

India likely to resume Iran oil imports amid Houthi threat

Houthis are also allies of Iran and not expected to go against trade

SUBHAYAN CHAKRABORTY
New Delhi, 22 January

India is considering the reinstatement of crude oil shipments from Iran as Houthi insurgents step up attacks on maritime trade in the Red Sea and Gulf of Aden regions off the coast of Yemen, sources in the know said.

The issue may have been discussed during recent bilateral meetings between the countries last week when External Affairs Minister S Jaishankar travelled to Iran.

Shipments from Iran take place through the Persian Gulf and Gulf of Oman, where the Houthis have a limited presence. The Houthis are also allies of the Iranian regime and are not expected to go against trade deemed important by Tehran, they said.

India has so far not bought crude from any country under global sanctions. The government opened up on importing Venezuelan oil only after the US removed sanctions on the South American nation.



SANCTION SHADOW

Crude oil imports from Iran (\$ bn)



"We are always monitoring the situation when it comes to crude flows. However, there have been proposals to resume crude oil imports from Iran. We are studying them," an official said.

Iran was one of the largest sources of crude oil for India until 2018-19. In June 2019, the US administration under Donald Trump placed sanctions on Iran due to its nuclear programme. The US removed an exception for countries like India to source oil from Iran, thereby cutting off India and Iran from accessing US dollars to pay for the trade.

As a result, Iran went from becoming the ninth-largest crude oil exporter in 2018 to the 71st as of 2021, Organization of the Petroleum Exporting

Countries figures show.

Iran is willing

"The Iranian side has been keen on resuming oil exports to India. It is badly trying to expand the small set of buyers for its oil. Also, after the impact of the pandemic, the economy is struggling," a diplomatic source said.

In the absence of buyers, an increasing share of Iranian crude has diverted towards China, feeding nearly 10 per cent of China's crude requirements, *Reuters* has reported.

China bought a record 1.05 million barrels per day in the first 10 months of 2023, according to estimates made by the London-based commodity data analytics provider Vortexa, which tracks ship

movements to estimate imports. The exports have, however, hit a hurdle over Tehran now lowering its discounts to \$5-6 per barrel below Brent crude prices, down from \$10 prices per barrel offered earlier to China, Iranian media reported earlier this month.

While Indian refiners are yet to negotiate spot purchases from the country, Iranian crude is increasingly being offered by traders under the garb of Malaysian oil, *Business Standard* has earlier reported.

Reasons to import

With the wars in Ukraine and Gaza already keeping tensions elevated and the oil trade volatile, the latest Houthi threat has come as a major headache for the government.

'Red Sea disruptions may dent India growth forecast'

Amid rising hostilities in the Red Sea due to Houthi attacks, the Fitch Group said India's economic forecast faces a "significant" risk in the event of a prolonged spell of disruptions. "If Red Sea disruptions were to persist, the resulting downward revisions to our India and Bangladesh forecasts will probably be significant and would dent our 4.0 per cent growth forecast for Asia in 2024," BMI, a unit of the Fitch Group, said. It said South Asian economies would be the most affected.

DHRUVAKSH SAHA

The group has so far attacked at least three India-linked ships and nearly a dozen ships with Indian crew. Crude oil freight charges have doubled in the past month, officials from the Ministry of Petroleum and Natural Gas said.

"Oil shipments to India are set to be affected in the short term if the spate of attacks increases," they added. Imports from Saudi Arabia, the United Arab Emirates, Kuwait, and Oman traverse the Gulf to reach the Arabian Sea, and on to West Coast ports.

The US has so far conducted six airstrikes on the group, the latest being on January 19. On Monday, the US Department of Defense said two soldiers are now feared dead after a mission against the Houthis.

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FinMin raises import duty on gold and silver findings to 15%

Our Bureau

New Delhi

The Finance Ministry has raised import duties on gold and silver findings, coins of precious metals, and spent catalysts containing precious metals. This has been done to end tax advantage in importing gold and silver in findings form than in bar form.

According to the Finance Ministry, import duty on gold and silver findings and coins of precious metals will now be 15 per cent. This includes Basic Custom Duty (BCD) of 10 per cent and 5



per cent of AIDC (Agriculture Infrastructure Development Cess). There will be no Social Welfare Surcharge (SWC). Earlier, the duty was 10 per cent.

The Ministry has also hiked import duty on spent catalysts containing precious metals to 14.35 per cent (BCD at 10 per cent and AIDC at the rate of 4.35 per

cent). There will be SWS. Spent organic-based catalysts that contain precious metals have traditionally been treated by incineration to recover their precious metal content.

Earlier, rates on all these were 10 per cent and there were no AIDC. New rates have been made effective from January 22, the notification added. A Finance Ministry official said that the move aims to prevent circumvention of the duty on gold and silver bars after a surge in imports in the last two months of gold findings — hooks, clasps and other components used to make jewellery.

'Freezing import duty on edible oil will impact Atmanirbharta goal'

Our Bureau

Mangaluru

The Solvent Extractors' Association of India (SEA) has said the nation could move further away from achieving the objective of 'Atmanirbharta' in edible oils, following its decision to freeze import duties.

In his monthly letter to members of the association, Ajay Jhunjhunwala, President of the SEA, said the Centre, through the Finance Ministry, has notified that the effective duty on crude and refined palm oil, soya oil, sunflower oils and RBD palmolein, will be unchanged from the present applicable duties as of March 31, 2025.

While the government aims to maintain price stability in the longer term, this will hurt the sentiments of Indian oilseed



farmers, he said, adding: "Depressed domestic oilseed prices due to cheaper imports, will effectively discourage farmers from expanding the area under oilseeds; therefore, the nation could be moving further away from achieving the objective of 'Atmanirbharta' in edible oils."

DROP IN IMPORTS

He said import of edible oils, both crude and refined,

has decreased during each of the last two months of the current oil year 2023-24. It is around 24.5 lakh tonnes (lt) for November-December of 2023-24, compared to around 30.8 lt during the same period a year before.

"This will definitely give an impetus for the use of domestic oils in the coming months and thus help local oil producers," he said.

On rabi sowing, he said the area under rape-mustard, as estimated on January 12, is over 99.5 lakh hectares (lh), slightly higher than 97.2 lh at around the same time last year, and far above the five-year average of 73.06 lh.

"With climatic conditions being around normal, we could expect a good harvest of rape-mustard seed of over 13 million tonnes to meet the domestic requirement of edible oils, he said.

For a 'clean' solution at WTO, India could promise not to export from public stocks

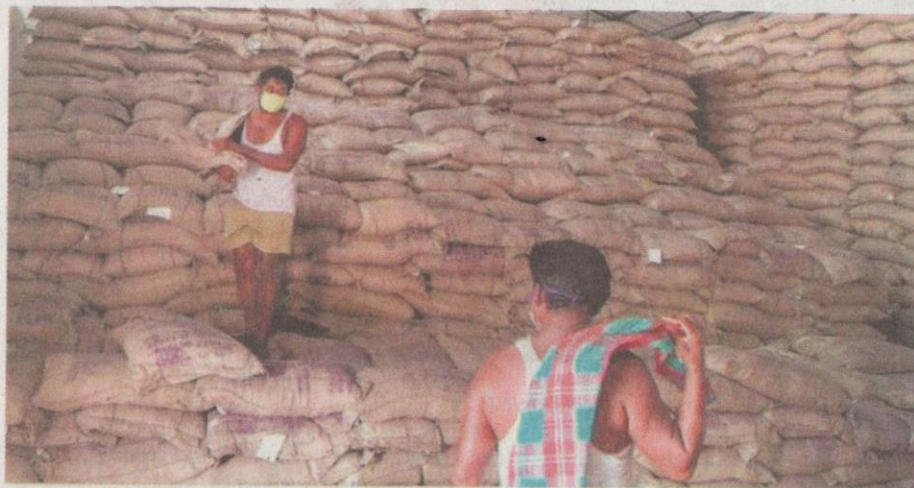
WAY FORWARD. GTRI suggests adjusting farm policies to categorise support programmes under 'blue box' subsidies

Amiti Sen
New Delhi

To break the impasse on public stockholding (PSH) for food security at the WTO — a top issue on India's agenda for the 13th Ministerial Conference in Abu Dhabi next month — India could give an undertaking that it will not export from its public stock in return for a permanent solution that gives it flexibility on its MSP programmes, research body Global Trade Research Initiative (GTRI) has suggested.

"They (the US and some others) argue that India has become the largest rice exporter on account of its high price support through MSP. India may undertake not to export rice commercially from its PSH stock. India should get a clean, permanent solution to the public stockholding issue (in return)," per a GTRI brief on 'breaking the impasse at the WTO on the PSH programme'.

As rice production is water-



ECONOMIC RESILIENCE. As rice production is water-intensive and the cost of production is high, India will not suffer economically if its rice export declines, the paper argued

intensive and the cost of production is high, India will not suffer economically if its rice export declines, the paper argued.

India, which has on several occasions laid down that it did not export from its PSH stock, is unlikely to have any problem in adhering to an undertaking on the same, in exchange for a permanent solution.

Several developing countries, including members of the G33 group, of which India is a part, the ACP group and the African Group, have called for a permanent solution to the problem of public stock holding as the Agreement on Agriculture does not allow them to provide food security subsidies, for programmes such as the MSP, beyond 10 per cent of production value.

The Bali Ministerial decision of 2013 allowed developing countries a peace clause invoking which they can breach the subsidy limit without attracting legal action from other members.

PERMANENT SOLUTION
But India and the others want a permanent solution to the issue. This would ensure that the provision gets enshrined

in the WTO rules and the need for onerous notifications and limiting the MSP coverage to only some crops can be relaxed.

"Reaching an agreement on PSH is difficult as developed countries led by the US are not in favour even though it is not a trade but livelihood issue," the note pointed out indicating that India needed to play its cards well.

'BLUE BOX' SUBSIDIES

It further suggested that India could consider adjusting its farm policy to categorise its support programmes under the 'blue box' subsidies (subsidies that come with the provision of limited production).

Blue box subsidies come with no limits on spending. "This would involve setting higher production targets for specific crops and restricting support to 75 per cent of the output. While capping production could be politically sensitive, setting ambitious targets could overcome any resistance," the note suggested.

Govt raises import tariffs on gold, silver to curb surge in shipments

PRIYANSH VERMA

New Delhi, January 23

THE FINANCE MINISTRY has raised import duties on gold to 15% from 10%. The higher tariffs, which took effect on Monday, are aimed at curbing the surge in imports of the yellow metal.

Gold imports spiked 95% to \$7.2 billion in October, causing the merchandise trade deficit to rise to an all-time high monthly figure of \$31.46 billion. Though imports of the metal moderated in November, there was again a 156% increase to \$3.03 billion in December on a low base.

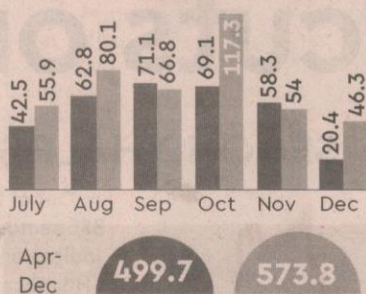
In July last year, India had banned imports of certain gold jewellery in the wake of a sudden rise in duty-free imports of these items from Indonesia, under the India-Asean free trade pact. The latest set of measures also includes a similar hike in import duties on silver findings and coins of precious metals.

The new 15% duty includes a 10% basic customs duty (BCD) and an additional 5% under the all-industry duty drawback (AIDC), with an exemption from the social welfare surcharge (SWS). Basic customs duty

PRECIOUS METAL

Gold imports

(in tonne) ■ FY23 ■ FY24



Gold imports

(\$ billion) ■ FY23 ■ FY24



is a standard duty levied on imported goods and denotes the import tariff. AIDC is an additional duty imposed to offset the impact of other duties or taxes on the production cost, while SWS is a surcharge imposed in order to finance welfare schemes.

Reports suggest the duties were raised also to prevent circumvention of the duty on gold and silver bars – which at present stands at 15%.

According to commerce ministry data, gold imports in terms of value

and volume have grown 86% and 63%, respectively, in the October-December quarter of FY24 – which is higher than the average of 27% and 15% of April-December FY24.

In October, gold imports peaked – in the current fiscal – at \$7.23 billion, which was 95% higher from last year, and contributed to shooting up the trade deficit during the month. During October, India's merchandise trade deficit stood at a record high of \$31.46 billion.

"In October, there was a surge in gold import volumes which was linked with festival related demand as well as catch-up demand as import volumes had declined in FY23 and has remained relatively subdued in H1FY24," said Gaurá Sengupta, economist at IDFC FIRST Bank.

Gold or silver findings are small components such as hook, clasp, clamp, pin, or screw back, which is used to hold the whole or part of a piece of jewellery in place.

Exports from Gujarat down by 8% in Apr-Dec

ABHINAV KUMAR
Ahmedabad, January 23

STRUGGLING WITH THE global economic instability and demand crunch due to the ongoing geo-political crises in Europe and Middle East, the exports from Gujarat, the highest exporting state contributing one-third to the total exports from India, registered a 8% decline in total exports between April 2023-December 2023 of FY24.

According to the recent data released by the ministry of commerce and industry, the exports from the state came down to \$100 billion from \$108.6 billion for the same period in the previous financial year. As per the data, the situation is the same for Maharashtra, the second highest exporter state of the country. Maharashtra also registered a 8% slide in its exports value to \$49.4 billion against \$53.8 billion between April 22- December 22.

Except for Tamil Nadu, whose exports rose by 5.3%, the exports from 4 of the top 5 exporting states including Karnataka (declined by 10%) and Uttar Pradesh (declined by 7.3%) witnessed a downward growth in their total exports for the same period. The exports from Karnataka and Uttar



Pradesh stood at \$19.9 billion and \$15.1 billion compared to \$21 billion and \$16.3 billion, respectively.

Due to this decline in the exports from the top exporting states, The total exports from India dropped down by 4.5% to \$317.12 billion from \$332.7 billion in FY23.

Furthermore, the poor performance of exports in this financial year resulted in the decline of exports share of Gujarat and Maharashtra in India's total exports to 32.14% and 15.89% from the previous 33.49% and 16.61%, respectively.

Excluding the exports of petroleum products which remained more or less the same, the gems and jewellery industry and the organic and inorganic chemical sector are bearing the biggest of the burns of this global demand

crunch and economic instability. The exports in gems and jewellery declined by 16% to \$24.31 billion from \$28.99 billion last year. The exports from the organic and inorganic chemical sector dropped to \$20.27 billion from \$22.96 billion, a 11.7% decline compared to the same period in the previous year.

Despite the poor performance of overall exports from the states and from India, the exports of electronic goods and drugs & pharmaceuticals have performed exceptionally well. The export of electronic goods registered a growth of 22% and stood at \$20.35 billion against \$16.67 billion while the export of drugs and pharmaceuticals touched \$20.40 billion compared to \$18.84 billion, a 8.2% growth for the period between April 23 - December 23.

Red Sea crisis hurts India's petroleum product exports

Outbound petro shipments contributed \$57 billion to India's coffers in FY23

S DINAKAR

Amritsar, 24 January

The intensifying conflict in the Red Sea has started taking a toll on India's overseas sales of petroleum products, a key contributor to India's export growth — after several ships were forced to take a much longer route to deliver fuels to western markets, according to shipping data and industry officials. The hit, from attacks by Yemen-based Houthi rebels on ships using the Red Sea route to supply oil, is sizeable on sales of diesel to Europe, which accounts for over a quarter of India's total fuel exports in volume terms.

The disruption in Indian supplies of transport fuels to western nations has also given competitors an opportunity to supply European markets. The importance of India's fuel exports to the Indian economy cannot be understated. Petroleum product exports contributed \$57.3 billion to India's coffers in FY23, around 12.7 per cent of India's total exports by value, according to oil ministry data. Indian refiners led by Reliance Industries earned \$35.7 billion in the April-December period of this FY.

India's overall petroleum product exports dipped sharply by around 23 per cent in January to 1.05 million barrels per day (bpd) from 1.37 million bpd in December, according to loading data from Paris-based market intelligence agency Kpler. The biggest impact was felt on sales of fuels to Europe, with exports shrinking by half in January to 205,000 bpd from December. Diesel sales, a key export earner for India, to Europe dropped 77 per cent as US suppliers made inroads. Europe accounted for 30 per cent of India's total fuel exports last month.

Ships carting gasoline, diesel and jet fuel from India to Europe use the shortest maritime route via the Suez Canal, an artificial waterway linking the Red Sea to the Mediterranean Sea. The Suez is the shortest and least expensive route to send commodities from India to Europe and the US east coast. An alternate route via the Cape of Good Hope, the southern tip of Africa, may add anywhere between 4,000 to 6,000 miles to the journey, inflating costs, and travel time by 3-4 weeks.

There were 12 such diversions of US and Europe bound oil tankers from India,

INDIA'S FUEL EXPORTS (\$ bn)



*April-December

Source: Oil ministry

INDIA'S DIESEL EXPORTS TO EUROPE ('000 bpd)



*until Jan 24, 2024

Source: Kpler



which took the Cape of Good Hope in the December 18-January 24 period, said Serena Huang, head of Asia-Pacific analysis for market intelligence agency Vortexa in Singapore. Ten of those cargoes originated in Jamnagar, where Reliance Industries' 1.36 million bpd refinery complex is located. Reliance is the biggest exporter of fuels from India, accounting for around two-thirds of the country's exports last month.

Indian ships carrying jet fuel have avoided the Bab el-Mandeb, which connects the Red Sea to the Gulf of Aden, this month, said Viktor Katona, an analyst at Kpler. The disruptions are beginning to show, with India shipping only 70,000 bpd of diesel this month to Europe compared to a record 311,000 bpd in December because of mounting attacks by Yemen-based Houthi rebels in the Red Sea. The fuel is India's biggest export product.

The breach left by Indian sellers led by Reliance is now being filled by US suppliers, who are elbowing in to capture India's share of the European diesel market, according to shipping data and industry officials. European buyers of diesel or jet fuel are

increasingly considering risk-free deliveries of fuels leading to a surge in diesel volumes from the US, an official from a state refiner said. The US overtook India as the largest supplier to the European continent in December and will consolidate those gains even further, shipping data show. It has already loaded over 316,000 bpd of diesel to Europe this month after supplying a record 367,000 bpd last month. The US will continue to increase its share of the European market this year until the conflict in the Red Sea eases, Katona said.

India's overall sales of clean and dirty products to Europe and the US have also reduced by half because of the Houthi attacks. India loaded 263,000 bpd of clean and dirty products as of 24th January to destinations in the US and Europe compared to 490,000 bpd in the entire month of December, according to Kpler data. Exports averaged 461,000 bpd in the October-December period. The conflict in the Red Sea is likely to impact India's overall exports to Europe and the US, with consignments getting delayed because of higher shipping costs, India's commerce ministry said earlier this month.

Business Lines. Dt: 29/01/24.

Import of laptops, tablets may not see a decline

LIBERAL REGIME. 'Nobody who applied for authorisation up to Sept 30 was turned down'

Amiti Sen
New Delhi

Import of laptops, computers and tablets is not likely to drop following the imposition of the import management system from October 1, 2023. Import authorisations applied for by the industry and issued by the government, for the notified period ending September 30, 2024, indicate that the quantities would be more or less the same as the corresponding period of the previous year, said sources.

There is no decision yet on what the import rules would be for the seven IT hardware items covered under the import management system after September 30, 2024, when the notification expires, as the Ministry of Electronics and Information Technology (MeitY) is still analysing import data, a source tracking the matter told *businessline*.

"The government issued import authorisations to all applicants who applied within the available window for the period up to September 30,



KEY PRODUCTS. Import of the seven IT hardware items on which restrictions were imposed, including laptops, tablets, PCs, ultra small form factor computers and servers, amounted to about \$8 billion in 2022-23 AM FARUQUI

2024. No one was refused. Based on the authorisations, we expect imports of the monitored items to be more or less at the same level as the previous year," the source told *businessline*.

Imports of the seven IT hardware items on which restrictions were imposed, including laptops, tablets, PCs, ultra small form factor computers and servers, large or mainframe computers, and automatic data processing machines, amounted to \$8 billion in 2022-23. A large part of this,

about \$5 billion, was imported from China, per available data.

MANAGEMENT SYSTEM

Under the new import management system for monitoring shipments of the seven items, adopted on October 1, 2023, importers have to apply to the Directorate General of Foreign Trade for automatic import authorisations.

The system is aimed at ensuring supply chain resilience and addressing national security concerns, per India's explanation at the WTO, where

concerns were raised by members, including the US. India also intends to keep a check on imports from China in particular.

"Right now we are monitoring the import data. Earlier, we had no way of knowing things such as how many traders we had, how many manufacturers we had, who was more focussed on components or who was more focussed on finished goods. This disaggregated data was not available. Whatever is being collected now is being collated by MeitY for further analysis," said the source.

US Trade Representative Katherine Tai, during her recent visit to India to attend the India-US Trade Policy Forum meeting, said India must keep the country informed on implementation plans for its import management system for computers and tablets going forward.

The window for applying for import authorisations for the indicated period is over, and there are no plans for reopening it as of now as there are no such instructions from the MeitY, the source added.