 50% advance and 50% through Letter of Credit (LC). My question is, if some buyers refuse to work through the LC route, shall we accept payment terms of 50% as advance and the balance 50% against Original Bill of Lading to be sent through courier?** *(A. Ramesh, Global Trade Connextions, Prakasam Salai, Broadway, Chennai, +91-9840115XXX, sales@gtc.org.in)*

A **Dear Ramesh:** We are happy to hear of your decision to foray into exports business. With regards to your query, I would like to advise you that since generally advance payment amounting to 30% of invoice value is the norm, a 50% advance payment is very acceptable. However, the balance 50% should ideally become payable when the overseas bank releases the documents to you with incoterms as cash against documents (CAD). However, if the shipment is of commodities, where international prices fluctuate sharply, the buyer's credibility should also be verified prior to effecting shipment. Please incorporate a clause of third-party inspection to avoid quality related and/or other disputes later.

Response by:
Ajay Sahai
Director General & CEO,
Federation of Indian Exports Organisation (FIEO)

Q **I am interested in exporting rice to European countries. How do I start?** *(Ananth, Software Engineer, GGK Tech, +91-8008648XXX, ananthreddy8@gmail.com)*

A **Dear Ananth:** We are happy to hear of your decision to head into the world of foreign trade. Well, to start an export-import business, you first need to obtain an Importer-Exporter Code (IEC) from the DGFT. An IEC is a 10-digit number allotted to a person that is mandatory for undertaking any export/import activities. Application for obtaining IEC can be filed online on the DGFT website. DGFT only accepts online applications for IEC issuance or modification and requires only three documents: (i) PAN; (ii) Cancelled cheque bearing entity's pre-printed name or Bank Certificate; and (iii) Digital Photograph (3X3 cm). All you need to ensure is that details filled in the application should match with details in the uploaded documents. Having said that, an online application for IEC however, can only be made using Digital Signature Certificate (DSC; Class II type). You can type the following URL in your browser – www.thedollarbusiness.com/memberships and subscribe to TDB GROW Programme. From applying for your Importer-Exporter Code (IEC), Digital Signature Certificate (DSC) and assisting you with advanced, actionable, and useful analytics derived from impeccable and priceless research on exports/imports of the product of your choice from *The Dollar Business Intelligence Unit*, a dedicated team at *The Dollar Business* will do the hard work for you.

Response by:
Manish K. Pandey
Editor,
The Dollar Business

Q **We are into textile business and are currently selling our products in domestic market. We now intend to export our products. Which are the major textiles importing countries?** *(Arthy, Founder, Arthy Traders, +91-8608188XXX, arthybharath3@gmail.com)*

A **Dear Arthy:** We would request greater details of the textile product you want to export for us to advice you better. Having said that, let's assume you want to export woven fabrics of cotton containing equal to or more than 85% cotton by weight and weighing less than equal to 200 gram/cubic meter falling under HS Code: 5208. Industry data reveals that India is a big exporter of the products falling under the said HS Code. In fact, India ranks 2nd in the world, just behind China, when it comes to exports of the said product and accounts for about 7.14% share in global exports of the product. While India's biggest export destination for products falling under the said HS Code is Sri Lanka, the country has also been significantly supplying to Bangladesh and UAE and the exports have been only rising to these countries over the last few years.

More of such pure, researched data is available to members of *The Dollar Business* GROW and CONNECT Programmes. (You can read more

on TDB Membership Programme on https://www.thedollarbusiness.com/memberships). Besides detailed Market Access and Potential Identification System (MAPS and MAPS+) reports, TDB GROW and CONNECT Programme members get access to unique features that ensure a more lucrative business beyond boundaries. In case our assumptions about intended export product isn't exact, please write to us. *The Dollar Business Intelligence Unit* would like to hear from you.

Response by:
Indranil Das
Executive Editor,
The Dollar Business

Q **Is it safe to get an order for coconut with 100% irrevocable LC at sight from Mauritius? What are the things that I should take into consideration for secure/safe payment and transaction?** *(Jay, Marketing Manager, Shree Exports, +91-9500077XXX, shreeexportz@gmail.com)*

A **Dear Jay:** It's usually safe as an irrevocable Letter of Credit, which once accepted by the seller, cannot be altered or cancelled without the consent of the seller. However, it should be noted that an irrevocable letter of credit is in effect only for a stipulated time period and expires at a pre-determined date. Further, you need to ensure that the documentation of each consignment needs to be as per the conditions of LC at sight otherwise the buyer's bank has the right to reject payment on any violation of such documentation.

Response by:
Dr. A. K. Sengupta
Chief Consulting Editor,
The Dollar Business

You can log on to www.thedollarbusiness.com/tdb-forum and submit your foreign trade-related queries, or write across to our experts at editorial@thedollarbusiness.com. Every question matters – to your business, to The Dollar Business.

Have a product to showcase? Want to learn what your rivals are up to? Here is a list of trade fairs you shouldn't miss in May and June 2017.

[India]

CONCRETE SHOW

May 04-06
Mumbai
www.concreteshowindia.com

Since its inception in 2012, Concrete Show India has provided a unique platform to corporations in the concrete, construction and infrastructure space to present the latest developments in technology, practices and policies. This year the show will have a mix of engaging activities, including exhibitions, conferences and seminars to make it a perfect forum to strike partnerships across the entire value chain of the concrete and infrastructure industry.

LED EXPO

May 11-13
Mumbai
www.theledexpo.com

Organised by Messe Frankfurt, LED Expo is a prominent trade fair for the lighting products & technology sector. It caters to manufacturers, suppliers, designers, traders and buyers of LED products from across the country and introduces the latest products that are used in residential, commercial and landscape lightings. This year, event organisers expect a bigger footfall than the 2016 edition, which was attended by 164 exhibitors from six countries.

SMART CITIES INDIA

May 10-12
New Delhi
www.smartcitiesindia.com

Come May and it's time for Smart Cities India 2017 Expo. This year, the event is expected to see participation from traffic management and electric car companies, road safety & security, parking, infrastructure and fuel management agencies, amongst others. This one-of-its-kind trade fair also attracts participation from government and municipal bodies, industry leaders, investors and architects. In 2016, 40 countries and 19 Indian states participated in the event.

A file photo of the 2nd Smart Cities India 2016 Expo which saw participation from 40 countries.

OFI INDIA

May 19-20
Mumbai
www.ofievents.com

Oil & Fats International India (OFI) is a much-awaited event for those involved in the business of edible oils and oilseeds. This is an exhibition-cum-conference where the latest products and technology are on display and topics on innovative approaches and strategies on oilseed production and processing are discussed. The event also introduces new business opportunities and creates a platform where international and domestic buyers and sellers can network and generate new business leads.

PALM EXPO 2017

June 01-03
Mumbai
www.palmexpo.in

PALM Expo is a globally renowned trade fair on professional sound and lighting gear. The event sees regular participation from countries such as Germany, US, UK, Japan, Hong Kong, China, Italy and France, among others. Apart from the latest pro-sound and light product launches, PALM Sound & Light Awards are also presented during the show.

NON WOVEN TECH ASIA

June 08-10
Mumbai
www.nonwoventechasia.com

Considered as a next-gen product in the textile industry, non woven is fast gaining popularity across the country. And this exhibition is where manufacturers, traders, machinery suppliers, distributors and buyers gather under one roof. The event will feature several conferences that will address issues related to technology adaptation, innovation and R&D, and promote JV partnerships.

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[Global]

SAUDI HEALTHCARE EXHIBITION

May 08-10
Riyadh, Saudi Arabia
www.saudihealthcare-expo.com

Organised by the Kingdom of Saudi Arabia, Saudi Healthcare Exhibition is an annual event that is considered the largest of its kind in the region. The 2016 edition of the event saw participation from 551 exhibitors from 42 countries and was visited by more than 25,000 healthcare professionals. The event brings together medical professionals from across the globe and introduces them to manufacturers, service providers, suppliers and others involved in the sector.

ARCHITECT@WORK

May 10-11
Zürich, Switzerland
www.architectatwork.ch

Architect@work (A@W) is a two-day international event that caters to architects – experienced and enthusiasts alike – from across the globe. This year the trade show will feature latest innovations and the wealth of possibilities brought by textile architecture. Besides showcasing breathtaking and state-of-the-art designs by famous and amateur designers, the event also organises seminars that revolve around innovation and business opportunities. This month, apart from Switzerland, A@W will also be held in Toronto, Canada, on May 17 and 18.

FRESH LOGISTICS ASIA

May 17-19
Shanghai, China
www.fl-a.cn

Fresh Logistics Asia is one of the most prominent trade shows for the fresh food delivery and the cold-chain logistics industry in the Asia-Pacific region. This is a one-stop business platform that showcases the entire value chain when it comes to cold-chain logistics. Popular stalls at the exhibition include those of cold-chain and logistics services, fresh food e-commerce, food refrigeration equipment, cold-storage equipment, freezing equipment, refrigerated transport equipment and many more.

CHEMSPEC EUROPE

May 31-June 01
Munich, Germany
www.chemspeceurope.com/en/

Chemspec Europe is one of the best known trade shows for fine and specialty chemicals products. Also, popular within the pharma and agro-chemical industry, the event creates a perfect business environment where buyers, manufacturers, suppliers and distributors of chemicals can network and generate new business leads. In addition, the event features conferences and workshops to provide first-hand research information to both visitors and exhibitors. The 32nd edition of this two-day industry event, which will see participation from 350 exhibitors from about 24 countries, will be held at Munich Trade Fair Centre in Germany. With its dedicated exhibition profile Chemspec Europe is the place to be for chemical industry professionals.

COMPUTEX TAIPEI

May 30-June 3
Taipei, Taiwan
www.computextaipei.com.tw

Computex Taipei is the world's leading B2B Internet of Things (IoT) trade show. Last year, the event attracted 1,602 exhibitors from 30 countries and received a footfall of 40,969 international visitors from 178 countries. As a premium trade show, the event also introduces selected startups that take pride in showcasing their latest innovation in front of peers and enthusiasts. The 2017 edition of the event is focussed on five main themes: AI & Robotics, IoT Applications, Innovations & Startups, Business Solutions, and Gaming & VR.

CICGF

June 09-12
Ningbo, China
www.2017.cicgf.com/en/

China International Consumer Goods Fair (CICGF) is one of the four largest trade fairs in China. The 16th edition of this annual exhibition will be divided into four sections: toys, office supplies & sports products; household articles & personal care products; art & festival products; and CEEC & import pavilions. The 3rd China-CEEC Investment & Trade Expo will also be held within the same premises. These two events together offer a perfect business platform to foreign manufacturers that want to penetrate China's fast-growing consumer market.

INA PAACE AUTOMECHANIKA

June 14-16
Mexico City, Mexico
www.paaceautomechanika.com

INA PAACE Automechanika Mexico City is one of the most prominent auto trade shows in Central America for the automotive aftermarket, OE Manufacturing and service industry. Attended by both domestic and international players, this is a key platform in Central America to meet suppliers and manufacturers of automobile parts and accessories from across the globe. In 2016, the event welcomed 452 exhibitors from 21 countries apart from attracting more than 11,000 mechanics, technicians and automotive business owners from various part of the world. The event also offers valuable education and training to the participants.

Log on to www.thedollarbusiness.com for more events and details.

A file photo of INA PAACE Automechanika 2016, a prominent automotive trade show in Central America.

AN APPRECIATION NOT APPRECIATED

Manish K. Pandey
Editor,
The Dollar Business

Indian rupee is having a great time. Since the beginning of the year, the currency has appreciated over 5.5% against US dollar – from Rs.68.0225 on January 2, 2017 to Rs.64.2776 on April 25, 2017. Not just this, the Indian currency has also outperformed most of its emerging market peers since the start of 2017. And, the reason for this is simple. Foreign institutional investors (FIIs) have been pouring in big money, in both Indian debt and equity, all this while.

Perhaps this is one of rupee's best performances (for the aforesaid time duration) against the greenback in the last few decades. And experts believe that its spectacular run will continue to awe the forex world for some time, at least, as the factors behind the rupee's rise are unlikely to change soon. While most of India's macroeconomic indicators point in the direction of growth, positive developments on the policy front (like implementation of India's biggest tax reform Goods and Services Tax from July 1, 2017, opening up of various sectors for foreign investors, etc.) too ensure that investors remain optimistic on India growth story.

Meanwhile, the market participants continue to be sceptical of promises and policies being floated by the Trump administration and as such have been cutting long positions in dollar. Result: Emerging market currencies, particularly Indian rupee, have been gaining traction. Even Reserve Bank of India has not been intervening this time around. While reining in inflation might be a reason, this along with Commerce Minister Nirmala Sitharaman's statement of "currency not being the only tool to drive exports" will certainly help the Indian currency appreciate further against the US dollar. In fact, according to market experts, rupee could rise to 63 levels in the next 1-2 months.

While currency appreciation might be good news for importers, India's exports sector is definitely the one on the receiving end. In fact, Indian exporters have been struggling hard to protect the value of their receivables over the last few months, particularly since the day the rupee started its upward journey against the greenback. And there seems to be no respite for them in the near term. "A stronger INR will shave off 4% of the markets' earnings growth and hurt export-sensitive sectors and potential exports in general. And while there will be balance sheet gains for some (market level), we see profit and loss pain overriding balance sheet gains," states a report from Edelweiss.

Since the beginning of the year, the Indian rupee has appreciated over 5.5% against US dollar – from Rs.68.0225 on January 2, 2017 to Rs.64.2776 on April 25, 2017.

Many market experts believe that the appreciation of rupee is a short-term phenomenon and will not affect India's export competitiveness much as other currencies have also been gaining ground. They are also of the opinion that once the inflation picks up and the current account deficit widens, the rupee trajectory could well reverse. But then, the exporters community cannot wait forever. India's exports have just come back on track after a long diversion and an appreciating rupee may derail exports recovery. Ignoring the problem for long could make the situation more complicated than usual.

If rupee continues to appreciate at the current pace for a month or two, India's central bank will have to intervene the way it has been doing in the past. It's always good to nip a problem in the bud. Isn't it?

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