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## Asia-Pacific Leaders Announce Major Regional Trade Talks

Leaders from various Asia-Pacific nations gathering in Phnom Penh, Cambodia earlier this week formally announced the launch of negotiations for a 16-country deal which - when completed - would form one of the world's largest trade pacts. Separate efforts to initiate talks for a possible trilateral trade agreement between China, Japan, and South Korea also moved forward this week, despite earlier concerns that brewing tensions over disputed islands would stall the initiative.

### Regional partnership talks to begin in 2013

At the end of the East Asia Summit on Tuesday, leaders from the Association of Southeast Asian Nations (ASEAN) - as well as Australia, China, India, Japan, New Zealand, and South Korea - formally announced that they would be beginning negotiations next year for a Regional Comprehensive Economic Partnership (RCEP).

The ten ASEAN countries are Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

The proposed deal, leaders said in their joint declaration, would be a "modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement establishing an open trade and investment environment in the region." Formal negotiations would begin in early 2013, they said, with the goal of finishing the talks by the end of 2015.

According to the RCEP guiding principles and objectives - which were outlined in August by the participating countries' economic ministers - the proposed pact would cover trade in goods and services, investment, intellectual property, economic and technical cooperation, and dispute settlement, among other topics.

Plans for the RCEP date back to last November's ASEAN Summit, where leaders of the group's member states adopted the ASEAN Framework for Regional Comprehensive Economic Partnership.

Along with the announcement of the RCEP launch this week came the news that another regional integration effort - the kick-off of the ASEAN Economic Community, which would serve as a unified market for the ten ASEAN countries - will be delayed by almost a year, until December 2015, to allow member economies more time to dismantle remaining trade and investment barriers and address other outstanding issues.

### Tokyo, Beijing, Seoul move forward on launch of trilateral talks, despite island disputes

The growing tension between Beijing and Tokyo in the weeks leading up to the summit over a group of contested islands in the East China Sea - known as Diaoyu in China and Senkaku

in Japan - had recently sparked concerns over how much the territorial row would affect economic ties between the two regional power-houses.

In particular, questions had been raised over whether the two countries - whose trade relationship is valued at

over US\$340 billion annually - would be able to launch, together with South Korea, negotiations for a trilateral trade pact after having announced their intention to do so earlier this year. Tokyo and Seoul are also embroiled in a territorial dispute of their own over a different set of islands.

Despite these maritime issues, however, the three Asian economies ultimately agreed on Tuesday that they would indeed begin negotiations for a trilateral trade deal early next year.



## Cautious Welcome for Farm Trade Proposals at WTO

Trade officials gave a cautious welcome to new proposals on farm trade at an informal WTO negotiating meeting last Friday, sources say.

Officials told that the proposals could help countries carve a path towards a scaled-down package of measures to be agreed at the global trade body's ninth ministerial conference in Bali, slated for next December. However, deep-seated differences remain over how best to resolve the overall impasse in the WTO's Doha Round of trade talks, which were launched over a decade ago.

Making it easier to send agricultural goods overseas to countries that use import quotas could be one step forward,

developing countries in the G-20 coalition at the WTO have argued. Such a move could also help "re-balance" a separate package of measures on trade facilitation, says the group, which includes major economies such as Brazil, China, and India.

The G-20 proposals are being widely seen as "doable," trade sources, with negotiators from the G-10 group of countries with highly-protected farm sectors amongst those saying they were willing to engage in discussions.

A request from the G-20 for the WTO secretariat to conduct studies on export subsidies and related areas was not opposed by other members, despite initial misgivings by some that had

feared the issue could be linked to the trade talks. G-10 countries asked that these studies also include updated information on export restrictions - measures which they fear can exacerbate price spikes on world markets, and harm food-importing countries.

### Food stockholding: more discussion needed

A proposal from another developing country coalition, the G-33, was seen as more complex by trade officials. Members of the coalition - which includes China and India, alongside other countries with large smallholder farming populations - were among those privately saying that more discussion may still be needed on the proposal, which would exempt subsidised food purchases from current WTO ceilings under certain conditions.

Proponents of the initiative, which trade officials said had been led by India, had argued that subsidised food purchases for public stockholding or domestic food aid should not have to count towards countries' maximum-permitted levels of trade-distorting support, so long as the food has been bought from low-income or resource-poor producers.

However, both developed and developing countries privately cautioned that the move

could counter reforms aimed at moving towards less trade-distorting forms of farm support, by allowing payments that could distort trade to be included without any limit under WTO rules.

The lack of any agreed definition of "low-income or resource-poor producers" could also make it harder to ensure support was being targeted towards the most vulnerable farmers, said others.

Some negotiators warned that the move could lead to over-production of certain products - possibly leading to the 'dumping' of farm goods in other markets, and harming small farmers elsewhere. Others said that many small developing countries lacked the resources to run food stockholding schemes or provide substantial amounts of domestic food aid.

However, proponents of the G-33 initiative said that the flexibility could be important in cases where public food stockholding schemes caused poorer countries to run up against their current 'de minimis' ceilings under WTO rules.

Currently, each developing country is allowed to provide trade-distorting support so long as this does not exceed ten percent of the value of the country's agricultural production. Under a special arrangement made when China joined the global trade body, Beijing has to keep within a lower ceiling of 8.5 percent.

### No Tax Free Zones in Operation

There is no concept called Tax Free Zones as such in operation. However, there are schemes like Special Economic Zones (SEZs) and Export Oriented Units (EOUs) which provide tax exemptions. Both above schemes are administered by the Department of Commerce. In addition to above, package of incentives for the Special Category States of Jammu and Kashmir, Himachal Pradesh, Uttarakhand and North Eastern States (such as Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura) are provided by the Department of Industrial Policy & Promotion under its Industrial Policy. Package of incentives provided to above States also include various tax concessions as per notifications issued by the Department of Revenue.

Presently there is no proposal under consideration of the Ministry of Finance to declare certain areas as tax free zones.

This was stated by the Minister of State for Finance, S.S. Palanimanickam in a written reply to a question in the Lok Sabha on 23 November 2012.

[Source: Ministry of Finance, PIB Press Release dated 23<sup>rd</sup> November 2012]

### US House of Representatives Clears Russia Trade Legislation



US lawmakers in the House of Representatives voted overwhelmingly in favour of lifting a decades-old restriction

on trade with Russia on Friday, bringing Washington one step closer to normalising trade relations with Moscow.

The bill to lift the application of the Jackson-Vanik amendment on Russia - a Cold War-era piece of legislation that denies most favoured nation status to countries with limited freedom of emigration - passed by a large margin in the House, with 365 lawmakers voting in favour and 43 against. The House bill also normalises trade relations with Moldova, which - like Russia - is subject to the Jackson-Vanik amendment.

The House approval came just days after the chamber's Rules Committee voted to join the trade legislation with a provision that would sanction alleged human rights violators in Russia, known as the Sergei Magnitsky Rule of Law Accountability Act after the anti-corruption lawyer who died in a Moscow jail in 2009.

The Magnitsky bill would require the public identification of those Russian officials implicated in alleged human rights violations, including those said to be involved in the lawyer's death. It would also freeze the US financial assets of suspected human rights violators, while denying them visas for US entry.

The inclusion of the human rights legislation - which has drawn bipartisan support in Washington - in the House's trade bill prompted a strong response from Russian officials on Friday, with the country's Foreign Ministry calling the move an "aggressively unfriendly, provocative insult."

Moscow has also pledged to take action in response, without specifying what such measures might be.

### Bill aims to address competitiveness fears

Russia formally joined the WTO in late August of this year, following nearly two decades of negotiations with current members of the Geneva-based trade body. With Russia now part of the 157-member WTO, US lawmakers have been under mounting pressure to grant Moscow most favoured nation status, as required of all WTO members - or, as it is known

in Washington jargon, permanent normal trade relations (PNTR) - out of concern that US producers would otherwise be put at a disadvantage compared to their foreign competitors.

While many lawmakers and business groups had advocated throughout the year for the passage of the trade legislation by the time Russia's membership became official in August - or at least by the US election earlier this month - the repeal of Jackson-Vanik had ultimately been put on hold until the current "lame duck" session of Congress, due to the then-heated election climate.

### Canada, EU Aim to Bring Trade Talks into Final Stages



Negotiations for a Canada-EU trade deal are at a key stage, officials say, with top trade officials from both sides expected to meet in the coming days in an effort to resolve the remaining political hurdles. With just weeks left until the end of the year, however, whether or not the two sides will be able to meet their goal of finishing the talks by end-December remains still unclear.

Over three years after their launch, officials say that the talks for the Canada-EU Comprehensive Economic and Trade Agreement (CETA) have made significant progress. However, "there is a small basket of issues left and as in any negotiations, they are the toughest ones to resolve," Canadian Trade Minister Ed Fast told Reuters earlier this month. Fast added that he is "certainly committed to negotiating around or through those."

The predicted date for a conclusion to the negotiations has changed repeatedly over the talks' three-year run. Canadian and EU officials had said earlier this year that the discussions should be completed by the end of summer 2012. A prior deadline to finish the talks by 2011 also went unmet.

### Agriculture, public procurement, intellectual property issues remain difficult

Market access for agricultural goods is one of the areas still under discussion, officials say, while long-standing differences on public procurement also remain unresolved. With regards to the latter, the EU is pressing for Ottawa to open further its provincial and municipal procurement market.

Another significant obstacle standing in the way of a deal is an ongoing disagreement in the area of intellectual property rights. Requests from Brussels that Ottawa provide for stronger

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## WEEKLY INDEX OF CHANGES

### SMP TRQ Cut to 10,000 MTs from 50,000 MTs along with Rise of Duty to 15%

Ntnf 59 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 17<sup>th</sup> March, 2012, published in the Gazette of India, Extraordinary, vide number G.S.R. 185(E), dated the 17<sup>th</sup> March, 2012, namely:-

In the said notification, in the Table, for serial No. 7 and entries relating thereto, the following shall be substituted, namely:-

"7.	040210 or 04022100	Goods upto an aggregate of ten thousand metric tonnes of total imports of such goods in a financial year.	15%	-	1".
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[F.No.354/94/2012 –TRU]

### Concentrated Milk/SMP Exports in 0402 Freed

*Subject: Amendment in policy for export of Milk Powders including Whole Milk Powder, Dairy Whitener and Infant Milk Foods.*

25-Ntnf(RE) In exercise of powers conferred by Section 5 of the Foreign Trade Act, 1992 (No. 22 of 1992) read with Para 2.1 of the Foreign Trade Policy, 2009-2014, the Central Government, with immediate effect, makes

an amendment in Column 4 (Export Policy) in Serial Number 38 in Chapter 4 of Schedule 2 of ITC (HS) Classification of Export & Import Items. The existing entry "Prohibited" is substituted by the entry "Free". Accordingly, the amended table in respect of Serial Number 38 would be as under:

SNo.	Tariff Item HS Code	Item Description	Export Policy	Nature of Restriction
38	0402	Milk and Cream, concentrated or containing added sugar or other sweetening matter including Whole Milk Powder, Dairy Whitener and Infant Milk Foods	Free	

#### 2. Effect of this notification

Export of all items under Tariff Item HS Code 0402 is now free. There is no change in the

policy regarding export of Skimmed Milk Powder [HS Code 04021010], which continues to be free.

### CBEC Restores Descriptions of Taxable Services and Accounting Codes for Payment of Service Tax

*Subject: Restoration of service specific accounting codes for payment of service tax.*

165-ST Negative List based comprehensive approach to taxation of services came into effect from the first day of July, 2012. Accounting code for the purpose of payment of service tax under the Negative List approach ["All Taxable Services" – 00441089] was prescribed vide Circular 161/12/2012 dated 6<sup>th</sup> July, 2012.

the C & AG, a specific sub-head has been created for payment of "penalty" under various descriptions of services. Henceforth, the sub-head "other receipts" is meant only for payment of interest payable on delayed payment of service tax. Accounting Codes under the sub-head "deduct refunds" is not to be used by the taxpayers, as it is meant for use by the field formations while allowing refund of tax.

2. Subsequent to the issuance of the Circular, suggestions were received from the field formations that the service specific old accounting codes should be restored, for the purpose of statistical analysis; also it was suggested that list of descriptions of services should be provided to the taxpayers for obtaining registration. These suggestions were examined and a decision has been taken to restore the service specific accounting codes. Accordingly, a list of 120 descriptions of services for the purpose of registration and accounting codes corresponding to each description of service for payment of tax is provided in the annexure to this Circular.

3. Descriptions of taxable services given in the annexure are solely for the purpose of statistical analysis. On the advice of the office of

4. Registrations obtained under the positive list approach continue to be valid. New taxpayers can obtain registrations by selecting the relevant description/s from among the list of 120 descriptions of services given in the Annexure. Where registrations have been obtained under the description 'All Taxable Services', the taxpayer should file amendment application online in ACES and opt for relevant description/s from the list of 120 descriptions of services given in the Annexure. If any applications for amendment of ST-1 are pending with field formations, seeking the description 'all taxable services', such amendment may not be necessary and the officers in the field formations may provide necessary guidance to the taxpayers in this regard. Directorate General of Systems will be

### De-Stuff and Release of Foreign Containers on Arrival in CFS/ICDs Facility under Warehousing Clause of Sec 49 of CA 1962

*[CBEC Instruction dated 20<sup>th</sup> November 2012]*

*Subject: Measures for promoting cost efficiency of imports by Indian Trade and Industry.*

Trade has represented that with the growing container traffic in India, allowing the importers to transfer the goods from foreign containers to domestic shipping containers under Customs supervision in respect of imported goods lying uncleared for more than five days in a Customs area (CFSs / ICDs), can prove beneficial in reducing outflow on account of foreign exchange payments for foreign shipping containers and help Indian trade and industry to become more cost effective.

2. The matter has been examined in the Board. In this regard, Section 49 of the Customs Act, 1962 provides facility of storing goods in warehouses pending clearance in case where goods cannot be cleared within a reasonable time. Moreover, even presently an importer may de-stuff and release a foreign container immediately on arrival in the CFS / ICD. Generally this option is not utilized by importers who have preference to clear goods at their premises as well as to avoid additional handling charges incurred on account of de-stuffing of the containers. It is also possible that some importers may not be aware of this option.

3. In the aforesaid circumstances, Board reiterates that importers have the option to avail of the facility under Section 49 of the Customs Act, 1962. Further, importer may exercise the option to de-stuff goods from foreign containers and keep the same in the CFS / ICD including in empty domestic containers therein, under Customs supervision, for subsequent clearance as per law.

4. These instructions may be brought to the notice of all the officers concerned by issuing suitable Standing Orders/instructions/ Public Notices.

F. No.450/95/2012-Cus.IV

making necessary arrangements for display of the list of 120 descriptions of services and their corresponding Accounting Codes in Form ST-1 and Form ST-2 as may be necessary.

5. Officers in the field formations are instructed to extend necessary guidance to the tax payers regarding the selection of appropriate description of taxable service and facilitate the payment of service tax/cess due under the appropriate accounting code. Trade Notice/Public Notice may be issued to the field formations and tax payers. Please acknowledge receipt of this Circular. Hindi version follows.

*[Annexure (nine pages) is available at our website [www.worldtradesScanner.com](http://www.worldtradesScanner.com)]*

F.No.341/21/2012-TRU

## Zero Customs Duty for Air to Air Missile ASTRA Project of Defence Ministry

Ntnfn 58 19.11.2012 (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. 39/96-Customs, dated the 23<sup>rd</sup> July, 1996, published in the Gazette of India, Extraordinary, vide number G.S.R. 291(E), dated the 23<sup>rd</sup> July, 1996, namely:-

In the said notification, in the Table, after serial number 39 and entries relating thereto, the following S. No. and entries shall be inserted, namely:-

(1)	(2)	(3)
"40.	Machinery, equipment, instruments, components, spares, jigs and fixtures, dies, tools, accessories, computer software, raw materials and consumables required for the purpose of Air-to-Air Missile System (Project ASTRA) of the Ministry of Defence.	If,- (a) the said goods are imported by authorised works centers of Air-to-Air Missile System(Project ASTRA), as may be designated by an officer not below the rank of a Deputy Secretary to the Government of India in the Ministry of Defence; and (b) the authorised works centre produces to the Deputy Commissioner of Customs or the Assistant Commissioner of Customs, as the case may be, at the time of import, in each case, a list of the said goods with their relevant description duly certified by the Project Director, 'ASTRA', Defence Research and Development Laboratory, Hyderabad, to the effect that - (i) the said goods in the list are required for Project ASTRA, and that they are not manufactured in India; and (ii) the import of the said goods in the list is authorized by the Ministry of Defence under and for the purposes of Project ASTRA and shall be used only for Project ASTRA. <b>Explanation.</b> – Nothing contained in this exemption shall have effect on or after the 1 <sup>st</sup> day of March, 2013"

[F.No.354/14/2006 –TRU(Pt-II)]

## Zero Excise for Air to Air Missile ASTRA Programme of Defence Ministry

39-CE 19.11.2012 (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.64/95-Central Excise, dated the 16<sup>th</sup> March, 1995, published in the Gazette of India, Extraordinary, vide number G.S.R.256 (E), dated the 16<sup>th</sup> March, 1995, namely:-

In the said notification, in the Table, after serial number 31 and entries relating thereto, the following S.No. and entries shall be inserted, namely:-

(1)	(2)	(3)
"32	Equipment and stores	If,- (i) used for the systems and sub-systems of Project ASTRA of the Government of India in the Ministry of Defence; (ii) before clearance of the said goods, a certificate from the Project Director, ASTRA, Defence Research and Development Laboratory, Hyderabad, in the Ministry of Defence to the effect that the goods are intended for the aforesaid use is produced to the proper officer; and (iii) the aforesaid use is elsewhere than in the factory of production of the said goods, the manufacturer produces within five months from the date of clearance or within such extended period as the Deputy Commissioner of Central Excise or the Assistant Commissioner of Central Excise, as the case may be, may allow in this regard, a certificate from the said Project Director, ASTRA, indicating the date of receipt of the said goods by that organisation and certifying that they have been actually put to the aforesaid use. <b>Explanation.</b> – Nothing contained in this exemption shall have effect on or after the 1 <sup>st</sup> day of March, 2013."



[F.No.354/14/2006 –TRU(Pt- II)]

## DGFT Issues TED Refund Claim Format under Deemed Export

Subject: Amendment in Para 8.3.1(i) of the Handbook of Procedures Vol.I, 2009-14 – claim of TED by recipient of goods.

31-PN(RE) 21.11.2012 (DGFT) In exercise of powers conferred under paragraph 2.4 of the Foreign Trade Policy, 2009-14, the Director General of Foreign Trade hereby amends Para 8.3.1(i) of the Handbook of Procedures, Vol.I, 2009-14 by adding the sentence at the end of the Para, "**Recipient may also claim TED refund on production of a suitable disclaimer from supplier, in the format given in Annexure-IV of ANF-8**"

2: (i) The amended Para 8.3.1(i) will read as follows:

"An application in ANF 8, along with prescribed documents, shall be made by registered office or Head office or a branch office or manufacturing unit of supplier to RA concerned. Where applicant is branch office or manufacturing unit of a supplier, it shall furnish self certified copy of valid RCMC. Recipient may also claim drawback benefits on production of a suitable declaration from supplier, in the format given in Annexure III of ANF 8. In case of TED refund, a declaration, in the format given in Annexure II of ANF 8, regarding non-availment of CENVAT credit, shall be given, by the recipient of goods, in addition to other prescribed documents. Recipient may also claim TED refund on production of a suitable disclaimer from supplier, in format given in Annexure-IV of ANF-8"

(ii) Format of Annexure IV of ANF-8 is enclosed with this Public Notice.

3. This Public Notice shall be effective from 01.03.2011, the date on which P.N.35 (RE2010)/ 2009-2014 Dated 1<sup>st</sup> March 2011 was issued.

### 4. Effect of Public Notice

Either the recipient of the goods or the supplier of the goods can claim TED refund with appropriate disclaimer.

#### Annexure-IV

#### Format of disclaimer for not claiming TED refund

I, (Name & Designation) .....on behalf of M/s. .... (Name and address of the supplier) hereby certify that we have supplied the following goods to M/s..... (Name and address of the recipient):

SNNo.	Inv. No. & date	Description of goods	Unit	Qty.	Value
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2. We further state that we have not drawn nor will draw any benefit of TED refund and we have no objection if M/s..... (Name and address of the recipient) draws TED refund on the supplies mentioned above.

3. I/we hereby certify that the above information is true and correct as per best of my knowledge. If anything found incorrect/false, I/we shall be liable for penal action as per the provision of F.T.(D&R) Act, 1992 as amended.

Yours faithfully,

Signature (Authorized Signatory)

Full Name: Designation:

Name of the company: Telephone Number:

E-mail: Address:

Fax No.:

**Note:** Declaration is to be given on letter head of the supplier.

## Validity of CHA Licences under AEO Programme

105-Cus(NT) In exercise of the powers  
16.11.2012 conferred by sub-section (2)  
(DoR) of section 146 of the Customs  
Act, 1962 (52 of 1962), the  
Central Board of Excise and Customs hereby  
makes the following regulations further to amend  
the Customs House Agents Licensing Regula-  
tions, 2004, namely:-  
1. (1) These regulations may be called the  
Customs House Agents Licensing Regulation,  
2012.  
(2) They shall come into force on the date of  
their publication in the Official Gazette.  
2. In regulation 11 of the Customs House  
Agents Licensing Regulations, 2004,-  
(a) in sub-regulation (1), the following proviso

shall be inserted, namely:-  
"Provided that licence granted to a Customs  
House Agent, authorized under the Authorised  
Economic Operator Programme, shall be valid  
till such time the authorization granted to the  
Customs House Agent under the Authorised  
Economic Operator Programme is valid."  
(b) in sub-regulation (3), the following proviso  
shall be inserted, namely:-  
"Provided that there shall be no fee for renewal  
of a licence under sub-regulation (2) in respect  
of the Customs House Agents authorized under  
the Authorised Economic Operator  
Programme."  
[F. No. 502/5/2008-Cus.VI]

## No BG for Authorized Customs Cargo Service Provider under AEO Programme

104-Cus(NT) In exercise of the powers  
16.11.2012 conferred by sub-section (2)  
(DoR) of section 141, read with  
section 157 of the Customs  
Act, 1962 (52 of 1962), the Central Board of  
Excise and Customs hereby makes the follow-  
ing regulations further to amend the Handling of  
Cargo in Customs Areas Regulations, 2009,  
namely:-  
1. (1) These regulations may be called the  
Handling of Cargo in Customs Areas (Amend-  
ment) Regulation, 2012.  
(2) They shall come into force on the date of  
their publication in the Official Gazette.  
2. In the Handling of Cargo in Customs Areas  
Regulations, 2009 (herein after referred to as  
the said regulations), for the proviso to sub-  
regulation (3) of the regulation 5, the following  
proviso shall be substituted, namely:-

"Provided that the condition of furnishing of  
bank guarantee or cash deposit shall not be  
applicable to ports notified under the Major  
Ports Act, 1962 (38 of 1963) or to the Central  
Government or State Governments or their un-  
dertakings or to the Customs Cargo Service  
provider authorised under Authorised Economic  
Operator Programme."  
3. In sub-regulation (2) of regulation 10 of the  
said regulations, the following proviso shall be  
inserted, namely:-  
Provided further that in case of Customs Cargo  
Service provider authorised under Authorised  
Economic Operator Programme, the approval  
granted under sub-regulation (1) may be ex-  
tended for a further period of ten years at a  
time."  
[F.No. 450/55/2008-Cus. IV]

## Revised Guidelines for Implementation of AEO Programme

*Subject: Authorized Economic Operator (AEO) programme for implementation - Revised Guidelines.*

28-CBEC Attention is invited to Board's  
16.11.2012 Circular No. 37/2011- Cus.,  
(DoR) dated 23.08.2011 which gives  
details on the 'Authorized  
Economic Operator' ( AEO) Programme . The  
said Circular contains the salient features of the  
AEO Programme including the processing, vali-  
dations and certification of AEOs. It also indi-  
cated Board's decision to initially begin a pilot  
before finalizing the AEO Programme for a full  
scale roll out. Accordingly applications were  
invited for participation in the Pilot AEO  
Programme, which has since been completed.  
2. Based upon the results of the Pilots,  
DGICCE, the nodal agency for AEO Programme,  
suggested certain improvements and identified  
certain issues requiring a review. Accordingly,  
Board has examined the suggestions and ap-  
proved the following major changes in the AEO  
Programme.

(i) Inclusion of stringent requirements in  
regard to Business partner security, procedural  
security, etc.

(ii) Inclusion of authorised couriers and cus-  
todians in the AEO Programme.  
(iii) Automatic disqualification on non-furnish-  
ing of the information by the applicant.  
(iv) Non-requirement of the compliance  
records of advocates directly employed by the  
applicant.  
(v) Outreach of AEO Programme by orga-  
nizing workshops etc.  
(vi) The time limit of 90 days should be reck-  
oned from the date of furnishing of complete  
information.  
(vii) In regard to security seals, in case it is  
not possible to procure and use PAS / ISO  
17712 seals for air consignments / courier con-  
signments any international seal compatible  
with standards of PAS / ISO 17712 may be  
used. However in case of maritime container-  
ized cargo only PAS / ISO 17712 seals shall be  
used. The officers carrying out validations un-  
der AEO Programme should carefully ascertain  
this aspect.  
3. Board also decided that the benefits to

## Addl. DGFT Mumbai Organises Meeting with Consul General of China on 17 Dec 2012 in Mumbai

**[Addl. DGFT Mumbai Circular No. 01 dated 12<sup>th</sup> November 2012]**

*Sub.: Meeting with the Consul General of China on 17<sup>th</sup> December, 2012*

It is informed that the next EFC Meeting has been organized with the Consul General of China. It will be held on 17<sup>th</sup> December, 2012 at 11.00 A.M in the Conference Hall of the Office of the Additional Director General of Foreign Trade, Nishtha Bhavan, 48, Sir Vithaldas Thackersey Marg, Churchgate, Mumbai – 400 020.

This is an opportunity for you to interface with the Consul General of China on the above mentioned date, I would like you to avail of this opportunity towards maximizing benefit to all exporters. You may, therefore, send your issues regarding exports to China by 22<sup>nd</sup> November, 2012. As you are aware, the Chinese are extremely meticulous and you therefore require to prepare yourself adequately to answer their counter-queries. Also since we require to prepare ourselves properly, you require to expedite the formulations of the issues well in time and the same therefore require to be done by 22<sup>nd</sup> November, 2012 as stated above.

Kindly formulate a task force to aggressively raise issues with the Consul General of China so that opportunity can be availed to the maximum. Kindly also note that getting your issues at an early date enable the Consul General to prepare themselves for the answers in a much better manner. Therefore, it is in our interest that the issues get finalized expeditiously.

Exporters having concrete issues can send their issues directly to [efcmum-dgft@nic.in](mailto:efcmum-dgft@nic.in). Only if your issues are important and relevant, you may attend the said meeting with the Consul General of China.

various types of approved AEOs would be as under:

### A. For Importers

- AEO importers would be entitled to facilitation levels that are higher than that for an ACP importer.
- AEO importers shall be given the benefits of furnishing of reduced bank guarantee, wherever applicable, not exceeding 5% of the bond amount. All past Circulars regarding furnishing of bank guarantee by importers stand modified to this extent.

### B. For Exporters

- AEO exporters shall be given benefits of reduced percentage of examination. At present the examination of export consignment is governed by provisions contained in the Board Circular No. 6/2002- Customs dated 23.01.2002 which stands modified for AEO exporters to the extent indicated in the table below.

## Export under Drawback by AEO exporters

SNo.	Category of Exports	Scale of Examination	
		Export consignments shipped to sensitive places viz. Dubai, Sharjah, Singapore, Hong Kong and Colombo	Others
(i)	Consignments where the amount involved is Rs.5 lakh or less	10%	2%
(ii)	Consignments where the amount of drawback involved is more than Rs.5 lakh	25%	5%
(iii)	Consignments where the FOB value is under EPCG / DEEC is Rs.10 lakh or less	10%	2%
(iv)	Consignments where the FOB value is under EPCG / DEEC is more than Rs.10 lakh	20%	5%

## C. For Logistic Service Providers

(a) AEO logistic service providers shall be given benefits of waiver of bank Guarantee in case of transshipment of goods under Goods Imported (Condition of Transshipment) Regulations, 1995. Further they shall be given the facility of execution of a single running bond. Board Circular No 45/2005-Cus. dated 24.11.2005 stands modified accordingly.

(b) AEO logistic service providers shall be given the facility of not taking permission on case to case basis in case of transit of goods. In case of international transshipped cargo (Foreign to Foreign), for the pre-sorted containers wherein cargo does not require segregation. AEO Logistics Service providers can effect ramp to ramp or tail to tail transfer of cargo without Customs escorts. Board Circular No.8/2011-Customs dated 28.01.2011 stands modified to this extent.

## D. For Custodians or Terminal Operators

(a) AEO Custodians shall be given benefits of waiver of bank Guarantee required under Handling of Cargo in Customs Area Regulations 2009.

(b) AEO Custodians shall also be given the facility of extension of approval under regulation 10(2) of the Handling of cargo in Customs Area Regulation 2009 for longer period of ten years at a time.

## E. For Customs House Agents

(a) AEO Customs House Agents shall, under Regulation 11 of Customs House Agents Licensing Regulations (CHALR) 2004 be given benefit of extended validity period of licenses granted under regulation 9 till the time they hold valid AEO authorizations.

(b) Fee for renewal of a licence under sub regulation (2) of regulation 11 of CHALR, 2004 shall be exempt for AEO Custom House Agents.

## F. For Warehouse Operators

(a) AEO Warehouse Operators are accorded faster approval for new warehouses.

(b) AEO Warehouse Operator shall be given benefits of reduced bank guarantee to the extent of 5% of the duty liability in respect of individual consignments of sensitive goods to be warehoused. Board Circular No 99/95- Cus. dated 20.09.1995 shall be modified to this extent.

(c) In case of goods which are not likely to deteriorate, the warehousing period under sec-

tion 61 of the Customs Act, 1962 may be extended by Commissioner of Customs, for a period not exceeding six months and by the Chief Commissioner of Customs for such period as he may deem fit. Board Circular No. 47/2002-Cus., dated 29.7.2002 prescribes that the Chief Commissioner at a time may not grant extension to the warehousing period beyond 3 months and in certain exceptional circumstances not beyond six months. In case of AEO Warehouse Operators, the Chief Commissioner of Customs may grant extension up to a period of six months at a time. Board Circular No.47/2002-Cus. dated 29.7.2002 stands modified to this extent.

4. The revised AEO Programme is appended to this Circular.

5. Board Circular No 37/2011- Cus., dated 23.08.2011 stands superseded with issue of this circular. However the entities already certified under AEO Programme pursuant to Circular No 37/2011-Cus., dated 23.08.2011 would continue to have AEO authorisation subject to their adherence to prescribed standards and

## Corrigendum dated 21 November to 49/10.09.2012

[Corrigendum dated 21<sup>st</sup> November 2012]

In the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 49/2012-Customs, dated the 10<sup>th</sup> September, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 675(E), dated the 10<sup>th</sup> September, 2012, in List 32A under Para (B),

(i) on page 16, in line 41, for  
"47 Bilhapur STPP, Uttar Pradesh -2x660=1320 MW (NTPC)",

read

"47 Bilhaur STPP, Uttar Pradesh -2x660=1320 MW (NTPC)"; and

(ii) on page 18, in line 3 for

"100 DB Power Ltd. Vadodarha TPP Janjgir- Champa Chattisgarh-2x660 MW",  
read

"100 DB Power Ltd. Vadodarha TPP Janjgir- Champa Chattisgarh-2x600 MW".  
[354/78/2010-TRU(Pt-1)]

guidelines issued in this regard.

6. Suitable Public Notice and Standing Orders may be issued. Further, Director General, DGICCE and Chief Commissioner of Customs are requested to give wide publicity to the Programme.

7. Difficulties, if any, may be brought to the notice of the Board immediately.

F.No. 450/179/2009-Cus.IV(Pt)

[See full text of the Circular at our website [www.worldtradesScanner.com](http://www.worldtradesScanner.com)]

## Thailand to Surpass India as Top Rice Shipper on Stockpiles



Thailand is set to overtake India as the world's largest rice exporter as the nation accelerates sales from state stockpiles, adding to record

global supplies, according to the International Rice Research Institute.

Shipments from India may drop to as low as 7 million metric tons in the year that began Oct. 1, said Samarendu Mohanty, a senior economist. Exports including the aromatic basmati variety more than tripled to 10.4 million tons the previous year, said the U.S. Department of Agriculture. Thailand plans to ship 8.5 million tons in 2013 from 7.3 million tons this year, according to the Department of Foreign Trade.

Rising Thai supplies may increase competition among Asian producers and pressure prices that have risen 1.2 percent in Chicago this year. A decline in the staple for half the world may further lower food costs that the United Nations' Food & Agriculture Organization estimates dropped 0.9 percent in October from a six-month high. Global opening stockpiles for 2012-2013 will climb to the highest in a decade, the

USDA says.

## Thai Reserves

Thailand's stockpiles are poised to climb to a record 12.1 million tons by the end of 2012-2013 from 9.8 million tons a year earlier, the USDA estimates. The country will be forced to sell some of the rice it bought from farmers to make space for the new harvest, said Mohanty.

Prime Minister Yingluck Shinawatra implemented a price-support policy to boost incomes of farmers who helped her Pheu Thai party win an election last year. The government guaranteed as much as 15,000 baht (\$489) a ton for unmilled white rice, about 50 percent more than local market rates, and 20,000 baht for a higher-quality variety.

India is set to export 7.25 million tons in 2012-2013 and Thailand will ship 8 million tons, USDA data show. Vietnam may sell 7 million tons, becoming the third-biggest shipper.

The free-on-board price of 25 percent broken long-grain white rice in Thailand costs as much as \$540 a ton compared with \$385 in India, said Vijay Setia, former president of the All India Rice Exporters' Association. Most Indian rice exports are the 25 percent broken variety, he said.

## India Bets on Troubled Kashagan to Restart Oil Expansion

India's largest oil explorer is attempting to revive a stalled overseas expansion plan by buying into a \$46 billion project that's eight years behind schedule and cost twice as much as expected.

Oil & Natural Gas Corp. (ONGC) announced the company's biggest overseas acquisition on 25 November, the \$5 billion purchase of ConocoPhillips (COP)'s 8.4 percent stake in Kazakhstan's Kashagan project. Touted as the biggest find since the 1960s when it was discovered in 2000, the field beneath the Caspian Sea is expected to produce 370,000 barrels a day from next year.

For ONGC, as the state-controlled producer is known, the deal signals an acceleration in overseas acquisitions as the New Delhi-based producer spends 11 trillion rupees (\$198 billion) by 2030 to increase production at home and abroad. Deals slowed after completing the \$2.2 billion purchase in 2008 of Imperial Energy Corp., a U.K. company with fields in Siberia where production started to decline quickly.

### Winter Freeze

After completing the first phase of the project, the Kazakh government and partners in Kashagan, including Exxon Mobil Corp. (XOM) and Royal Dutch Shell Plc (RDSA), must decide on whether to expand the project to 1 million barrels a day, a commitment that would cost tens of billions of dollars. Drilling at the field is complicated by winter temperatures that freeze the Caspian and an oil reservoir that contains lethal gas.

In September, ONGC agreed to spend \$1 billion to buy Hess Corp. (HES)'s 2.7 percent stake in Azerbaijan's largest oil field and an associated pipeline. BP Plc, the operator of the Azeri-Chirag-Guneshli fields, has been criticized by the Azeri government for a faster-than-expected decline in production.

### 'Wrong Experience'

ONGC scrapped a plan to revive production for

Imperial's fields just months after completing the purchase of the company because the fields didn't perform as expected. The Indian company this year backed away from buying a 25 percent stake in a second Russian producer, OAO Bashneft, because they couldn't agree on a price.

China has been more aggressive than India in pursuing overseas oil and gas acquisitions as the world's most populous nations look for oil fields to meet soaring energy demand.

### China Versus India

China's Cnooc Ltd. (883) offered \$17 billion for Canada's Nexen Inc. this year. China Petrochemical Corp. bought Addax Petroleum, based in Canada and focused on Africa and the Middle East, in 2009 for \$8.9 billion. By contrast, India's biggest prize before 25 November deal was Imperial Energy.

ONGC produced 8.75 million tons (about 175,000 barrels a day) overseas in the year ended in March. The company wants to produce 60 million tons by 2030 by investing in fields outside India.

India consumed 3.5 million barrels of oil a day in 2011, up 3.9 percent from the previous year, according to BP Plc (BP)'s Statistical Review of World Energy. Only the U.S., Japan and China consumed more.

ConocoPhillips and ONGC Videsh expect to close the deal for a stake in the North Caspian Sea Production Sharing Agreement in the first half of next year, according to a statement yesterday. The Kazakh government and project partners including Exxon Mobil have the right of first refusal on the sale, according to the statement.

North Caspian Sea Operating Co. operates Kashagan. The partners include Eni SpA (ENI), Exxon Mobil, KazMunaiGaz, Shell and Total SA (FP), each with 16.8 percent, according to ConocoPhillips' website. Japan's Inpex Corp. (1605) has 7.6 percent.



## Japan Government to Spend 1tn Yen on Next Stimulus



The Japanese government will spend 1 trillion yen (\$12.3 billion) on a second round of fiscal stimulus

as it tries to revive an economy at risk of sliding into recession.

The government will tap reserve funds from this fiscal year's budget, Chief Cabinet Secretary Osamu Fujimura told reporters in Tokyo on 19 November. The latest measures follow the announcement of 750 billion yen of stimulus last month.

Economy Minister Seiji Maehara said last week that using reserve funds won't be enough to support the economy and the government should compile a supplementary budget. The Bank of Japan (8301) refrained from adding to monetary stimulus.

The dissolution of the Diet prior to the election on Dec. 16 may restrict the government's ability to stimulate an economy that risks its third technical recession since 2008.

The economy will contract an annualized 0.4 percent in the September-to-December period according to the median forecast in a survey of economists by News Agency after shrinking 3.5 percent in the third quarter. A textbook recession means two straight quarters of contraction.

Japanese recessions are officially defined by a government-charged panel that considers data beyond GDP figures.

need to purchase and surrender these permits by 30 April 2013.

In effect, the one-year suspension announced on Monday means that the EU will no longer require that allowances be surrendered next April for the emissions from flights from or to non-EU countries during the year 2012. The monitoring and reporting obligations for these same flights will also be deferred for one year, according to the Commission.

While the requirement to purchase and surrender permits for non-EU flights is now on hold, the legislation still applies to all intra-EU flights, regardless of airline, according to the Commission.

### Move follows progress at ICAO Council meeting

The EU has long pushed for a global aviation emissions deal, but decided to incorporate aviation into its ETS after deeming that the decade-long discussions at the ICAO - the UN's civil aviation body - had been moving too slowly. However, Hedegaard told reporters on Monday, a global deal on aviation emissions has always been the 27-member EU bloc's top priority.

Following their meeting in Montreal last week, the ICAO's governing council agreed on Friday to establish a high-level policy group on market-based mechanisms (MBMs). The ICAO Council

## European Commission Announces Temporary Suspension of Aviation Emissions Law

The European Commission has announced that it plans to temporarily "stop the clock" for one year on enforcing the inclusion of aviation into its Emissions Trading System (ETS) for flights to and from non-European countries. The proposed suspension - announced by EU Commissioner for Climate Action Connie Hedegaard on Monday morning - came just days after a meeting of the International Civil Aviation Organization (ICAO) that saw signs of movement toward a possible deal on global aviation emissions.



### Suspension details

Under the current EU scheme, airlines landing in or taking off from any of the EU's 27 member states - as well as Iceland, Liechtenstein, and Norway - must surrender carbon permits for the emissions they produce. The aviation component of the ETS took effect on 1 January of this year, and requires airlines to buy permits for 15 percent of those carbon emissions, with the remaining 85 percent initially being provided to them for free. Carriers had originally been told that they would

also agreed that the current options being discussed on regulatory market-based mechanisms will have to be reduced from the present three alternatives to one by the UN aviation body's General Assembly in autumn of next year. There is also, according to Hedegaard, an explicit reference in the Council's conclusions to the global market-based mechanism "that the world now needs to agree on."

Some environmental groups, meanwhile, have met the results from last week's ICAO meeting with a cautious - though optimistic - response. "After 15 years of ICAO inaction, it's crystal clear now that a global market-based measure for the aviation sector is simply a question of political will," Bill Hemmings of Transport & Environment, a Brussels-based NGO, said in a statement. "These are critical times and the world can no longer wait."

**Response from non-EU government officials, aviation industry**

The original decision to include aviation in the

EU ETS from 1 January of this year had prompted substantial pushback from a wide range of countries - including the US, China, India, and Russia, among others - who argued that Brussels was exceeding its authority by charging for emissions produced outside EU airspace. China and India eventually banned their airlines from participating in the scheme without government approval.

Chinese officials were among those to welcome the European Commission's announcement, with some officials - such as Li Gao, deputy director-general of climate change at the National Development and Reform Commission, calling the move "a step in the right direction" and arguing that the Brussels decision is a sign that "unilateral measures are not a good way to deal with climate change issues." Jong Li, a spokesman for the Chinese Foreign Ministry, has said that Beijing is ready to continue work on the subject on a multilateral level.

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patent protection of brand-name pharmaceuticals have sparked concern among generic drug producers and health care advocates that are worried over the possible rise in the cost of medicines. Recent Canadian press reports say that Ottawa might be prepared to make some of the EU's desired concessions in this area; however, the issue is expected to remain a hot topic in the coming discussions.

**Push for bilateral deals**

EU officials have been making a concerted push over the past year to quickly conclude ongoing trade negotiations with a range of countries, including Canada, India, and Singapore, while also advocating for the launch of new trade talks with countries such as the US and Japan. Such bilateral deals, officials say, could be key to generating growth and jobs in the struggling eurozone, particularly given the continued impasse in the WTO's Doha Round of trade talks.

Canada-EU bilateral trade in goods totalled €77 billion in 2011, according to European Commission data. A joint study published in 2008 predicted that annual real income could increase by €8.2 billion for Canada and €11.6 billion for EU within seven years of the proposed deal entering into force.

**De Gucht: End-2012 finish date still possible**

In spite of the remaining barriers, some trade officials say that they remain optimistic that the deal could be finished by the end of the year.

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<b>Customs Valuation Exchange Rates</b>			
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<b>Schedule I</b> [Rate of exchange of one unit of foreign currency equivalent to Indian Rupees]			
1	Australian Dollar	57.85	56.45
2	Bahraini Dinar	150.25	141.80
3	Canadian Dollar	55.65	54.10
4	Danish Kroner	9.55	9.25
5	EURO	70.90	69.25
6	Hong Kong Dollar	7.15	7.05
7	Kenyan Shilling	66.40	62.30
8	Kuwaiti Dinar	200.95	189.05
9	New Zealand Dollar	45.35	44.05
10	Norwegian Kroner	9.70	9.40
11	Pound Sterling	88.25	86.15
12	Singapore Dollar	45.60	44.40
13	South African Rand	6.35	6.00
14	South Arabian Riyal	15.10	14.25
15	Swedish Kroner	8.25	8.00
16	Swiss Franc	59.05	57.40
17	UAE Dirham	15.40	14.55
18	U.S. Dollar	55.50	54.55
<b>Schedule II</b> – [Rate of exchange of 100 units of foreign currency equivalent to Indian rupees ]			
1	Japanese Yen	69.55	67.65

(Source: Customs Notification 99(NT)/16.11.2012)