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WTO Says World Trade Growth Falls to 2.5% in 2012

Recovery in 2013 to only 4.5% Rise

Slowing global output growth has led WTO economists to downgrade their 2012 forecast for world trade expansion to 2.5% from 3.7% and to scale back their 2013 estimate to 4.5% from 5.6%.

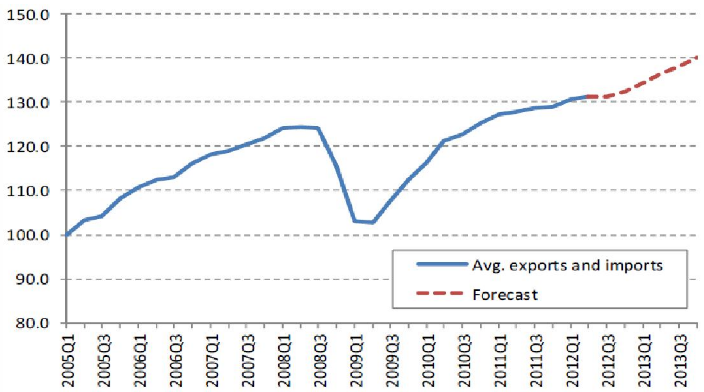
The global economy has encountered increasingly strong headwinds since the last WTO Secretariat forecast was issued in April. Output and employment data in the United States have continued to disappoint, while purchasing managers' indices and industrial production figures in China point to slower growth in the world's largest exporter.

More importantly, the European sovereign debt crisis has not abated, making fiscal adjustment in the peripheral euro area economies more painful and stoking volatility. Figures for world trade include trade between EU countries (i.e. EU intra-trade), making them highly sensitive to developments in this region.

All of these factors have contributed to an easing of global trade growth, which slowed to a crawl in the second quarter according to new quarterly merchandise trade volume statistics compiled by the WTO (Chart 1 and box).

World Merchandise trade volume, 2005Q1-2013Q4

Seasonally adjusted index, 2005Q1=100



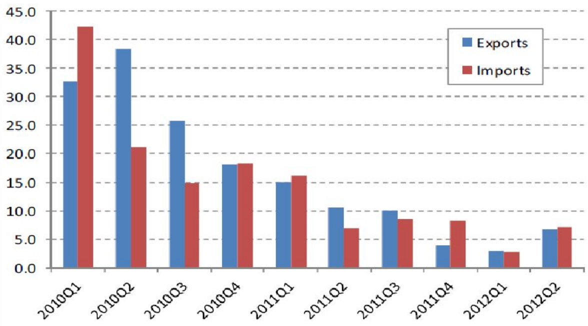
Source: WTO Secretariat

The volume of world trade as measured by the average of exports and imports only managed to grow 0.3% in the second quarter compared to the first, or 1.2% at an annualized rate.

The trade slowdown in the first half of 2012 was driven by an even stronger deceleration in imports of developed countries and by a corresponding weakness in the exports of developing economies, which for the purposes of this analysis includes the Commonwealth of Independent States.

The WTO now expects world merchandise trade volume to grow by 2.5% in 2012 (down from 3.7% in April). On the export side, we anticipate a 1.5% increase in developed economies' trade (down from 2%) and a 3.5% expansion for developing countries (down from 5.6%). On the import side, we foresee nearly stagnant growth of 0.4% in developed economies (down sharply from 1.9%) and a more robust 5.4% increase in developing countries (down from 6.2%).

Merchandise exports and imports of China, 2010Q1-2012Q2
(year-over-year % change in volume, not seasonally adjusted)



Source: WTO Secretariat

Figures for 2013 are provisional estimates based on strong assumptions about medium-term economic developments, including:

i. that current policy measures will be sufficient to avert a breakup of the euro, and
ii. an agreement will be reached to stabilize public finances in the United States, thereby avoiding automatic spending cuts and tax increases early next year.

Table 1: World merchandise trade volume and GDP, 2008-2013[a]

Annual % change

	2008	2009	2010	2011	2012[a]	2013[a]
Volume of World Merchandise Trade[b]	2.3	-12.5	13.9	5.0	2.5	4.5
Exports						
Developed Economies	0.9	-15.2	13.0	4.6	1.5	3.3
Developing Economies and CIS	4.3	-7.8	15.3	5.3	3.5	5.7
Imports						
Developed Economies	-1.1	-14.4	11.0	2.9	0.4	3.4
Developing Economies and CIS	8.6	-10.5	18.3	8.3	5.4	6.1
Real GDP at market exchange rate	**1.3**	**-2.4**	**3.8**	**2.4**	**2.1**	**2.4**
Developed Economies	0.0	-3.8	2.7	1.5	1.2	1.5
Developing Economies and CIS	5.6	2.2	7.3	5.3	4.9	5.2

a Figures for 2012 and 2013 are projections.
b Average of exports and imports.
Source: WTO Secretariat for trade, consensus estimates of economic forecasters for GDP.

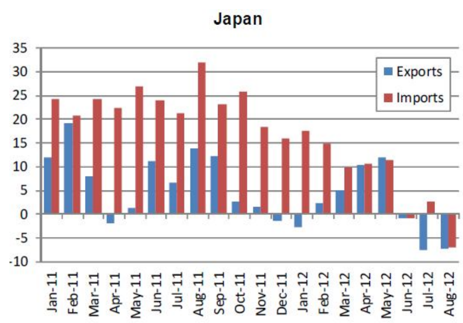
Failure of these and other assumptions could derail the latest projections.

As a result, these figures should be interpreted with caution. Based on current information, the WTO expects trade growth to rebound to 4.5% in 2013. Exports of developed and developing economies should increase by 3.3% and 5.7%, respectively, while imports of developed and developing countries should advance 3.4% and 6.1%.

Although developed countries collectively recorded modest increases in both exports and importsin2012, some grew faster than others.

Exports of the United States and shipments from the EU to the rest of the world (i.e. extra-EU exports) grew steadily over the past year, with year-on-year increases of around 7% and 5%, respectively, in the second quarter.

Japanese exports have been mostly flat since mid-2010, but even they recorded an 8.5%

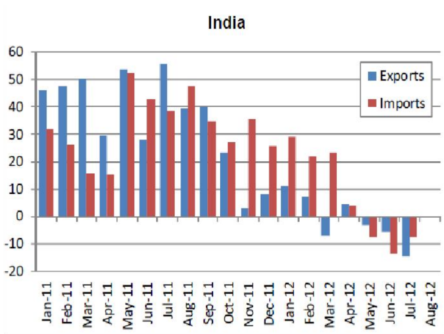


year-on-year increase in the second quarter. Imports of the United States and Japan have also held up relatively well despite the crisis, with year-on-year growth of roughly 5% and 6% in the latest period.

However, import demand in the European Union has weakened significantly, resulting in less tradebetween EU countries (intra-trade down3.5% year-on-year in the second quarter) and fewer imports from the rest of the world (also down 3.5%). The weight of the EU in total world trade (around 35% on both the export and import sides in 2011, including EU-intra trade), combined with the larger-than-expected year-on-year drop in EU imports through the first half of 2012, explains much of the downward revision to the forecast. The EU also represents nearly 60% of developed economies' imports, which accounts for the stagnation in projected imports of developed economies in 2012.

Weak import demand in developed countries and softer domestic demand in China have contributed to sagging trade flows in the developing world, most noticeably in dynamic export-oriented economies in Asia.

Chart 3 shows year-on-year growth in China's merchandise trade flows in volume terms (not seasonally adjusted), which have declined steadily over the last two and a half years. Export growth dropped to 2.9% and import growth fell to 2.8% in the first quarter of 2012 before rebounding slightly in the second quar-



ter, but available monthly data suggest that the third quarter results may be weaker still.

Year-on-year growth in monthly merchandise exports and imports for selected economies in current dollar terms, including partial data for the third quarter. Those economies that have already reported figures for August show either stagnation (e.g. China) or decline (e.g. Brazil, Japan, Singapore), which suggests that that the recent weakness of trade will persist into the third quarter.

G-20 Agree More Government Action Needed for World Recovery

Group of 20 officials meeting in Mexico City agreed that the latest monetary easing by developed nations will buy time for the global economic recovery and that governments must do more to boost growth, Mexican central bank Deputy Governor Manuel Ramos Francia said.

Ramos Francia spoke at a news conference following the end of a two-day meeting of deputy finance ministers and central bank officials from G-20 nations in Mexico City. Mexico is presiding over the group this year.

The meetings took place after European Central Bank President Mario Draghi said Sept. 6 that the bank was ready to buy unlimited quantities of short-dated government bonds of nations signed up for rescues.

The U.S. Federal Reserve on Sept. 13 said that it would make additional purchases of debt in a third round of so-called quantitative easing, while the Bank of Japan unexpectedly increased its asset-purchase fund to 55 trillion yen ($707 billion) at its meeting last week.

Commodity Prices

The G-20 nations called for better transparency in commodities markets and for measures to boost production, transportation and trade of raw materials to reduce price volatilitiy, said Mexico's deputy finance minister, Gerardo Rodriguez, who co-chaired the Sept. 23 and 24 meetings.

Rodriguez said the deputies discussed boosting emerging markets' International Monetary Fund quotas, which determine access to financing, financial obligation and voting rights. A concrete decision will probably come by the end of the year or the start of 2013, he said.

The nations agreed that emerging markets should "gradually" increase their presence in the IMF based on measurements including economic output, Rodriguez said.

Union Cabinet Extends Control by Essential Commodity Act on Pulses and Edible Oils for One Year

The Union Cabinet on 24 September ap proved for extending the validity of the Central Notifications as under:

"The validity of the Central Notification No.S.0.2227(E) dated 27.09.2011 issued in respect of pulses, edible oils and edible oilseeds to be extended for a further period from 01.10.2012 to 30.09.2013."

This will moderate the prices of these commodities and ensure its availability at fair prices to the general public.

The main objective of Control Orders is to enable the State Governments to continue to take effective de-hoarding operations under Essential Commodities Act, 1955 by fixing stock limits/licensing requirements etc. in respect of these commodities, especially in view of rising

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WEEKLY INDEX OF CHANGES

Zero Customs on LPG and Kerosene Imported by IOC, HPCL or BPIL for Supply to Household Domestic Consumers

Ntfn 55
18.09.2012
(DoR)

In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act,1962 (52 of 1962), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. **12/2012-Customs, dated the 17th March,2012**, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i),*vide* number G.S.R 185 (E), dated the 17th March,2012, namely:-

In the said notification, in the Table, against **Sl. No. 141**, in the entry under column (3), for the words, letters and figures, " for supply to household domestic consumers at subsidised prices under the public distribution system (PDS) Kerosene and Domestic LPG Subsidy Scheme, 2002, as notified by the Ministry of Petroleum and Natural Gas, vide notification No.P-20029/18/2001-PP, dated the 28th January, 2003" the words "by the Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited or Bharat Petroleum Corporation Limited for supply to household domestic consumers." shall be **substituted**.

[F.No. 354/176/2012-TRU]

Zero Excise on LPG and Kerosene Imported by IOC, HPCL or BPIL for Supply to Household Domestic Consumers

36-CE
18.09.2012
(DoR)

In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), **No. 12/2012-Central Excise, dated the 17thMarch, 2012**, published in the Gazette of India, Extraordinary vide number G.S.R.163 (E) dated 17th March, 2012, namely:-

In the said notification, in the Table, against Sl. No. **81**, in the entry under column (3), for the words, letters and figures, "at subsidised prices under the public distribution system Kerosene and Domestic LPG Subsidy Scheme, 2002 as notified by the Ministry of Petroleum and Natural Gas, vide notification No.P-20029/18/2001-PP, dated the 28th January, 2003" the words "by the Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited or Bharat Petroleum Corporation Limited." shall be **substituted**.

[F. No. 354/176/2012 –TRU]

Customs Duty on Maize Bran Slashed to Nil from 30%

Ntfn 54
17.09.2012
(DoR)

In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 12/2012-Customs, dated the 17th March, 2012 which was published in the Gazette of India, Extraordinary, vide G.S.R. 185(E) dated the 17th March, 2012, namely: -

In the said notification, in the Table, after the **S. No. 99** and the entries relating thereto, the following shall be **inserted**, namely:-

"99 A	2302 10 10	Maize bran	Nil	-	-"

[F. No. 354/141/2012-TRU]

Anti-dumping Duty Imposed on Fibre, Laminated Boards from China, Indonesia, Malaysia and Sri Lanka

Ntfn 43-ADD
21.09.2012
(DoR)

Whereas in the matter of import of Resin or other organic substances bonded wood or ligneous fibre boards of thickness below 6mm, except insulation boards, laminated fibre boards and boards which are not bonded either by resin or other organic substances (hereinafter referred to as the subject goods), classified under Chapter 44 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the Customs Tariff Act), originating in, or exported from, China PR, Indonesia, Malaysia and Sri Lanka (hereinafter referred to as the subject countries) and imported into India, the designated authority in its preliminary findings vide notification No. 14/29/2010-DGAD, dated the 23rd July, 2012, published in the Gazette of India, Extraordinary, Part I, Section 1, dated the 23rd July, 2012, had come to the conclusion that–

(a) the subject goods had been exported to India from the subject countries below their normal value, thus resulting in dumping of the subject goods;

(b) the domestic industry had suffered material injury in respect of subject goods; and

(c) the material injury to the domestic industry has been caused by the dumped imports of the subject goods from subject countries;

and had recommended imposition of definitive anti-dumping duty on the imports of subject goods, originating in, or exported from, the subject countries;

Now, therefore, in exercise of the powers conferred by sub-section (2) of section 9A of the said Customs Tariff Act, read with rules 13 and 20 of the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, the Central Government, on the basis of the aforesaid findings of the designated authority, hereby imposes on the subject goods, the description of which is specified in column (3) of the Table below, falling under sub-heading of the First Schedule to the said Customs Tariff Act, as specified in the correspond-

Anti-dumping Duty on Paracetamol from China Extended upto 2nd Sept 2013 in Review

Ntfn 42(ADD)
19.09.2012
(DoR)

Whereas, the designated authority vide notification F.No.14/1009/2012-DGAD, dated the 28th August, 2012, published in the Gazette of India, Extraordinary, Part I, Section 1 dated the 28th August, 2012, has initiated review in terms of sub-section (5) of section 9A of the Customs Tariff Act, 1975 (51 of 1975) and in pursuance of rule 23 of the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 (hereinafter referred to as the said rules), in the matter of continuation of anti-dumping duty on imports of 'Paracetamol', falling under heading 2922 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), originating in, or exported from, the People's Republic of China imposed *vide* notification of the Government of India, in the Ministry of Finance (Department of Revenue),**No. 99/2007-Customs, dated the 3rd September, 2007**, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R.571(E), dated the 3rd September, 2007, and has requested for extension of anti-dumping duty for a period of one more year, in terms of sub-section (5) of section 9A of the said Customs Tariff Act pending completion of the review;

Now, therefore, in exercise of the powers conferred by sub-sections (1) and (5) of section 9A of the said Act and in pursuance of rule 23 of the said rules, the Central Government hereby makes the following amendment in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 99/2007-Customs, dated the 3rd September, 2007, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R.571(E), dated the 3rd September, 2007, namely: -

In the said notification, after paragraph 2, the following shall be **inserted**, namely: -

"3. Notwithstanding anything contained herein above, this notification shall remain in force up to and inclusive of the 2nd September, 2013, unless revoked earlier".

[F.No.354/93/2001-TRU (Pt-III)]

ing entry in column (2), originating in the countries as specified in the corresponding entry in column (4), and exported from the countries as specified in the corresponding entry in column (5), and produced by the producers as specified in the corresponding entry in column (6), and exported by the exporters as specified in the corresponding entry in column (7), and imported into India, an anti-dumping duty at the rate equal to the amount as specified in the corresponding entry in column (8), in the currency as specified in the corresponding entry in column (10) and per unit of measurement as specified in the corresponding entry in column (9) of the said Table:-

Duty Table

SNo.	Heading/ Sub-heading	Description of goods	Country of origin	Country of export	Producer	Exporter	Duty amount	Unit	Currency
1	2	3	4	5	6	7	8	9	10
1	4411*	Resin or other organic substances bonded wood or ligneous fibre boards of thickness below 6mm, except insulation boards, laminated fibre boards and boards which are not bonded either by resin or other organic substances	China PR	China PR	Any	Any	165.71	Cubic Meter (M3)	US dollar
2	do	do	Any country other than the subject countries	China PR	Any	Any	165.71	Cubic Meter (M3)	US dollar
3	do	do	China PR	Any country other than the subject countries	Any	Any	165.71	Cubic Meter (M3)	US dollar
4	do	do	Indonesia	Indonesia	Pt Sumatera Prima Fibreboard	Pt Sumatera Prima Fibreboard	88.60	Cubic Meter (M3)	US dollar
5	do	do	Indonesia	Indonesia	PT.Masari Dwisepakat Fiber	PT.Masari Dwisepakat Fiber	85.99	Cubic Meter (M3)	US dollar
6	do	do	Indonesia	Indonesia	Any other combination at Sr. Nos. 4 and 5		168.97	Cubic Meter (M3)	US dollar
7	do	do	Any country other than the subject countries	Indonesia	Any	Any	168.97	Cubic Meter (M3)	US dollar
8	do	do	Indonesia	Any country other than the subject countries	Any	Any	168.97	Cubic Meter (M3)	US dollar
9	do	do	Malaysia	Malaysia	M/s Segamat Panel Boards Sdn. Bhd.	M/s Segamat Panel Boards Sdn. Bhd.	26.11	Cubic Meter (M3)	US dollar
10	do	do	Malaysia	Malaysia	M/s Evergreen Fibreboard Berhad(EFB)/ M/s Evergreen Fibreboard(JB) Sdn. Berhad(EJB)	M/s Evergreen Fibreboard Berhad (EFB)/ M/s Evergreen Fibreboard (JB) Sdn. Berhad (EJB)	83.69	Cubic Meter (M3)	US dollar
11	do	do	Malaysia	Malaysia	Any other combination at Sr. Nos. 9 and 10		178.30	Cubic Meter (M3)	US dollar
12	do	do	Any country other than the subject countries	Malaysia	Any	Any	178.30	Cubic Meter (M3)	US dollar
13	do	do	Malaysia	Any country other than the subject countries	Any	Any	178.30	Cubic Meter (M3)	US dollar
14	do	do	Sri Lanka	Sri Lanka	M/s Merbok MDF Lanka(Private) Limited	M/s Merbok MDF Lanka(Private) Limited	66.27	Cubic Meter (M3)	US dollar
15	do	do	Sri Lanka	Sri Lanka	Any other combination at Sr. No.14		167.46	Cubic Meter (M3)	US dollar
16	do	do	Sri Lanka	Any country other than the subject countries	Any	Any	167.46	Cubic Meter (M3)	US dollar
17	do	do	Any country other than the subject countries	Sri Lanka	Any	Any	167.46	Cubic Meter (M3)	US dollar

Note: 1. For the purposes of this notification Fibre boards of thickness 6mm or above, Insulation boards, Laminated fibre boards and Boards which are not bonded either by resin or other organic substances shall not be liable to pay anti-dumping duty.

Note: 2. The anti-dumping duty imposed under this notification shall be effective for a period of six months from the date of publication of this notification in the Official Gazette and shall be payable in Indian currency.

Note: 3. The rate of exchange applicable for the purposes of calculation of such anti-dumping duty under this notification shall be the rate which is specified in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), issued from time to time, in exercise of the powers conferred by section 14 of the Customs Act, 1962 (52 of 1962), and the relevant date for the determination of the rate of exchange shall be the date of presentation of the bill of entry under section 46 of the said Customs Act.

[F.No.354/140/2012 –TRU]

Pending Cases for Clubbing of Advance Authorization Filed before 31 March 2012 should be Disposed as per Old Handbook Provision

Subject: Disposal of pending cases for clubbing of advance authorisations filed on or before 31st March, 2012.

Reference: Public Notice No. 79(RE-2010)/2009-14 dated 13.10.2011

05-Pol.Cir 21.09.2012 (DGFT) Public Notice No. 79(RE-2010)/2009-14 dated 13.10.2011 had stated in para 4.20.05

" -This facility will be available only till 31st March 2012, thereafter no clubbing of Authorisations issues before 31st March 2001 shall be allowed. No clubbing of erstwhile Value Based Advance licences shall be allowed".

2. A question has been raised about such applications that have been received by the Regional Authority before the due date i.e.31.03.12, but are yet to be disposed of. The new Handbook of Procedure and the annual supplement issued on 05.06.12 have been silent on such issues.

3. The matter has been examined. Intention of the Government is to facilitate clubbing if conditions of Public Notice No.79 are satisfied. Hence, it is reiterated that requests for clubbing of advance authorisations filed by the exporters in the office of Regional Authorities of DGFT on or before 31st March 2012 should be disposed of as per the provision of the Handbook of Procedure prior to the revised edition/annual supplement dated 05.06.2012.

4. This issues with the approval of DGFT.

Amendments in Chemical and Plastic Product SION

Subject: Amendment in SION A-1691 of Chemical Product Group and in SION H-207 and H-278 of Plastic Product Group.

17-PN(RE) 20.09.2012 (DGFT) In exercise of the powers conferred under Paragraph 2.4 of the Foreign Trade Policy, 2009-14, the following three amendments are made in the Handbook of Procedure, Vol. II (as stated in paragraph 1.1 of Vol.I):

1. SION No. A – 1691 of Chemical Product Group (Product Code A):

The description of Import Item No. 7 of SION A-1691 (export product: Nylon Bicycle Tyres) is amended from **'Nylon Fabric'** to read as **"Relevant Nylon Tyre Cord Fabric"**. There is no other change in this SION.

2. SION No. H – 207 of Plastic Product Group (Product Code H):

The quantity allowed for Import Item No. 1 and 2 in SION H-207 [export product: Polyester Chips (Textile Grade) PTA Route)] is enhanced as under:

Import Item No.	Description of Import Item as per SION H-207	Present Qty.	Amended Qty.
1.	Purified Terephthalic Acid (PTA)/Paraphthalic Acid	0.85400 MT	**0.85830 MT**
2.	Ethylene Glycol/Monoethylene Glycol (MEG)	0.32960 MT	**0.33500 MT**

There is no other change in this SION.

3. SION No. H – 278 of Plastic Product Group (Product Code H):

The quantity allowed for Import Item No. 4, PVC Stabilizer, of SION H-278 [export product: PVC Rigid Film/Sheet (General purpose/Stationary Grade)] is reduced from '**0.028 kg'** to "**0.022 kg"**. There is no other change in this SION.

Effect of amendments

SION No. A-1691 has been amended to reflect a more specific name for the export product (from 'Nylon Fabric' to "Relevant Nylon Tyre Cord Fabric"). In the other two SIONs No. H-207 and H-278, permissible quantities of some inputs have been changed.

ECB Limit Raised to 75% of Forex Earning in Last Three years

Subject: External Commercial Borrowings (ECB) Policy – Repayment of Rupee loans and/or fresh Rupee capital expenditure – USD 10 billion scheme

AP(DIR Srs) Cir.26 11.09.2012 (RBI) Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to A.P. (DIR Series) Circular No. 134 dated June 25, 2012.

2. As per the extant guidelines, the maximum permissible ECB that can be availed of by an individual company under the scheme is limited to 50 per cent of the average annual export earnings realised during the past three financial years.

3. On a review, it has been decided:

(a) to enhance the maximum permissible limit of ECB that can be availed of to 75 per cent of the average foreign exchange earnings realized during the immediate past three financial years or 50 per cent of the highest foreign exchange earnings realized in any of the immediate past three financial years, whichever is higher;

(b) in case of Special Purpose Vehicles (SPVs), which have completed at least one year of existence from the date of incorporation and do not have sufficient track record/past performance for three financial years, the maximum permissible ECB that can be availed of will be limited to 50 per cent of the annual export earnings realized during the past financial year; and

(c) The maximum ECB that can be availed by an individual company or group, as a whole, under this scheme will be restricted to USD 3 billion.

4. All other aspects of the scheme mentioned in A.P. (DIR Series) Circular No. 134 dated June 25, 2012 would remain unchanged.

5. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Rejected Goods Re-import at Zero Duty in EOU Allowed

Ntfn 53 13.09.2012 (DoR) In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. **52/2003- Customs, dated the 31th March, 2003**, which was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide G.S.R 274 (E), dated the 31st March, 2003, namely:-

In the said notification, in **Annexure-I**, in **serial number 15**, the following Explanation shall be added at the end, namely:-

"Explanation.- For removal of doubts, it is clarified that the goods for which there is failure of the foreign buyer to take delivery shall include goods rejected by the foreign buyer.".

[F. No.DGEP/EOU/02/2012]

Annual Performance Report (APR) in Form ODI Part III to be Submitted by Indian Party to AD

Subject: Overseas Direct Investments by Indian Party – Rationalisation

AP(DIR Srs) Cir.29 12.09.2012 (RBI) Attention of the Authorised Dealer (AD - Category I) banks is invited to the Notification No. FEMA 120/RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004] (the Notification), as amended from time to time. It has been decided to amend the guidelines relating to submission of Annual Performance Report (APR) as under:

2. An Indian party, which has set up / acquired a Joint Venture (JV) or Wholly Owned Subsidiary (WOS) overseas in terms of the Regulations of the Notification *ibid*, shall submit, to the designated Authorised Dealer every year, an Annual Performance Report (APR) in Form ODI Part III in respect of each JV or WOS outside India and other reports or documents as may be specified by the Reserve Bank from time to time, on or before the 30th of June each year.

The APR, so required to be submitted, has to be based on the latest audited annual accounts of the JV / WOS, unless specifically exempted by the Reserve Bank.

3. The exemption granted for submission of APR based on the un-audited accounts of the JV / WOS subject to the terms and conditions as specified in the A.P (DIR Series) Circular No. 96 dated March 28, 2012 shall continue.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 are being issued separately.

5. AD - Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

RBI Allows Refinance of Bridge Finance for Infrastructure Sectors with an ECB under Automatic Route

Subject: External Commercial Borrowings (ECB) Policy – Bridge Finance for infrastructure sector

AP(DIR Srs) Cir.27 11.09.2012 (RBI) Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to A.P. (DIR Series) Circular No. 26 dated September 23, 2011.

2. As per the extant guidelines, Indian companies in the infrastructure sector, where “infrastructure” is as defined under the extant guidelines on External Commercial Borrowings (ECB), have been allowed to import capital goods by availing of short term credit (including buyers' / suppliers' credit) in the nature of ‘bridge finance’, under the approval route**,** subject to the following conditions:-

(i) the bridge finance shall be replaced with a long term ECB;

(ii) the long term ECB shall comply with all the extant ECB norms; and

(iii) prior approval shall be sought from the Reserve Bank for replacing the bridge finance with a long term ECB.

3. On a review, it has been decided to allow refinancing of such bridge finance (if in the nature of buyers'/suppliers' credit) availed of, with an ECB under the **automatic route** subject to the following conditions:-

(i) the buyers'/suppliers' credit is refinanced through an ECB before the maximum permissible period of trade credit;

(ii) the AD evidences the import of capital goods by verifying the Bill of Entry;

(iii) the buyers'/suppliers' credit availed of is compliant with the extant guidelines on trade credit and the goods imported conform to the DGFT policy on imports; and

(iv) the proposed ECB is compliant with all the other extant guidelines relating to availment of ECB.

4. The borrowers will, therefore, approach the Reserve Bank under the approval route only at the time of availing of bridge finance which will be examined subject to conditions mentioned in para 2(i) and (ii).

5. The designated AD - Category I bank shall monitor the end-use of funds and banks in India will not be permitted to provide any form of guarantees for the ECB.

All other conditions of ECB, such as eligible borrower, recognized lender, all- in-cost, average maturity, end-use, maximum permissible ECB per financial year under the automatic route, prepayment, refinancing of existing ECB and reporting arrangements shall remain unchanged and should be complied with.

6. The amended ECB policy will come into force with immediate effect and is subject to review.

7. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

8. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Hedging of Forex Loans against FCNR Allowed

Subject: Comprehensive Guidelines on Over the Counter (OTC) Foreign Exchange Derivatives– Cost Reduction Structures

AP(DIR Srs) Cir.30 12.09.2012 (RBI) Attention of Authorized Dealers Category – I (AD Category – I) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 [Notification No. FEMA/ 25/RB-2000 dated May 3, 2000] and A.P. (DIR Series) Circular No.32 dated December 28, 2010, as amended from time to time.

2. Under the extant instructions, use of cost reduction structures, i.e., cross currency option cost reduction structures and foreign currency – INR option cost reduction structures have been permitted to hedge exchange rate risk arising out of trade transactions and the External Commercial Borrowings (ECBs).

3. On a review, it has been decided to permit the use of cost reduction structures for hedging the exchange rate risk arising out of foreign currency loans availed of domestically against FCNR (B) deposits.

4. Necessary amendments to the Notification No. FEMA.25/RB-2000 dated May 3, 2000 [Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000] are being notified separately.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

Monthly Limit of Rs. 50,000 on Forex Release Against Cash

Sub: Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards / Combating the Financing of Terrorism (CFT) Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 – Money changing activities

AP(DIR Srs) Cir.33 24.09.2012 (RBI) Attention of Authorised Persons (APs) is invited to Para 4.4 (f) of F-Part- I of the Annex to the A.P.(Dir Series) Circular No.17 [A.P.(FL/RL Series) Circular No.04] dated November 27, 2009 on the captioned subject and condition (iv) of Para 5 (Part-E) of Annex-I to the A.P. (Dir Series) Circular No.57 [A.P.(FL/RL Series) Circular No.04] dated March 9, 2009 on Memorandum of Instructions governing money changing activities, as amended from time to time.

2. It is clarified that for sale of foreign exchange to a person within his/her eligibility on single drawal, APs may receive payment only by crossed cheque drawn on the bank account of the applicant's firm / company sponsoring the visit of the applicant / Banker's cheque / Pay Order /Demand Draft / debit cards / credit cards / prepaid cards, if the rupee payment exceeds Rs.50,000/-. For sale of foreign exchange to a person within his/her eligibility through more than one drawal within 30 days or for a single journey/visit abroad, APs may receive second and subsequent payments only by crossed cheque drawn on the bank account of the applicant's firm/ company sponsoring the visit of the applicant/Bank's cheque / Pay Order / Demand Draft / debit cards / credit cards / prepaid cards, if the total rupee payment, including payments on earlier drawal /s, exceeds Rs. 50,000/- on the second or subsequent drawals.

3. All the other instructions contained in the A.P.(DIR Series) Circular No. 17 [A.P.(FL/RL Series) Circular No.04] dated November 27, 2009, as amended from time to time, shall remain unchanged.

4. Authorised Persons may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

RBI OK Must for Foreign NGOs Operating in India

Subject: Establishment of Liaison Office (LO)/ Branch Office (BO) / Project Office (PO) in India by Foreign Entities – Clarification.

AP(DIR Srs) Cir.31 17.09.2012 (RBI) Attention of Authorised Dealer Category – I banks is invited to Notification No. FEMA 22/2000-RB dated May 3, 2000 viz. Foreign Exchange Management (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000 as amended from time to time, in terms of which a person resident outside India requires prior approval of the Reserve Bank for establishing LO / BO in India.

2. In terms of Notification No FEMA 95/2000-RB dated July 02, 2003 general permission is granted to a foreign company to open project office in India provided it has secured from an Indian company, a contract to execute a project in India, and subject to satisfying certain other criteria.

3. It is clarified that permission to establish offices, in India by foreign Non-Government Organisations/Non-Profit Organisations/Foreign Government Bodies/Departments, by whatever name called, are under the Government Route as specified in A. P. (DIR Series) Circular No. 23 dated December 30, 2009. Accordingly, such entities are required to apply to the Reserve Bank for prior permission to establish an office in India, whether Project Office or otherwise.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents/customers concerned.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

RBI Issues Circular on Amendments to the FDI Policy

Sub: Foreign investment in Single–Brand Product Retail Trading/ Multi-Brand Retail Trading / Civil Aviation Sector / Broadcasting Sector / Power Exchanges - Amendment to the Foreign Direct Investment Scheme

AP(DIR Srs) Cir.32 21.09.2012 (RBI) Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time.

2. The extant Foreign Direct Investment policy has since been reviewed and it has now been decided as follows:

a) FDI up to 100 per cent is now permitted in Single–Brand Product Retail Trading by only one non-resident entity, whether owner of the brand or otherwise, under the Government route subject to the terms and conditions as stipulated in Press Note No. 4 (2012 Series) dated September 20, 2012 issued by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.

b) FDI up to 51 per cent is now permitted in Multi-Brand Retail Trading under the Government route, subject to the terms and conditions as stipulated in Press Note No. 5 (2012 Series) dated September 20, 2012 issued by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.

c) Foreign airlines are permitted FDI up to 49% in the capital of Indian companies in Civil Aviation Sector, operating scheduled and non-scheduled air transport, under the automatic/Government route subject to the terms and conditions as stipulated in Press Note No. 6 (2012 Series) dated September 20, 2012 issued by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.

d) FDI limits in companies engaged in providing Broadcasting Carriage Services under the automatic/Government route have been reviewed and the same would be subject to the terms and conditions as stipulated in Press Note No. 7 (2012 Series) dated September 20, 2012 issued by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.

e) FDI up to 49% is permitted in Power Exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010, under the Government route, subject to the terms and conditions as stipulated in Press Note No. 8 (2012 Series) dated September 20, 2012 issued by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.

3. A copy each of Press Note Nos. 4,5,6,7 and 8 (2012 Series) dated September 20, 2012 issued in this regard is enclosed.

4. AD Category - I banks may bring the contents of the circular to the notice of their customers/constituents concerned.

5. Necessary amendments to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated May 3, 2000) are being notified separately.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Exchange Rates for Customs Valuation

Rupee Rate for Customs Valuation Gains to Rs. 54.75 on Imports w.e.f. 21 September 2012

84-Cus(NT) 20.09.2012 (DoR) In exercise of the powers conferred by section 14 of the Customs Act, 1962 (52 of 1962), and in super session of the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 80/2012-CUSTOMS (N.T.), dated the 6th September, 2012 *vide* number S.O. 2040(E), dated the 6th September, 2012, except as respects things done or omitted to be done before such super session, the Central Board of Excise and Customs hereby determines that the rate of exchange of conversion of each of the foreign currency specified in column (2) of each of Schedule I and Schedule II annexed hereto into Indian currency or *vice versa* shall, **with effect from 21st September, 2012** be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

		Imprted Goods		Exported Goods	
SNo.	Currency	Current	Previous	Current	Previous
Schedule I – Rate of exchange of one unit of foreign currency equivalent to Indian rupees					
1.	Australian Dollar	57.20	57.60	55.95	56.35
2.	Bahrain Dinar	148.15	152.05	140.20	143.95
3.	Canadian Dollar	56.30	57.20	54.85	55.90
4.	Danish Kroner	9.60	9.50	9.35	9.25
5.	EURO	71.40	70.65	69.80	69.05
6.	Hong Kong Dollar	7.05	7.25	6.95	7.15
7.	Kenya Shilling	65.95	67.75	62.20	64.00
8.	Kuwait Dinar	199.10	203.40	188.20	191.90
9.	Newzeland Dollar	45.45	44.95	44.35	43.75
10.	Norwegian Kroner	9.65	9.75	9.35	9.45
11.	Pound Sterling	88.95	89.35	87.05	87.60
12.	Singapore Dollar	44.85	45.10	43.85	44.20
13.	South African Rand	6.75	6.85	6.35	6.40
14.	Saudi Arabian Riyal	14.90	15.30	14.10	14.45
15.	Swedish Kroner	8.45	8.40	8.20	8.15
16.	Swiss Franc	59.15	58.85	57.65	57.50
17.	UAE Dirham	15.20	15.60	14.40	14.75
18.	US Dollar	54.75	56.20	53.90	55.35
Schedule II – Rate of exchange of 100 units of foreign currency equivalent to Indian rupees					
1.	Japanese Yen	70.30	72.00	68.50	70.20

[F.No.468/15/2012-Cus.V]

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prices and unsatisfactory monsoon in the prevailing circumstances. This is expected to help in the efforts being taken to tackle the problem of rising prices, and also improve the availability of these commodities to general public, especially the vulnerable sections.

Background:

In August 2006 it was decided to keep in abeyance certain provisions of the Order dated 15.02.2002 in respect of wheat and pulses with the approval of the Cabinet initially for a period of 6 months. The validity of this order has been extended from time to time incorporating also some more essential commodities.

Subsequently Central Orders were issued by keeping in abeyance the operation of Central Order dated 15.02.2002 in respect of commodity edible oils, edible oilseeds, rice, paddy and sugar. The validity of all these orders have been extended from time to time . At present stock limits are permitted for pulses, edible oils and edible oilseeds for a period up to 30.09.2012 and in respect of rice and paddy up to 30.11.2012 for the 7 States/Union Territories i.e. Andhra Pradesh, NCT of Delhi, Manipur, Maharashtra, Tamil Nadu, Jharkhand and Andaman & Nicobar Islands who had sent their request specifically opting for continuation of stock limits in respect of paddy and rice. Wheat and sugar have been withdrawn from the ambit of these orders with effect from 1st April 2009 and 1st December 2011 respectively.

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