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World Trade Up 14.5% in 2010, 2011 Forecast 6.5%

Following the record-breaking 14.5% surge in the volume of exports in 2010 world trade growth should settle to a more modest 6.5% expansion in 2011. The sharp rise in trade volumes last year enabled world trade to recover to its pre-crisis level but not its long-term trend and WTO economists believe the recent series of important events around the world lend a greater degree of uncertainty to any forecast.

The 14.5% rise was the largest annual figure in the present data series which began in 1950 and was buoyed by a 3.6% recovery in global output. It was a rebound from the 12% slump in 2009.

For 2011, the economists are forecasting a more modest 6.5% increase, but with uncertainty about the impact of a number of recent events, including the earthquake and tsunami in Japan. If achieved, this would be higher than the 6.0% average yearly increase between 1990 and 2008. The projection is based on a consensus estimate of global output growth by economic forecasters, who predict a GDP growth rate of 3.1% in 2011 at market exchange rates.

The short-term outlook is clouded by a number of significant risks factors in addition to the catastrophes in Japan. These include rising prices for food and other primary products, and unrest in major oil exporting countries. Adverse developments in any of these areas could potentially set back the economic recovery and limit the expansion of trade in the coming year.

Higher prices for primary commodities and the extraordinary growth of trade in developing Asia helped boost the combined share of developing economies and the Commonwealth of Independent States (CIS) in world exports to 45% in 2010, its highest ever.

Developed economies recorded export growth of nearly 13% in 2010, compared to a 16.5% average increase in the rest of the world. China's exports increased in 2010 by a massive 28% in volume terms.

Prospects for 2011

World trade flows are continuing their recovery, building on the large gains of 2010, with slower but still slightly above average growth in 2011. However, recent events in the Middle East and Japan have raised the level of global economic uncertainty and tilted the balance of risk towards the downside.

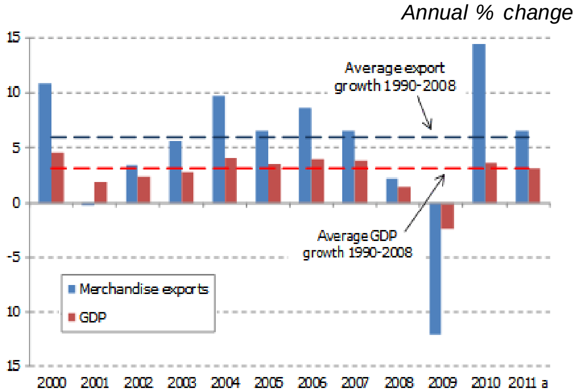
WTO economists' baseline projections for world merchandise trade in 2011 would see exports grow by 6.5%, with shipments from developed countries increasing by around 4.5% and those from developing economies and the CIS advancing 9.5%. These projections include the likely impact of Japan's earthquake, but if the repercussions turn out to be worse than expected we would have to revisit the forecast in the coming months.

The 14.5% rise in exports in 2010 was quite close to the WTO's most recent projection of 13.5% released in September. That forecast correctly predicted the growth of developing economies (16.5%) but underestimated the extent of the rebound in developed economies (11.5% compared to the realised figure of 12.9%)

The trade forecast assumes world GDP growth of 3.1% at market exchange rates for 2011, with developed economies gaining 2.2% and the rest of the world (including developing economies and the Commonwealth of Independent States) advancing 5.8%. The GDP projection refers to real GDP at market exchange rates based on consensus estimates of economic forecasters. [2]

Growth in volume of world merchandise trade and GDP, 2000-11 [a]

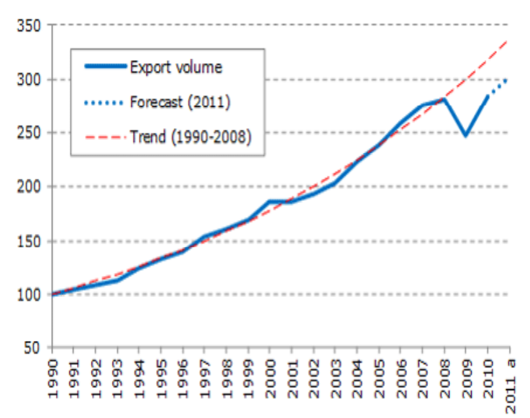
Annual % change



a Figures for 2011 are projections

Source: WTO Secretariat.

Volume of World Merchandise Exports 1990-2011



a. Figures for 2011 are projections

Source: WTO Secretariat

India Moves Up to 20th Place in World Exports and 13th Position in World Imports

Merchandise Trade: Leading Exporters and Importers, 2010

$bn and %

Rank 2010	Rank 2009	Exporters	Value	Share	Annual % change	Rank 2010	Rank 2009	Importers	Value	Share	Annual % change
1	(1)	China	1578	10.4	31	1	(1)	United States	1968	12.8	23
2	(3)	United States	1278	8.4	21	2	(2)	China	1395	9.1	39
3	(2)	Germany	1269	8.3	13	3	(3)	Germany	1067	6.9	15
4	(4)	Japan	770	5.1	33	4	(5)	Japan	693	4.5	25
5	(5)	Netherlands	572	3.8	15	5	(4)	France	606	3.9	8
6	(6)	France	521	3.4	7	6	(6)	United Kingdom	558	3.6	15
7	(9)	Korea, Republic of	466	3.1	28	7	(7)	Netherlands	517	3.4	17
8	(7)	Italy	448	2.9	10	8	(8)	Italy	484	3.1	17
9	(8)	Belgium	411	2.7	11	9	(9)	Hong Kong, China	442	2.9	25
								- retained imports a	116	0.8	31
10	(10)	United Kingdom	405	2.7	15	10	(12)	Korea, Republic of	425	2.8	32
11	(11)	Hong Kong, China	401	2.6	22	11	(11)	Canada	402	2.6	22
		- domestic exports **a**	18	0.1	7						
		- re-exports **a**	383	2.5	23						
12	(13)	Russian Federation	400	2.5	32	12	(10)	Belgium	390	2.5	11
13	(12)	Canada	387	2.5	22	**13**	**(15)**	**India**	**323**	**2.1**	**25**
14	(14)	Singapore	352	2.3	30	14	(13)	Spain	312	2.0	6
		- domestic exports	183	1.2	32						
		- re-exports	169	1.1	28						
15	(15)	Mexico	298	2.0	30	15	(14)	Singapore	311	2.0	26
								- retained imports **b**	142	0.9	24
16	(17)	Taipei, Chinese	275	1.8	35	16	(16)	Mexico	311	2.0	29
17	(18)	Saudi Arabia **a**	254	1.7	32	17	(18)	Taipei, Chinese	251	1.6	44
18	(16)	Spain	245	1.6	8	18	(17)	Russian Federation **c**	248	1.6	30
19	(19)	United Arab Emirates **a**	235	1.5	27	19	(19)	Australia	202	1.3	22
20	**(22)**	**India**	**216**	**1.4**	**41**	20	(26)	Brazil	191	1.2	43
21	(23)	Australia	212	1.4	38	21	(23)	Turkey	185	1.2	32
22	(24)	Brazil	202	1.3	32	22	(25)	Thailand	182	1.2	36
23	(21)	Malaysia	199	1.3	26	23	(20)	Switzerland	176	1.1	13
24	(20)	Switzerland	195	1.3	13	24	(21)	Poland	174	1.1	16
25	(25)	Thailand	195	1.3	28	25	(24)	United Arab Emirates a	170	1.1	13
26	(28)	Sweden	158	1.0	21	26	(27)	Malaysia	165	1.1	33
27	(30)	Indonesia	158	1.0	32	27	(22)	Austria	159	1.0	11
28	(27)	Poland	156	1.0	14	28	(28)	Sweden	148	1.0	23
29	(26)	Austria	152	1.0	11	29		Indonesia	132	0.9	46
30		Czech Republic	133	0.9	18	30	(29)	Czech Republic	126	0.8	20
		Total of above d	**12541**	**82.3**	**-**			**Total of above d**	**12712**	**82.7**	**-**
		World d	**15238**	**100.0**	**22**			**World d**	**15376**	**100.0**	**21**

a. Secretariat estimates.

b. Imports are valued f.o.b.

b. Singapore's retained imports are defined as imports less re-exports.

d. Includes significant re-exports or imports for re-export.

Source: WTO Secretariat.

Even though the risks are mostly on the downside, there is also some upside potential if the uncertainly in the Middle East resolves itself soon and if unemployment rates start to come down more quickly in the United States. The latter would release a considerable amount of pent up demand for goods, which would stimulate imports and drive world trade higher.

Dollar-Rupee Rate at NSE Futures

Trade Date	Open Price	High Price	Low Price	Close Price	Daily Settlement Price	Open Interest	No. of Contracts	Value (Rs. lakhs)	RBI Reference rate
11-Apr-11	44.1500	44.5100	44.1200	44.4900	44.4900	1064118	3065029	1360123	44.2000
8-Apr-11	44.2350	44.2650	44.1075	44.2225	44.2225	1129535	2754838	1217542	44.0400
7-Apr-11	44.2800	44.4275	44.2425	44.3300	44.3300	976543	2308984	1023806	44.2200
6-Apr-11	44.4800	44.4800	44.3175	44.3300	44.3300	950216	2260575	1003506	44.2000
5-Apr-11	44.5825	44.6500	44.5125	44.6250	44.6250	908760	2082225	928981	44.4500

[Source: NSE and RBI Website]

The limited amount of existing research on the consequences of natural disasters for economic growth suggests that even very large disasters generally do not have noticeable effects on output as measured by GDP, especially in the long run. [3]

Studies dealing specifically with the trade effects of natural disasters are even rarer. A recent paper by Gassebner, Keck and Teh

(2010) [4] examines data on disasters in 170 countries between 1962 and 2004. Using the methodology of this paper, we find that the expected impact of the Japanese earthquake is to:

- reduce the volume of Japanese exports by between 0.5% and 1.6%; and
- increase the volume of Japanese imports by between 0.4% and 1.3%.

The reduction in exports is easily explained. Export declines occur because of the human losses and injuries (affecting companies' human resources) and the destruction and damage to physical capital and equipment in the export sector. Furthermore, damage to public infrastructure, such as roads, bridges, railways, and telecommunication systems, can cause disruptions to the export supply chain.

What may be less clear is why imports are estimated to increase as a result of a disaster. This is because any major reconstruction or rebuilding of damaged infrastructure will likely increase imports, since the required materials, technology or skills may need to come from abroad. This should outweigh any drop in import demand stemming from lost output and income.

Some of the economic impact of the earthquake could be transmitted to other countries through global supply chains. Anecdotal evidence is already being reported on shortages of Japanese auto parts and electronic components in other countries, and on ships being unable to unload perishable food in Japan because of a lack of refrigeration due to reduced electricity supplies.

However, less output and trade in one quarter will probably be followed by increased activity in subsequent quarters, so the cumulative effect over the course of the year may not be large.

The prospect of sharply higher oil prices probably poses a greater threat to the world economy and trade than the Japanese earthquake. Fears of a prolonged conflict in Libya and spreading unrest in the Middle East have lifted oil prices above $100/barrel. An interruption of supplies from any other major producer would raise prices higher still, with potentially significant implications for the global economy. In such an event, the WTO would have to revisit its trade projections.

The above estimates of export growth are supported by the results of the WTO Secretariat's time series forecasting model,[5] which predicts a 4.5 per cent increase in demand for imported goods and services in 2011 on the part of developed economies (or more precisely, the members of the Organisation for Economic Cooperation and Development, or OECD).

Putting the trade recovery into perspective

A number of factors combined to make trade and output grow more slowly than they might otherwise have done. First, curtailment of fiscal stimulus measures in many countries dampened economic activity in the second half of the year. European governments in particular moved toward fiscal consolidation in an attempt to reduce their budget deficits through a combination of spending cuts and revenue measures, with negative consequences for short-term growth.

Second, although oil prices stabilized at around $78/barrel in 2010, they were still high by recent historical standards (e.g. oil prices averaged $31/barrel between 2000 and 2005). Prices were below the $96/barrel average seen in 2008, but they were also up 30% from 2009, raising energy costs for households and businesses.

The State of the World Economy and Trade in 2010

Economic growth

World GDP at market exchange rates expanded 3.6% in 2010, one year after an unprecedented contraction of 2.4% that accompanied the financial crisis in 2009. Output of developed economies rose 2.6% in the latest year after falling 3.7% in 2009, while the rest of the world (including developing economies and the CIS) grew 7.0%, up from 2.1% in 2009.

Growth was stronger in the first half of the year, but weakened in the second half as the sovereign debt crisis affecting smaller Euro area economies restrained economic growth, especially in Europe.

Although developing economies collectively avoided an outright decline in 2009, many individual economies saw their GDP contract, for example South Africa, Chile, Singapore, and Chinese Taipei. However, all of these economies returned to positive growth in 2010, and the only large developing country that remained mired in recession was Venezuela.

GDP grew faster in developing Asia (8.8%) than in other developing regions last year, with China and India registering strong increases of 10.3% and 9.7%, respectively. South and Central America also saw vigorous growth of 5.8%, driven by Brazil's strong 7.5% upturn. However, Africa had the fastest average rate of GDP growth of any region over the last 5 years (4.7% between 2005 and 2010).

Developed economies grew more slowly than developing economies, but some performed better than others. Concerns about the possibility of sovereign defaults in Greece, Ireland, Portugal and Spain brought renewed financial market instability and fiscal austerity in the second half of 2010, which held Europe's growth rate down to 1.9%, the slowest of any region. The economies of Greece, Ireland and Spain all contracted in 2010, as did Iceland's, which was hit by a banking crisis in 2008.

The major exception to the below average GDP growth in Europe was Germany, whose 3.6% growth rate outpaced all euro area economies and all European Union (27) members except for Sweden and Poland. According to OECD National Accounts Statistics, Germany's net exports of goods contributed 1.4% to its 3.6% GDP growth, or 40% of the total increase. By comparison, domestic final consumption expenditure only contributed 0.7% to GDP, or 19% of the total increase.

GDP growth in the United States was more subdued, at 2.8% in 2010, while Japan's was up 3.9%. However, the Japanese recovery should be seen in the context of the 6.3% drop in output that the country experienced in 2009, the most severe decline among leading industrialized economies. Japan also ceded the position of the world's second largest economy to China, measured in dollar terms. In terms of income per head, however, it may be noted that Japan's per capita GDP was $44,800 dollars in 2010, compared to a figure of $4,800 for China.

Merchandise trade in volume (i.e., real) terms

The uneven recovery in output produced an equally uneven recovery in global trade flows in 2010. While world merchandise exports rose 14.5% in volume terms, those of developed economies increased by 12.9%, and combined shipments from developing economies and the CIS jumped 16.7%. Imports of developed economies grew more slowly than exports last year (10.7% compared to 12.9%) while developing economies plus the CIS saw the opposite happen (17.9% growth in imports compared to 16.7% for exports).

Asia exhibited the fastest real export growth of any region in 2010 with a jump of 23.1%, led by China and Japan, whose shipments to the rest of the world each rose roughly 28%. China's trade performance is more impressive when one considers that the decline in the country's exports in 2009 was less than half that of Japan (11% compared to 25%). Meanwhile, the United States and the European Union saw their exports growing more slowly at 15.4% and 11.4%, respectively. Imports were up 22.1% in real terms in China, 14.8% in the United States, 10.0% in Japan, and 9.2% in the European Union.

Regions that export significant quantities of natural resources (Africa, the Commonwealth of Independent States, the Middle East and South America) all experienced relatively low

Exports prices of selected primary products, 2000-10

Annual % change

	2008	2009	2010	2000-10	2005-10
All commodities	28	-30	26	10	9
Metals	-8	-20	48	13	15
Beverages a	23	2	14	9	12
Food	23	-15	12	6	8
Agricultural raw materials	-1	-17	33	2	5
Energy	40	-37	26	11	8

a. Comprising coffee, cocoa beans and tea

Source: IMF International Financial Statistics.

India Moves Up to 10th Position Among Service Exporters

Leading exporters and importers in world trade in commercial services, 2010

$bn and %

Rank 2010	Rank 2009	Exporters	Value	Share	Annual % change	Rank 2010	Rank 2009	Importers	Value	Share	Annual % change
1	(1)	United States	515	14.1	8	1	1	United States	358	10.2	7
2	(3)	Germany	230	6.3	2	2	2	Germany	256	7.3	1
3	(2)	United Kingdom	227	6.2	0	3	4	China **a**	192	5.5	22
4	**(5)**	China **a**	170	4.6	32	4	3	United Kingdom	156	4.5	-1
5	(4)	France	140	3.8	-1	5	5	Japan	155	4.4	6
6	(6)	Japan	138	3.8	9	6	6	France	126	3.6	0
7	(7)	Spain	121	3.3	-1	**7**	**12**	**India a**	117	3.3	—
8	(14)	Singapore	112	3.0	20	8	9	Netherlands	109	3.1	1
9	(10)	Netherlands **a**	111	3.0	0	9	7	Italy	108	3.1	1
10	**(12)**	**India a**	**110**	3.0	—	10	8	Ireland	106	3.0	2
11	(11)	Hong Kong, China	108	2.9	25	11	14	Singapore	96	2.7	21
12	(8)	Italy	97	2.6	3	12	13	Korea, Republic of	93	2.7	17
13	(9)	Ireland a	95	2.6	3	13	11	Canada	89	2.6	15
14	(19)	Korea, Republic of	82	2.2	13	14	10	Spain	86	2.4	-1
15	(13)	Belgium **a**	81	2.2	2	15	15	Belgium **a**	76	2.2	4
16	(15)	Switzerland	76	2.1	6	16	16	Russian Federation	70	2.0	18
17	(17)	Luxembourg **a**	68	1.9	13	17	20	Brazil	60	1.7	35
18	(18)	Canada	66	1.8	15	18	19	Hong Kong, China	51	1.5	15
19	(16)	Sweden	64	1.7	9	19	22	Australia	50	1.4	22
20	(20)	Denmark	58	1.6	7	20	21	Saudi Arabia **b**	49	1.4	—
21	(21)	Austria	53	1.5	-1	21	17	Denmark	49	1.4	-1
22	(23)	Australia	48	1.3	17	22	18	Sweden	48	1.4	6
23	(22)	Russian Federation	44	1.2	6	23	23	Thailand	45	1.3	21
24	(27)	Taipei, Chinese	41	1.1	29	24	27	United Arab Emirates **b**	42	1.2	—
25	(24)	Norway	40	1.1	5	25	25	Norway	41	1.2	12
26	(25)	Greece	37	1.0	-1	26	28	Switzerland	38	1.1	-1
27	(28)	Thailand	34	0.9	15	27	26	Luxembourg **a**	38	1.1	8
28	(26)	Turkey	33	0.9	0	28	29	Taipei, Chinese	37	1.1	28
29	(30)	Malaysia	33	0.9	13	29	24	Austria	36	1.0	-2
30	(29)	Poland	32	0.9	11	30		Indonesia	33	0.9	18
31		Brazil	30	0.8	15	31	30	Malaysia	32	0.9	18
32		Macao, China	28	0.8	51	32		Poland	27	0.8	16
33		Finland	25	0.7	-10	33		Czech Republic	24	0.7	28
34		Israel	24	0.7	11	34		Mexico	23	0.7	8
35		Egypt	24	0.6	12	35		Finland	23	0.7	-11
36		Portugal	23	0.6	2	36		Nigeria b	20	0.6	—
37		Czech Republic	22	0.6	10	37		Greece	20	0.6	2
38		Hungary	18	0.5	1	38		Iran, Islamic Rep of b	19	0.5	—
39		Lebanon b	18	0.5	—	39		Angola b	18	0.5	—
40		Indonesia	17	0.5	25	40		Turkey	18	0.5	17
		Total of above	**3290**	**89.8**	**-**			**Total of above**	**3035**	**86.7**	**-**
		World	**3665**	**100.0**	**8**			**World**	**3505**	**100.0**	**9**

a. Preliminary estimate.

b. Secretariat estimates.

Note: Figures for a number of countries and territories have been estimated by the Secretariat. Annual percentage changes and rankings are affected by continuity breaks in the series for a large number of economies, and by limitations in cross-country comparability. See the Metadata.

Source: WTO Secretariat

export volume growth in 2010, but very strong increases in the dollar value of their exports. For example, Africa's exports were up 6% in volume terms, and 28% in dollar terms

An explanation for this can be seen in rising primary commodity prices, which resumed their upward trajectory in 2010, after plunging in 2009. Table 2 illustrates commodity price developments in the last few years. Despite recent volatility, the overall trend toward higher prices is clear. Prices fell sharply in 2009 as the global recession took hold, but then shot up again when growth resumed in 2010. The increases were driven to a large extent by rising import demand on the part of fast-growing developing economies like China and India. Between 2000 and 2010, prices for metals rose faster than any other primary commodity group, with average annual increases of 12%, followed closely by energy with 11% growth per annum. Only agricultural raw material prices stagnated, with increases of just 2% per year on average over the last 10 years.

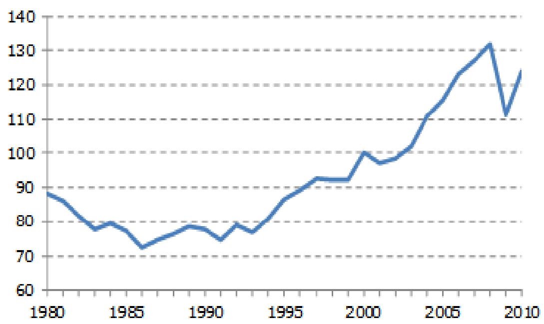
Higher commodity prices lifted foreign exchange earnings in regions that export a lot of primary products and helped boost imports, especially in South and Central America, where the volume of imports jumped 22.7% in 2010, and in the CIS, where imports were up 20.6%. Africa's import volume growth was actually the lowest of any region last year, at 7.0%, despite the continent's large share of fuels and mining products in its total exports (64% in 2009 and 71% in 2008, when commodity prices were higher).

Merchandise and commercial services trade in value (i.e. dollar) terms

As a result of rising commodity prices and a depreciating US currency (down 3.5% on average against major currencies in 2010 according to US Federal Reserve nominal effective exchange rate statistics), growth in the dollar value of world trade in 2010 was greater than the increase in volume terms. World merchandise

Ratio of world exports of goods and commercial services to GDP, 1980-2010

Index, 2000=100



Source: IMF for world GDP, WTO Secretariat for world trade in goods and commercial services.

exports were up 22%, rising from $12.5 trillion to $15.2 trillion in a single year, while world exports of commercial services rose 8%, from $3.4 trillion to $3.7 trillion

Nominal merchandise exports of developed economies jumped 16% in 2010 to $8.2 trillion, up from $7.0 trillion in 2009. However, because this rate of increase was slower than the world average of 22%, the share of developed countries in world merchandise exports fell to 55%, its lowest level ever.

Transportation was the fastest growing component of commercial services exports in 2010, with an increase of 14% to $782.8 billion. That transport services grew faster than other types of services is not surprising since they are closely linked to trade in goods, which saw record growth last year. Travel grew in line with commercial services overall, whereas other commercial services (including financial services) advanced more slowly.

Chart 4 shows indices of estimated quarterly world trade in manufactured goods broken down by product. By the end of 2010 exports of manufactures had only just returned to a level close to their pre-crisis maximum, while particular categories such as automotive products and iron and steel were still well below their mid-2008 peaks.

World exports of office and telecom equipment declined less than other products during the crisis, but have grown faster since then. Exports of office and telecom equipment rose nearly 73% between Q1-2009 and Q4-2010, and automotive products increased by a similar amount (71%).

The share of office and telecom equipment in exports of developing economies is greater than its share in developed economies exports (15% in 2008 for the former, 7% for the latter) while automotive products are responsible for a larger share of developed economy exports (11%, compared to 4%), so it is perhaps not surprising that developed country exports have lagged behind those of developing countries since the crisis.

World trade in textiles and clothing did not fluctuate as much as other products in 2009 (down 14%) and 2010 (up 11%) but the category other machinery matched the trend for total manufactures almost perfectly.

The value of Germany's total exports of automotive products was up 25% from $159.7 billion in 2009 to $199.6 billion in 2010. However, exports to China roughly doubled during the same period, from $8.7 billion to $17.6 billion. Also, while Germany's exports to the rest of the world were down 34% in 2009, exports to China were up 12%. As a result, China has become the third largest market for German cars after the United States and United Kingdom.

Exports of vehicles and auto parts developed along similar lines in North America and also in Europe, but they diverged slightly in Asia in 2010, as the region's exports of vehicles became more intra-regional, while trade in parts and components became more extra-regional.

Exchange Rates and Trade Balances

Trade imbalances of leading economies widened in 2010, as exports and imports bounced back from their depressed levels of 2009. However, for most countries the gap between exports and imports was smaller after the crisis than before.

The monthly trade deficit of the United States widened from a low of $32 billion in February 2009 to around $62 billion per month on average in the second half of 2010, and the deficit for the year increased 26% compared to 2009. However, the 2010 deficit of roughly $690 billion was 22% less than the corresponding deficit of $882 billion in 2008.

China's merchandise trade surplus for 2010 totalled $183 billion, roughly 7% less than the $196 billion it recorded in 2009, and 39% less than the nearly $300 billion surplus of 2008. The European Union's had a trade deficit with the rest of the world of $190 billion in 2010, which was up 26% from 2009 but down 49% from the $375 billion it recorded in 2008.

Japan was an exception to the trend towards smaller trade deficits/surpluses after the crisis. In 2008 the country recorded a $19 billion surplus of exports over imports, but this nearly quadrupled to $77 billion in 2010.

In terms of exchange rates, by February 2011 the Yuan had appreciated against the US dollar in nominal terms by around 3.8% from its previous level. However, real appreciation against the dollar is happening at a faster rate due to higher inflation in China. China's real (i.e., inflation adjusted) effective exchange rate against a broad basket of currencies rose 1.3% in 2010 according to indices supplied by J.P. Morgan.

By comparison, the US dollar registered a 5% real effective depreciation against trading partners' currencies during the same period.

The yen appreciated by nearly 7% in nominal terms against the dollar in 2010, but its real effective rate was only up by less than 1% on account of a falling price level (i.e. deflation) in Japan. This suggests that the higher value of the yen did not hurt the competitiveness of Japanese goods on world markets.

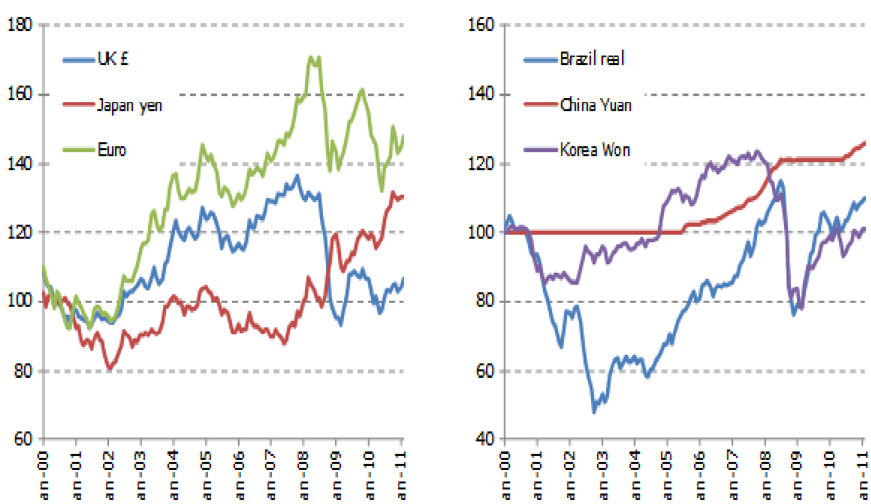
On the other hand, the strong nominal appreciations of the Brazilian real (12%) and the Korean won (10%) against the dollar were matched by large real effective rises (15% and 9%, respectively) that would have raised the cost of goods from these countries relative to other countries' exports.

Notes:

1. World exports of goods measured on a balance of payments basis like services were also up 22% in 2010.
2. The IMF World Economic Outlook, the OECD Economic Outlook, the UN DESA World Economic Situation and Prospects and other national sources.

Nominal dollar exchange rates, January 2000 - February 2011

Indices of US dollars per unit of national currency, 2000=100



Source: Federal Reserve Bank of St. Louis

EU Declares Victory, Files Appeal in WTO Case against Boeing Subsidies

Immediately after declaring victory in a WTO case against US aircraft subsidies to Boeing, the European Union wasted no time in filing an appeal to clarify certain points of law in the ruling.

Both sides have declared victory following the public release last Thursday of a WTO dispute panel ruling that tagged the US with some $5.3 billion in illegal subsidies. EU officials appealed in order to close a gap between the ruling and WTO jurisprudence in a mirroring case brought by the US against EU aid to Airbus, the flagship European aircraft manufacturer.

The EU is uneasy about the fact that its own case is running several months behind Washington's case against European aid to Airbus: a WTO panel ruling against Brussels' support to Airbus came out last June (the US appealed three weeks later). The difference means Europe could potentially be ordered to suspend aid to its aircraft maker - or face retaliatory sanctions - months before its US rival. EU trade spokesman John Clancy made the point in a recent statement. "The EU's victory in this case against Boeing remains very clear for all to see. However, the EU has chosen to quickly appeal technical elements of the ruling for legal strategic reasons-including to reduce what has been a growing time gap between the two parallel disputes," he said. Under WTO rules, both sides have 30 days to appeal, but only five days to respond once one side appeals.

The US, for its part, dismisses EU claims of victory, focusing on the discrepancy in the scale of illegal subsidisation: the earlier WTO ruling had found the EU guilty of providing with some $20 billion in illegal subsidies, as compared to $5.3 billion in illegal US support to Boeing.

The US also argues that the decision recommends it correct only $2.7 billion in WTO inconsistent subsidies, once a support programme that has already been phased out is removed from the calculation.

Both the Airbus and Boeing cases, together, represent the biggest trade dispute to ever reach the steps of the WTO. They have garnered interest from third parties such as Brazil and China because of the potential impact the findings could have on countries developing their own aircraft industries.

Opening of Consulate General of India in Perth, Australia

The Union Cabinet on 6 April approved the opening of Consulate General of India in Perth, Australia and creation of six India-based posts (including 1 post of Consul General in the Level of Joint Secretary) and six local posts.

There is a requirement for formal Indian diplomatic presence in Perth in view of the strategic importance of Western Australia from the political, economic and defence viewpoint and its important location with respect to sea-lanes in the Indian Ocean.

The establishment of a Consulate General of India in Perth will immensely benefit the growing Indian community in Western Australia, which numbers around 40,000-45,000. This will also provide easier consular access to the populace of Western Australia and Northern Territory.

[Source: PIB (MoEA) Press Release dated 6 April 2011]

Agricultural Export Restrictions Spark Controversy at the WTO

With food prices at record highs, WTO rules should be changed to prevent countries from restricting agricultural exports if doing so could threaten the food security of others, a group of poor countries that are net importers of food have argued.

Export bans and restrictions introduced by other WTO members would be forbidden in the case of exports to net food importing developing countries (NFIDCs) or to least-developed countries, under the terms of a new proposal presented by the NFIDC group at a meeting of the world trade body's agriculture negotiating committee on Monday.

Currently, WTO rules allow countries to apply export restrictions under the condition that these are "temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party." However, in order to keep domestic prices under control, a number of major food producing nations have repeatedly imposed export restrictions in the face of rising international commodity prices – an unpredictable policy that analysts blame for exacerbating price spikes.

Notably, the NFIDC proposal was submitted as part of the broader Doha Round negotiations at the WTO. A detailed proposal to ban agricultural export restrictions represents something of a novel step in the long-struggling trade talks. While the negotiating mandate specifically mentioned improved market access and reductions to export subsidies and trade-distorting domestic support, it did not explicitly refer to export restrictions – simply mentioning a goal of "correct[ing] and prevent[ing] restrictions and distortions in world agricultural markets."

The provisions on export restrictions in the most recent draft negotiating text, which dates back to December 2008, relate primarily to requirements for consulting with affected countries, notifying and reporting on export restrictions.

Food security threatened, argue importers

"Export restrictions play a major role in fueling soaring international food prices", the proposal claimed, noting that higher prices of cereals, meat and dairy products had driven a UN food price index to a record high in February this year. The food price increases "aggravate poverty levels and seriously threaten NFIDCs' food security", the submission said.

The sponsors also proposed exempting UN humanitarian aid from export prohibitions and restrictions - an idea which has increasingly gained currency in recent months.

The proposal, introduced by Egypt, was broadly welcomed by other WTO members - although some, such as Australia, Brazil and the US, called for export restrictions to be seen as part of a more holistic appraisal of global trade rules.

Developed country importers such as Japan and Switzerland expressed sympathy for the initiative, and said they would look in more detail at the proposal, which highlights the importance of treating developing countries differently.

The Philippines, which is not a member of the NFIDC or LDC groups, said that its citizens had also been hurt by export restrictions, and suggested that the proposal's coverage could be expanded to include other developing countries.

Grain export restrictions trigger controversy

Export restrictions also featured prominently during a meeting of the WTO's 'regular', or non-negotiating agriculture committee meeting last Thursday. The EU, the US and Japan were among countries that criticised moves by the Ukraine and three other countries to impose export restrictions on wheat, other grains and animal fodder.

With Ukrainian export quotas now due to be extended until July, and other restrictions on exports being notified by the Kyrgyz Republic, Moldova and Macedonia, trading partners warned that the measures announced could hurt producers at home and consumers abroad. Switzerland and Israel also criticised the measures, and asked what had been done to ensure that importing countries' concerns had been taken into account.

Russian and Ukrainian export restrictions have been widely seen as a factor in exacerbating global shortages of key agricultural products in 2010.

Countries confirmed that they had imposed export restrictions on a number of products: wheat and meslin in the case of Macedonia; wheat and meslin in Moldova; hay and fodder in the Kyrgyz Republic and grains in Ukraine. They claimed that the measures would not harm importing countries for a variety of reasons – some noted that they were net importers of the commodities in question, others said their exports were insignificant on the world market.

G-20: export restrictions on the agenda

The G-20 group of major global economies, under the presidency of France, has prioritised the issue of food price volatility, and is expected to consider whether action can be taken on export restrictions when the group's agriculture ministers meet in June.

The report, which was discussed in Paris at the end of March by the agriculture ministers' deputies, also proposes allowing humanitarian food purchases to be exempted from export restrictions.

Procedure for Registration of Cotton Yarn Contracts with DGFT

Subject: Conditions and modalities for registration of contracts of cotton yarn with DGFT.

27-Pol.Cir 01.04.2011 (DGFT) As per Notification No. 40 (RE-2010)/2009-14 dated 31.03.2011 export of cotton yarn has been made "Free" subject to registration of export contracts with DGFT, for ITC(HS) Code 5205, 5206 & 5207. Procedure for registration of contracts is described below.

2. All applications for grant of registration certificate shall be submitted to the concerned RAs alongwith the following documents:

(i) Copy of Export Contract alongwith,

(a) A copy of irrevocable Letter of Credit(LC) duly authenticated by an Indian Bank, or

(b) FIRC from Bank showing receipt of remittance from the concerned foreign buyer as proof of having received 100% Advance Payment or a minimum of 25% Advance Payment and balance Cash Against Delivery(CAD),

(ii) Declaration/Undertaking as given in Annexure-I of this Policy Circular, on the letter head of the firm.

(iii) Copy of IEC

3. If the documents received are found in order, the applicant shall be issued a Registration Certificate. Export against this registration certificate shall be completed within a period of 30 days from the date of issuance of such certificate.

4. Failure to export the allowed quantity within the stipulated time would invite debarment from further registration. In addition, penal action as per Section 11(2) of the Foreign Trade(D&R) Act would be initiated. For ready reference Section 11(2) is extracted below:-

"11(2). Where any person makes or abets or attempts to make any export or import in contravention of any provisions of this Act or any rules or order made thereunder or the Foreign Trade Policy, he shall be liable to a penalty of not less than ten thousand rupees and not more than five times the value of the goods or services or technology in respect of which any contravention is made or attempted to be made, whichever is more."

5. This issues with the approval of Director General of Foreign Trade.

Annexure-1 to Policy Circular No. 27 (RE-2010)/2009-14 dated: 01.04.20011

Declaration / Undertaking

1. I / We hereby declare that the particulars and the statements made in this application are true and correct to the best of my / our knowledge and belief and nothing has been concealed or held there from.

2. I / We fully understand that any information furnished in the application if found incorrect or false will render me / us liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.

3. I / We undertake to abide by the provisions of the FT (D & R) Act, 1992, as amended, the Rules and Orders framed there under, FTP, HBP v 1 and HBP v2 and ITC (HS). I also undertake that in the event of non-performance after grant of Registration Certificate for export of cotton yarn by the Directorate General of Foreign Trade, I shall be liable to Penal Action under Section 11(2) of Foreign Trade(Development & Regulation) Act, 1992, (as amended), including debarment from future allocations.

4. I hereby certify that I am authorised to verify and sign this declaration.

Signature of the Applicant Place:

Name: Date:

Designation:

Official Address(if different than given in the letter head):

Line 1: Number of the office premises:

Line 2: Street name:

Line 3: City name:

Line 4: Pin code:

Telephone No.(with STD code):

Cell Phone No.:

Fax No.:

E-mail of the firm/company:

E-mail of the signatory:

Residential Address of the signatory:

Line 1: House Number:

Line 2: Street name:

Line 3: City name:

Line 4: Pin code:

DRI Detects Violation of AU Condition in DFCE Import of LDPE/HDPE

Importer Deposits Rs. 1.40 crs Duty

Intelligence suggested that M/s. V.K.Udyog Ltd. has imported LDPE/HDPE granules and PP granules without payment of duty under Duty Free Credit Entitlement Certificate and availing exemption under Notification No. 53/2003-Cus dated 01.04.2003 during 2009-10 and 2010-11 and sold these materials in the market. As per the condition of the aforesaid notification the imported goods cannot be sold or transferred. Consequently, searches were undertaken on 22.03.2011 in the offices of the above firm and certain incriminating documents were seized. On preliminary investigation, it was revealed that the actual importers are (1) M/s R.S.Vanijya Pvt. Ltd. (2) M/s. Roto Global Pvt. Ltd. (3) M/s. Exotica Global Pvt. Ltd. (4) M/s P.P.Products Pvt. Ltd. (5) M/s. Creative Ploypacks and (6) M/s Accenture Niryaat Pvt. Ltd and to effect those imports without payment of duty, they got the bills of entry filed by M/s V.K.Udyog Ltd.(certificate holder) under duty free Scheme showing transfer/ sale of those import consignments on high sea sale basis to the said firm M/s. V.K.Udyog Ltd. The duty foregone on account of duty free import is about **Rs. 2.79 crore** (approx). The importer has admitted the aforesaid fact of duty foregone and deposited duty amount of **Rs. 1.40 crore**. Further investigation is in progress.

[Source: DRI Kolkata Press Release dated 5 April 2011]

Pulses Export Ban Extended upto 31 March 2012

Organic Pulses Exports Allowed with Ceiling of 10,000 Tonnes

Subject: Extension of prohibition on export of Pulses (except Kabuli Chana and 10,000 tonnes of organic pulses) upto 31.03.2012.

35-Ntfn(RE) 23.03.2011 (DoR) In exercise of the powers conferred by Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No.22 of 1992) read with Para 2.1 of the Foreign Trade Policy, 2009-2014 (as amended from time to time), the Central Government hereby amends, with immediate effect, Para 3 of Notification No.15 (RE-2006)/2004-2009 dated 27.6.2006, as

amended from time to time.

2. Export of pulses was initially prohibited for a period of six months vide Notification No.15 (RE-2006)/2004-2009 dated 27.6.2006 which was extended from time to time. This extension is upto 31.03.2011 in terms of Notification No. 35/2009-2014 dated 30.03.2010. Now, the prohibition on export of pulses is being extended upto 31.03.2012. This prohibition will not apply to Kabuli Chana.

3. In addition, the prohibition on export of pulses upto 31.03.2012 will not apply to export of 10,000 tonnes of organic pulses. Accordingly, the amended Para 3 (i) of Notification No. 35/2009-2014 dated 30.03.2010 will read as under:

"3 (i) The period of validity of prohibition on exports of Pulses is extended upto 31.3.2012. This prohibition will not apply to export of (1) Kabuli Chana and (2) 10,000 tonnes of organic pulses during 2011-12. Export of organic pulses shall be subject to following conditions:

(a) Quantity limit shall be 10,000 tonnes upto 31.03.2012;

(b) It should be duly certified by APEDA as being organic pulses;

(c) Export contracts should be registered with APEDA, New Delhi prior to shipment;

(d) Exports shall be allowed only from Customs EDI Ports."

4. Effect of this notification

Prohibition on export of pulses has been extended by one more year; from 31.03.2011 to 31.03.2012. But, there are two exceptions to this. One is export of Kabuli Chana (it was permitted earlier too). Second is export of Organic Pulses (new addition now); but with a ceiling of 10,000 tonnes and subject to certain conditions mentioned above.

Amendments in Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010

26-Cus(NT) 01.04.2011 (DoR) In exercise of the powers conferred by section 157 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the following regulations to amend the Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010, namely:-

1. (1) These regulations may be called the Courier Imports and Exports (Electronic Declaration and Processing) Amendment Regulations, 2011.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010, (hereinafter referred to as the said regulations),-

(1) in **regulation 3** of the said regulations, in sub-regulation (1), after clause (g), the following clause shall be **inserted**, namely:-

"(ga)" "low value dutiable consignment" means an import consignment (other than documents, gifts and samples) of an invoice value not exceeding one lakh rupees.

(2) in **regulation 8** of the said regulations, in sub-regulation (2), for the proviso, the following proviso shall be **substituted**, namely:-

"Provided that a transition period upto 31st December, 2011 shall be allowed for fulfillment of the condition mentioned in sub-regulation (2) by an Authorised Courier in so far as it relates to examination referred to in regulation 8 of the Customs House Agents Licensing Regulations, 2004."

(3) in **regulation 12** of the said regulations,-

(i) in sub-regulation (1), in clause (i), the following proviso shall be **inserted**, namely:-

"Provided that for import of documents, gifts and samples, and low value dutiable consignments for which declaration have been filed in, Form-B or the Courier Bill of Entry-XI (CBE-XI), Form C or the Courier Bill of Entry-XII (CBE-XII) or Form-D or Courier Bill of Entry- XIII (CBE-XIII) respectively, the authorization may be obtained at the time of delivery of the consignment to consignee subject to the production of consignors' authorisation at pre-clearance stage and retention of authorisation obtained from the consignee for a period of one year or date of Audit by Customs, whichever is earlier."

(ii) in sub-regulation (1), in clause (ii), for the proviso the following proviso shall be **substituted**, namely:-

"Provided that a transition period upto 31st December, 2011 shall be allowed to the Authorised Courier for fulfillment of the obligation in so far as it relates to examination referred to in regulation 8 of the Customs House Agents Licensing Regulations, 2004."

(4) In **Form D** or Courier Bill of Entry-XIII (CBE-XIII),-

(i) for the figures S. No. "*16", the figures "16" shall be **substituted**;

(ii) in NOTE (ii)*, the words and figures "and 16" shall be omitted.

(5) In **Form E**, the following Note shall be inserted at the end, namely:-

"NOTE: Details relating to Sl.No.4 (ii) and 5 shall be non-mandatory."

[F. No. 450/122/2010-Cus.IV]

Clearance from Committee on Disputes Not Required

CBEC Clarification on Department to Department Dispute Settlement

[Ref:CBEC Instruction F.No.390/R/262/09-JC dated 24th March 2011]

Subject: Settlement of Disputes between one Govt. Dept. and another and one Govt. Dept. and a Public Enterprise and one Public Enterprise and another.

Please refer to D.O.F. No. 275/68/91-CX.8A (Pt.), dated 17.-1.1992 addressed by the Member (Central Excise) to all Principal Collectors, and to all Collectors of Customs and Central Excise vide which a copy of Cabinet Secretariat's O.M. No. 53/3/6/91-Cab. dated 31.12.1991 was circulated pertaining to constitution of a committee to give clearance to the disputes between the Government Department and another and one Government Department and a Public Sector Enterprises and Public Enterprises themselves before these are agitated in a Court/ Tribunal. Reference is also invited to subsequent O.Ms issued by the Cabinet Secretariat and the Circulars/ Instructions issued by the Board from time to time on this issue.

2. In a recent judgment dated 17.02.2011, the Constitution Bench of the Hon'ble Supreme Court, while deciding the S.L.P. No. 2538 of 2009 in the case of Electronics Corporation of India Ltd. Vs. Union of India and other matters reported in 2011 (265) ELT 11 (S.C.) has recalled the directions given by the Court in its various orders reported as below:-

I. 1995 Suppl. (4) SCC 541 (ONGC v. CCE) dated 11.10.1991

II. 2004 (6) SCC 437 (ONGC v. CCE) dated 07.01.1994

III. 2007 (7) SCC 39 (ONGC v. City & Industrial Development Corpn.) dated 20.07.2007

3. In view of the above there is no requirement of obtaining approval of the Committee on Disputes for pursuing litigations as was being done. Field formations may now pursue their appeals in the respective Tribunals/ Courts without obtaining clearance from the Committee on Disputes. Proposals which have already been sent to the Committee and no decisions have been taken till 17.02.2011 shall be deemed to be covered by the decision of the Hon'ble Court dated 17.02.2011, i.e. COD permission is not required in those cases.

4. The foregoing instructions may be brought to the notice of all concerned for guidance and compliance.

Point of Taxation Rules 2011 Notified

28-ST 01.04.2011 (DoR) In exercise of the powers conferred under clause (a) and clause (hhh) of sub section (2) of section 94 the Finance Act, 1994 (32 of 1994) (hereinafter referred to as the Finance Act), read with clause (c) of rule (2) of the Point of Taxation Rules, 2011(hereinafter referred to as the said rules), the Central Government hereby notifies that the provision of taxable services referred to in clauses (zzq), (zzzh), (zzzx), (zzzu) and (zzzza) of section 65(105) of the Finance Act, shall be treated as continuous supply of service, for the purpose of the said rules.

[F. No. 334/3/ 2011 – TRU]

Software Export Value Realisation Extended upto 30 September 2011

Sub: Export of Goods and Software – Realisation and Repatriation of export proceeds – Liberalisation

AP(DIR Srs) Cir.47 31.03.2011 (RBI) Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to A.P. (DIR Series) Circular No. 57 dated June 29, 2010 enhancing the period of realization and repatriation to India of the amount representing the full export value of goods or software exported, from **six months to twelve months** from the date of export. This relaxation was up to March 31, 2011.

2. The issue has since been reviewed and it has been decided, in consultation with the Government of India, to extend the above relaxation up to **September 30, 2011**, subject to review.

3. The provisions in regard to period of realization and repatriation to India of the full export value of goods or software exported by a unit situated in a Special Economic Zone (SEZ) as well as exports made to warehouses established outside India remains unchanged.

4. AD Category-I banks may bring the contents of this circular to the notice of their constituents and 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 (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Self Assessment of Imports and Exports – Board Circular

Subject: Implementation of 'Self-Assessment' in Customs.

17-CBEC 08.04.2011 (DoR) The Finance Bill, 2011 stipulates 'Self-Assessment' of Customs duty in respect of imported and export goods by the importer or exporter, as the case may be. This means that while the responsibility for assessment would be shifted to the importer / exporter, the Customs officers would have the power to verify such assessments and make re-assessment, where warranted. The proposed changes shall become effective immediately from the date of enactment of the Finance Bill, 2011. It is, therefore, necessary that the new legislative provisions are carefully studied and applied correctly to ensure that there is no disruption in the assessment work, and clearance of imported and export goods continues smoothly.

2. New Section 17 of the Customs Act, 1962 provides for self-assessment of duty on imported and export goods by the importer or exporter himself by filing a Bill of Entry or Shipping Bill, as the case may be, in the electronic form (new Section 46 or 50). The importer or exporter at the time of self-assessment will ensure that he declares the correct classification, applicable rate of duty, value, benefit of exemption notifications claimed, if any, in respect of the imported / export goods while presenting Bill of Entry or Shipping Bill. This should not pose any new difficulties since the importers / exporters and CHAs have been filing these documents containing the required details regularly in the ICES.

3. Important changes are also made in Section 46 of the Customs Act, 1962 whereby it has been made mandatory for the importer to make entry for the imported goods by presenting a Bill of Entry electronically to the proper officer except for the cases where it is not feasible to make such entry electronically. While this is not a new requirement, it provides a legal basis for electronic filing. Where it is not feasible to file these documents in the System, the concerned Commissioner can allow filing of Bill of Entry in manual mode by the importer. These Bills of Entry would continue to be regulated by Bill of Entry (Forms) Regulations, 1976. However, this facility should not be allowed in a routine manner and Commissioner of Customs should ensure that manual filing of Bill of Entry is allowed only in genuine and deserving cases. Similarly, on export side also, Section 50 of the Customs Act, 1962 makes it obligatory for exporters to make entry of export goods by presenting a Shipping Bill electronically to the proper officer except for the cases where it is not found feasible to make such entry electronically. The Commissioner concerned in these cases may allow manual filing of Shipping Bill. Again, this authority should be exercised cautiously and only in genuine cases.

4. Under the new scheme of self-assessment, the Bill of Entry or Shipping Bill that is self-assessed by importer or exporter, as the case may be, may be subject to verification with regard to correctness of classification, value, rate of duty, exemption notification or any other relevant particular having bearing on correct assessment of duty on imported or export goods. Such verification will be done selectively on the basis of the output of the Risk Management System (RMS), which not only provides assured facilitation to those importers having a good track record of compliance but ensures that on the basis of certain rules, intervention, etc. high risk consignments are interdicted for detailed verification before clearance. For the purpose of verification, the proper officer may order for examination or testing of the imported or export goods. The proper officer may also require the production of any relevant document or ask the importer or exporter to furnish any relevant information. Thereafter, if it is found that self-assessment of duty has not been done correctly by the importer or exporter, the proper officer may re-assess the duty. This is without prejudice to any other action that may be warranted under the Customs Act, 1962. On re-assessment of duty, the proper officer shall pass a speaking order, if so desired by the importer, within 15 days of re-assessment. This requirement is expected to arise when the importer or exporter does not agree with re-assessment, which is different from the original self-assessment. There may be situations when the proper officer of Customs finds that verification of self-assessment in terms of section 17 requires testing / further documents / information, and the goods can not be re-assessed quickly but are required to be cleared by the importer or exporter on urgent basis. In such cases, provisional assessment may be done in terms of Section 18 of the Customs Act, 1962, once the importer or exporter furnishes security as deemed fit by the proper officer of Customs for differential duty equal to duty provisionally assessed by him and the duty payable after re-assessment.

5. One of the salient features of self-assessment scheme is that verification of declarations and assessment done by the importer or exporter, except for cases wherein a speaking order has been passed by the proper officer while re-assessing the duty, can also be done at the premises of the importer or exporter. This provision will be applicable as a part of an 'On Site Post Clearance Audit' (PCA) programme, which is likely to be implemented soon. Suitable legal cover has been provided vide Section 17 and Section 157 of the Customs Act, 1962. The programme is being developed and detailed instructions will follow in due course. Till that time, the current Post Clearance Audit will continue.

6. In cases, where the importer or exporter is not able to determine the duty liability / make assessment for any reason, except in cases where examination is requested by the importer under proviso to sub-section (1) of Section 46, a request shall be made to the proper officer for assessment of the same under Section 18(a) of the Customs Act, 1962. In this situation an option is available to the proper officer of Customs to resort to provisional assessment of duty by asking the importer / exporter to furnish security as deemed fit by the proper officer for differential duty equal to duty provisionally assessed and duty finally payable after assessment. In this regard, it is clarified that importer should not resort to this provision in a routine manner and it is expected that this would be done in deserving cases only where importer or exporter is not able to assess the goods for duty for want of certain information / documents etc. As far as possible, steps should be taken to provide guidance to importers/ exporters so that they are able to self-assess and file the Bill of Entry. It should however be made clear that such guidance is not legally binding.

7. Hence, in both the cases where no self-assessment is done and when self-assessment is done and reassessment is required under Section 17, the importer or exporter can opt for provisional assessment of duty by the proper officer of Customs. The difference is that when no self-assessment is done, the provisional assessment shall get converted into final assessment and when self-assessment is done, the provisional assessment shall get converted into re-assessment. Consequential changes are being made in the Customs (Provisional Duty Assessment) Regulations, 1963.

8. Bill of Entry (Electronic Declaration) Regulations, 2011 are being framed in supersession of the Bill of Entry (Electronic Declaration) Regulations, 1995. Bill of Entry (Electronic Declaration) Regulations, 2011 shall incorporate changes made vide Finance Bill, 2011 and mandate self-assessment by the importer or exporter, as the case may be. While amending the same, requirements of ICES 1.5 shall be taken into account since the migration to ICES 1.5 in respect of locations having ICES 1.0 application is almost complete at all major Customs locations. Similarly, Shipping Bill (Electronic Declaration) Regulations, 2011 are also being framed in tune with statutory provisions of Sections 17, 18 and 50 of the Customs Act, 1962. All these proposed changes viz. formulation of Regulations and amending formats of Bills of Entry / Shipping Bills requires detailed consultation with DG (Systems). Thus, these changes will take some time and till then, the existing Regulations and forms shall continue to apply to the extent these do not conflict with the amended statutory provisions that come into force from the date of enactment of the Finance Bill, 2011.

9. The aforementioned changes will come into effect when the Finance Bill is enacted. Thus, it is clarified that all Bills of Entry or Shipping Bills which have been presented either electronically or manually before the date of enactment of the Finance Bill shall be governed by provisions of erstwhile Section 17 or Section 18 of the Customs Act, 1962.

10. Suitable trade notice / standing order may be issued to guide the trade and industry.

11. Difficulty, if any, faced in implementation of these instructions may be brought to the notice of the Board immediately.

F.No.450/26/2011-Cus.IV

Arriving Passengers at Land and Sea Ports Must Fill Up New Form D on Forex Declaration

Subject: Revision in the Customs part of Arrival Card for Passengers in Form 'D' –Notification issued by Ministry of Home Affairs – Compliance.

18-CBEC 08.04.2011 (DoR) Kind attention is drawn to Board's Circular No.16/2011-Customs dated 31.03.2011 bringing out certain changes in Customs part of Arrival Card for passengers arriving at International Airports in India pursuant to Notification No. GSR 113(E) dated 24.02.2011 issued by Ministry of Home Affairs (MHA). Doubts have been raised whether the changes made vide Notification No. GSR 113(E) dated 24.02.2011 issued by MHA would also apply to passengers coming from Land Customs Stations and the Sea ports.

2. The matter has been examined in consultation with Ministry of Home Affairs. It is, accordingly, clarified that the new arrival card vide MHA Notification No. GSR 113(E) dated 24.02.2011 should also be used by the Customs Authorities at Land Customs Station or the Sea Port. In this regard, it is further clarified that against the Column 'Flight Number', it can be mentioned either as "Not Applicable" or details of train / vessel could be filled in.

3. The Board's Circular No.16/2011-Customs dated 31.03.2011 stands modified to the above extent.

F. No.520/22/2010-Cus.VI

No Education Cess if Service Tax is Zero

Subject: Education Cess and Secondary and Higher Education Cess.

134-ST 08.04.2011 (DoR) Representations have been received from the field formations, seeking clarification regarding the applicability of service tax exemption to Education Cess (refers to both Education Cess leviable under Finance (No.2) Act, 2004 and Secondary and Higher Education Cess leviable under Finance Act, 2007), under notifications where 'whole of service tax' stands exempted. Apparently the doubt arises in the context of Tribunal's Order in the matter of M/s. Balasore Alloys Ltd. Vs CCE, Customs and Service Tax, BBSR-I (2010-TIOL-1659-CESTAT-KOL).

2. The issue has been examined. Though Tribunal's Order referred above is in favor of revenue, it is inconsistent with the policy intention of the Government to exempt education cess in addition to service tax, where 'whole of service tax' stands exempted. According to section 95(1) of Finance (No.2) Act, 2004 and section 140(1) of Finance Act, 2007, Education Cess and Secondary and Higher Education Cess are leviable and collected as service tax, and when whole of service tax is exempt, the same applies to education cess as well. Since Education Cess is levied and collected as percentage of service tax, when and wherever service tax is NIL by virtue of exemption, Education Cess would also be NIL.

3. This being the principle, field formations are directed not to initiate proceedings to recover the education cess, where 'whole of service tax' stands exempted under the notification. Extending the same principle, where education cess has been refunded to exporters along with service tax, by virtue of exemption notifications where 'whole of service tax' is exempt, the same need not be recovered.

4. Field formations may be instructed accordingly.

F.No.354/42/2011-TRU

No Electronic Filing for Perishables when ICES 1.5 Fails

The following Public Notice was issued by the Commissioner of Customs (Export) Jawaharlal Nehru Custom House on 8th April 2011.

Subject: Manual Clearance of factory stuffed perishable (refrigerated / non-refrigerated) export cargo based on the Check List.

53-PN 08.04.2011 It has been reported by trade, Customs House Agents Association and Officers in the sheds that due to connectivity problems in the CFS under the newly migrated EDI 1.5 system, shipping bills pertaining to factory stuffed perishable (refrigerated / non-refrigerated) export cargo are pending for AC / DC release (assessment), though the check list has been generated. Due to delay in AC / DC release, there is congestion and pendency for goods registration by PO and subsequent LEO by the Superintendent.

2. In view of the above, as a measure of trade facilitation, it has been decided to allow manual processing of documents pertaining to export of factory stuffed perishable (refrigerated / non-refrigerated) export cargo. Hence, in all such cases where the Check Lists have been generated and the export shipment has been allotted a distinct shipping bill number, the subsequent processing for AC / DC release, goods registration and LEO may be done on the Check List manually. The officers should retain a copy of the Check List after LEO and the same should be updated in the EDI 1.5 system against the respective distinct shipping bill numbers at the earliest possible date.

3. This procedure shall be in force till 12th April, 2011 and the same shall be reviewed on 13th April, 2011 depending on the response of the 1.5 EDI system, not later than 15th April, 2011.

4. The above guidelines come into force with immediate effect and shall be strictly followed by the concerned officers and staff.

5. Any difficulty noticed in the implementation of this Standing Order may be brought to the notice of the undersigned.

F. No. JC/GGP-Misc-03/2010

New SCOMET List Notified

38-Ntfn(RE) 31.03.2011 (DGFT) In exercise of powers conferred by Section 5 and Section 14 A of the Foreign Trade (Development & Regulation) Act, 1992 {FT(D&R) Act,1992} as amended in 2010, the Central Government hereby notifies the list of specified goods, services and technologies, i.e. Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) as per Annexure to this notification. Export of SCOMET items included in the Annexure shall be regulated as per conditions enumerated in the Annexure. Provisions of Chapter IV A of the FT(D&R) Act,1992 as amended in 2010 shall apply to the goods, services and technologies specified in the Annexure.

2. Annexure to this notification will replace the existing 'Appendix 3' to Schedule- 2 of ITC (HS) Classifications of Export and Import Items, 2009-14.

3. Purpose of the notification

The FT(D&R) Act,1992 was amended in 2010. By this amendment, a new Chapter IV A has been introduced in the FT(D&R) Act,1992. It deals with controls on export of specified goods, services and technologies and empowers the Central Government to notify list of such goods, services and technologies. This notification lists the goods, services and technologies to which provisions of Chapter IV A of the FT (D&R) Act, 1992 as amended in 2010 shall apply. 'Appendix 3' to Schedule 2 of ITC (HS) Classifications of Export and Import Items, popularly known as SCOMET List, would accordingly be replaced by this list.

[Annexure of this Notification available at our website www.worldtradescanner.com]

Food Imports from Japan Suspended for Three Months

Import of food articles coming from Japan stand suspended with immediate effect for a period of three months or till such time as credible information is available that the radiation hazard has subsided to acceptable limits. Weekly reviews will be carried out by Food Safety and Standards Authority of India (FSSAI).

The above advisory no 1/FSSAI/2011 is based on the discussion in a meeting held under the Chairmanship of P.I Suvrathan, Chairperson, FSSAI. A meeting was called by FSSAI to review the situation arising out of radioactive incidents in nuclear power plants in Japan and possible contamination of Japanese food being imported into India. After detailed discussions, it was concluded that since the radiation is spreading/expanding horizontally in other parts of Japan, it may result in further radioactive contamination in the supply chain of food exports from Japan.

Representatives/experts from Board of Radiation & Isotope Technology (BRIT), Bhabha Atomic Research Institute (BARC), Atomic Energy Regulatory Board (AERB), Indian Institute of Toxicology Research (IITR), Central Board of Excise & Customs (CBEC) and Shriram Institute for Industrial Research participated in the meeting.

[Source: PIB Press Release dated 5 April 2011]

Tariff Value on Brass Scrap, Poppy Seed Cut

25-Cus(NT) 31.03.2011 (DoR) In exercise of the powers conferred by sub-section (2) of section 14 of the Customs Act, 1962 (52 of 1962), the Board, being satisfied that it is necessary and expedient so to do, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Cus (N. T.), dated, the 3rd August 2001, namely: -

In the said notification, for the Table, the following Table shall be substituted namely:-

Table

SNo.	Chapter/ heading/ sub-heading/ tariff item	Description of goods	Tariff value US $ (Per Metric Tonne)
(1)	(2)	(3)	(4)
1	1511 10 00	Crude Palm Oil	447 (i.e. no change)
2	1511 90 10	RBD Palm Oil	476 (i.e. no change)
3	1511 90 90	Others – Palm Oil	462 (i.e. no change)
4	1511 10 00	Crude Palmolein	481 (i.e. no change)
5	1511 90 20	RBD Palmolein	484 (i.e. no change)
6	1511 90 90	Others – Palmolein	483 (i.e. no change)
7	1507 10 00	Crude Soyabean Oil	580 (i.e. no change)
8	7404 00 22	Brass Scrap (all grades)	4297
9	1207 91 00	Poppy seeds	2688

[F. No. 467/2/2011-Cus.V]

RBI Introduces Annual Return on Foreign Liabilities and Assets

Sub: Introduction of Annual return on Foreign Liabilities and Assets reporting by Indian Companies and discontinuation of the Part B of form FC-GPR

AP(DIR Srs) Cir.45 15.03.2011 (RBI) Attention of the Authorised Dealer Category – I (AD Category – I) banks is invited to A. P. (DIR Series) Circular No.40 dated April 20, 2007 wherein, it was, inter-alia, stipulated that Part B, which is an annual return of all investments made in the company during a financial year, is required to be submitted directly by the Company to the Director, Balance of Payment Statistics Division, Department of Statistics and Information Management, Reserve Bank of India, C-9,8th floor, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051, by June 30th of every year.

2. In order to capture the statistics relating to Foreign Direct Investment (FDI), both inward and outward in a more comprehensive manner as also to align it with international best practices, it has been decided to replace Part B of the Form FC-GPR by a separate 'Annual Return on Foreign Liabilities and Assets' given as Annex-I. The return should be submitted

Customs Valuation Exchange Rates

April 2011		Imports	Exports
Schedule I			
1	Australian Dollar	46.55	45.30
2	Canadian Dollar	46.25	44.95
3	Danish Kroner	8.60	8.30
4	EURO	63.70	62.00
5	Hong Kong Dollar	5.80	5.65
6	Norwegian Kroner	8.10	7.80
7	Pound Sterling	72.65	70.75
8	Swedish Kroner	7.10	7.15
9	Swiss Franc	49.25	47.85
10	Singapore Dollar	35.95	34.95
11	U.S. Dollar	45.20	44.30
Schedule II			
1	Japanese Yen	55.55	53.90

Schedule I: Rate of exchange of one unit of foreign currency equipment to Indian Rupees

Schedule II: Rate of exchange of 100 units of foreign currency equivalent to Indian rupees

(Source: Customs Notification 24(NT)/29.03.2011)

Commodity Spot Prices in India – 08-11 April 2011

These commodity prices are taken from Multi Commodity Exchange of India (Mumbai) at 6 pm every day.

(Rs.)

Commodity	Unit	Market	08-Apr	09-Apr	11-Apr
CER (Carbon Trading)	1 MT	Mumbai	823.5	829.5	829.5
Chana	100 KGS	Delhi	2271	2260	2234
Masur	100 KGS	Indore	3303	3276	3263
Potato	100 KGS	Agra	654.1	654.4	647.1
Potato TKR	100 KGS	Tarkeshwar	412.1	411.1	411.7
Arecanut	100 KGS	Mangalore	NA	NA	NA
Cashewkern	1 KGS	Quilon	NA	NA	NA
Cardamom	1 KGS	Vandanmedu	1051.6	1046.2	1049.3
Coffee ROB	100 KGS	Kushalnagar	NA	NA	NA
Jeera	100 KGS	Unjha	NA	NA	NA
Pepper	100 KGS	Kochi	NA	NA	NA
Red Chili	100 KGS	Guntur	NA	NA	NA
Turmeric	100 KGS	Nzmbad	10325	10325	10325
Guar Gum	100 KGS	Jodhpur	NA	NA	NA
Maize	100 KGS	Nzmbad	1212.5	1221	1221
Wheat	100 KGS	DELHI	1206.3	1206.3	1190.8
Mentha Oil	1 KGS	Chandausi	1166.7	1166.1	1159.4
Cotton Seed	100 KGS	Akola	NA	NA	NA
Castorsd RJK	100 KGS	Rajkot	5209.5	5234.5	2089
Guar Seed	100 KGS	Bikaner	2891	2892	2851
Soya Bean	100 KGS	Indore	2390.5	2408.5	2422
Mustrdsd JPR	20 KGS	Jaipur	523.3	528	528.1
Sesame Seed	100 KGS	Rajkot	5088	NA	5063
Coconut Oil Cake	100 KGS	Kochi	NA	NA	NA
RCBR Oil Cake	1 MT	Raipur	NA	NA	NA
Kapaskhali	50 KGS	Akola	1171	1174	1156.7
Coconut Oil	100 KGS	Kochi	10088	10192	10192
Refsoy Oil	10 KGS	Indore	612.25	620.55	619.35
CPO	10 KGS	Kandla	518	521.3	519
Mustard Oil	10 KGS	Jaipur	567.2	571.9	572.2
Gnutoilexp	10 KGS	Rajkot	830	830	825
Castor Oil	10 KGS	Kandla	NA	NA	NA
Crude Oil	1 BBL	Mumbai	4877	4967	4967
Furnace Oil	1000 KGS	Mumbai	NA	NA	NA
Sourcrd Oil	1 BBL	Mumbai	NA	NA	NA
Brent Crude	1 BBL	Mumbai	5424	5578	5578
Gur	40 KGS	Muzngr	NA	NA	NA
Sugars	100 KGS	Kolhapur	2662	2660	2653
Sugarm	100 KGS	Delhi	2935	2933	2920
Natural Gas	1 mmBtu	Hazirabad	179.4	178	178
Rubber	100 KGS	Kochi	23846	23986	23953
Cotton Long	1 Candy	Kadi	NA	NA	NA
Cotton Med	1 Maund	Sriganganagar	NA	NA	NA
Jute	100 KGS	Kolkata	3343.5	3345.5	3336.5
Gold	10 GRMS	Ahmd	21100	21224	21205
Gold Guinea	8 GRMS	Ahmd	16948	17048	17032
Silver	1 KGS	Ahmd	58720	60387	60910
Sponge Iron	1 MT	Raipur	NA	NA	NA
Steel Flat	1000 KGS	Mumbai	NA	NA	NA
Steel Long	1 MT	Gobindgarh	NA	NA	NA
Copper	1 KGS	Mumbai	430.55	437.05	437.05
Nickel	1 KGS	Mumbai	1206.8	1209.8	1211.9
Aluminium	1 KGS	Mumbai	117.65	117.65	117.3
Lead	1 KGS	Mumbai	127.85	127.85	129.9
Zinc	1 KGS	Mumbai	109.2	109.2	110.3
Tin	1 KGS	Mumbai	1453.5	1453.5	1469.75

(Source: MCX Spot Prices)

by July 15 of every year to the Director, Balance of Payment Statistics Division, Department of Statistics and Information Management (DSIM), Reserve Bank of India, C-9, 8th floor, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. Further, the return should be submitted by all the Indian companies which have received FDI and/or made FDI abroad (i.e. overseas investment) in the previous year(s) including the current year. The Annex –II gives the concepts and definitions useful in filling the Annual Return on Foreign Liabilities and Assets.

3. These directions will come into force with immediate effect. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 and the Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 and Notification No. FEMA 120 dated July 07, 2004, respectively will be issued separately.

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 is without prejudice to permissions/approvals, if any, required under any other law.

[Annexure of this Circular is available at our website www.worldtradescanner.com]

RBI Advises Foreign Airlines to Discontinue using Overseas Banks for INR Transactions on Sale of Air Tickets in India

Sub: Acquisition of credit card/debit card transactions in India by overseas banks - payments for airline tickets

AP(DIR Srs) Cir.48 05.04.2011 (RBI)

Attention of the Authorised Dealers Category-I (AD Category-I) banks is invited to Regulation 6 of the Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2000, notified vide Notification No. FEMA 10/2000-RB, dated May 3, 2000, read with para 7(v) of Annexure I to the A.D. (M.A. Series) Circular No. 11 dated May 16, 2000, in terms of which airline companies incorporated outside India are permitted to repatriate the surplus arising from sale of air tickets through their agents in India after payment of the local expenses and applicable taxes in India.

2. It has come to our notice that in certain cases where the payment for the tickets are made by the residents using credit /debit card, Card Companies have been providing arrangements to the foreign airlines operating in India to select the country and currency of their choice, in respect of transactions arising from the sale of the air tickets in India in Indian Rupees (INR). In such transactions, the overseas bank as the acquiring bank receives the funds from Card Issuing Company in its Vostro account maintained with an Authorised Dealer bank in India or in its foreign currency account maintained abroad and makes the payment in foreign currency overseas to the foreign airline.

3. It is clarified that the practice adopted by foreign airlines, as mentioned above, is not in conformity with the extant provisions of the Foreign Exchange Management Act, 1999. AD Category- I banks may, therefore, advise the foreign airlines to discontinue immediately the practice of using overseas banks for settlement of INR transactions on account of sale of air tickets in India.

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

5. The directions contained in this circular have been issued under sections 10(4) & 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.

WORLD TRADE SCANNER

BIG's WEEKLY INDEX OF CHANGES

FM did not Ask Mumbai Customs to Release Goa Minister

Central Board of Excise and Customs (CBEC) has denied that that any calls were received by the Custom Officials at Mumbai Airport from the office of any Minister. The decision was taken entirely as per Customs Rules and Regulations. The investigations are still in progress and other investigative agencies have been addressed with details.

Earlier, it has been reported by a certain section of the media that Shri Atanasio Monserrate, Education Minister of Goa, detained by the Mumbai Airport Customs on April 1, 2011, for allegedly carrying undeclared currency, was let off after a call received from the Union Finance Minister's office.

[Source: PIB Press Release dated 7 April 2011]

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