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# ASSOCHAM NEWS & VIEWS

WEEKLY

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**THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA**

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## **MINISTRY OF COMMERCE & INDUSTRY**

### **Visit of the Commerce and Industry Minister to Geneva for discussions on WTO related issues**

The Commerce and Industry Minister, Smt Nirmala Sitharaman, visited Geneva on 18-19 July 2017 to, *inter-alia*, hold consultations with representatives of key WTO member countries, Director General WTO and Secretary General, UNCTAD.

During her meeting with the Director General, WTO, Commerce & Industry Minister mentioned the kind of outcomes India would like to see at the upcoming Eleventh Ministerial Conference of the WTO ('MC11'). She particularly stressed that the MC11 outcomes must include a permanent solution on public stockholding for food security purposes (PSH) on which there is a Ministerial mandate. She urged DG, WTO to follow up vigorously to support the efforts to reach finality on PSH and the agricultural Special Safeguard Mechanism. She stressed that any attempts at seeking outcomes on new issues such as e-commerce and investment facilitation should not be at the cost of other long pending issues on the agenda of the Doha Round.

Commerce & Industry Minister addressed the Graduate Institute of International and Development Studies on the subject of "Reclaiming Multilateralism". An audience comprising over 350 diplomats, representatives from various inter-governmental organizations, lawyers, academicians, students and media, attended the event.

Commerce & Industry Minister highlighted that as one of the founding members of the WTO, India has a long history as a staunch supporter of multilateralism. She focused on how recent changes in position of some countries have affected multilateralism in general and the multilateral trading system in particular. She made suggestions to reinvigorate the spirit of multilateralism, specifically for strengthening systems, countering protectionism and fostering development. Emphasizing India's openness to trade, she pointed out that India's approach to negotiations is based on a deep and unflinching commitment to address development issues in the trade negotiations. She urged WTO members to rise to the occasion and take collective responsibility to reclaim multilateralism, which is the only means to address global challenges in trade.

Commerce & Industry Minister Address was extremely well received and was followed by a lively interaction with the audience. In CIM's subsequent interactions with representatives of several WTO member countries, they expressed deep appreciation and agreement with many of the views articulated by her.

Commerce & Industry Minister also visited the South Centre, which is an intergovernmental organization of developing countries that helps developing countries to combine their efforts and expertise to promote their common interests in the international arena. She urged the South Centre to continue its important role in coalition building for negotiations among developing countries so that they are not denied their due at the WTO. Participants at the interaction

included Ambassadors of prominent developing member countries. There was a useful exchange of views on their perspectives on MC11 outcomes and the process leading up to it.

The Minister also had a meeting with selected Ambassadors and Chairs of various WTO Negotiating Group to ascertain their views, *inter-alia*, on future of the WTO negotiations and likely outcomes from MC11. The participants shared their views and insights on various aspects of the WTO negotiations. Common positions and stands were identified during the interaction.

During her visit to Geneva she also interacted with the Secretary General of UNCTAD and Executive Director of International Trade Centre. During these meetings she appreciated the ongoing activities of these institutions with and on behalf of India and suggested further enhanced engagements.

## **MINISTRY OF COMMERCE & INDUSTRY**

### **The new Agreement on Trade, Commerce and Transit between India and Bhutan has come into force with effect from 29th July 2017**

The bilateral trade relations between India and Bhutan are governed by the Agreement on Trade, Commerce and Transit between the Government of India and Bhutan. The Agreement provides for a free trade regime between the territories of India and Bhutan. The Agreement also provides for duty free transit of Bhutanese merchandise for trade with third countries.

The Agreement was last renewed on 29<sup>th</sup> July 2006 for a period of ten years. The validity of this Agreement was extended, with effect from 29<sup>th</sup> July 2016, for a period of one year or till the new agreement comes into force, through exchange of Diplomatic notes.

The new Agreement on Trade, Commerce and Transit Agreement was signed on 12th November 2016 by the Minister of State (IC), Ministry of Commerce and Industry on behalf of the Government of India during her visit to Bhutan on 11th-13th November, 2016. As per its provisions, the new Agreement was to come into force on a mutually decided date. As agreed to by both India and Bhutan, the new Agreement on Trade, Commerce and Transit between India and Bhutan has come into force with effect from 29th July 2017.

The new Agreement will further strengthen the bilateral trade relations between India and Bhutan.

## **MINISTRY OF FINANCE**

### **24x7 operationalization of Petrapole-Benapole Integrated Check Post**

The Petrapole-Benapole Integrated Check Post is a major route for India-Bangladesh bilateral trade. In order to facilitate movement of cargo across the border, India and Bangladesh have agreed to operate Petrapole-Benapole ICP 24x7, with effect from 01st August 2017. Land Ports Authority of India (LPAI) and Central Board of Excise and Customs (CBEC), the implementing agencies on the Indian side, have issued necessary instructions in this regard.

The 24x7 operationalization of Petrapole-Benapole ICP is expected to be a significant milestone towards expeditious clearance of cargo and, hence boost the bilateral trade between the two countries.

## MINISTRY OF FINANCE

**Reserve Bank of India (RBI) has constituted an Internal Advisory Committee (IAC), which arrived at an objective, non-discretionary criterion for referring accounts for resolution under Insolvency and Bankruptcy Code, 2016 (IBC).**

Reserve Bank of India (RBI) has constituted an Internal Advisory Committee (IAC), which arrived at an objective, non-discretionary criterion for referring accounts for resolution under Insolvency and Bankruptcy Code, 2016 (IBC). In particular, the IAC recommended for IBC reference all accounts with fund and non-fund based outstanding amount greater than Rs.5000 crore, with 60% or more classified as non-performing by banks as of March 31, 2016.

Accordingly, Reserve Bank of India has issued directions to certain banks for referring 12 accounts, qualifying under the aforesaid criteria, to initiate insolvency process under the Insolvency and Bankruptcy Code, 2016. As regards the other non-performing accounts which do not qualify under the above criteria, the IAC recommended that banks should finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks should be required to file for insolvency proceedings under the IBC.

However, the names and details of borrowers are not disclosed as prescribed under section 45E of the Reserve Bank of India (RBI) Act, 1934 and Banking Laws, which provide for the obligation of a bank or financial institution to maintain secrecy about the affairs of its constituents.

In respect of the above-mentioned 12 accounts, Reserve Bank of India has advised the banks to make provisions as under:

**“The minimum provisions required to be maintained against the said accounts would be the higher of the following:**

- (a) 50 per cent for secured portion of the outstanding balance plus 100 percent for the unsecured portion.
- (b) Provisions required to be maintained as per the extant Asset classification norms.”

The additional provisions, as required in each case, should be proportionately spread over the remaining quarters of the current financial year, starting Q2, so that the required provisions are fully in place by March, 2018.

The effect of the provisioning requirement prescribed in respect of the said 12 accounts would vary for each account and for the respective banks depending upon the current asset classification, current provisions held, security coverage, etc.

## **MINISTRY OF FINANCE**

### **JITSIC Tackling Global Tax Risks**

India participated in the fourth Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC) meeting reconvened in Paris to pursue the work on the Panama Papers in the last week of June 2017. Based on legal instruments under the OECD and Council of Europe Multilateral Convention and tax treaties, a number of countries shared information in confidential Competent Authorities sessions, on structures that facilitate, enable and promote tax avoidance / evasion. India also shared its experience in this regard.

Demonstrating the value and strength of JITSIC, 30 project participant countries have continued to exchange, analyse and act on information about taxpayers and intermediaries connected to Mossack Fonseca. In the past six months, more than 570 requests for information have been sent to 32 countries. India has also sent several requests for information to various jurisdictions in the Panama Paper cases since the last meeting in January 2017.

JITSIC members have established the capability to allow for fast, effective and coordinated multilateral responses to any future data leaks and are sharing the same. JITSIC will continue to identify more arrangements as countries continue their investigations and share intelligence and new data comes to light. Collaboration with JITSIC has been useful for India in its fight against offshore tax evasion.

## **RESERVE BANK OF INDIA**

### **Exim Bank's Government of India supported Line of Credit of USD 24.54 million to the Government of the Republic of Ghana**

Export-Import Bank of India (Exim Bank) has entered into an agreement on November 22, 2016 with the Government of the Republic of Ghana for making available to the latter, a Government of India supported Line of Credit (LoC) of USD 24.54 million (USD Twenty four million and five hundred forty thousand only) for the purpose of financing sugarcane development and irrigation project in the Republic of Ghana. The credit is available for financing export of eligible goods and services from India for the purpose of financing sugarcane development and irrigation project in terms of the agreement and those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this agreement. The goods include plant, machinery and equipment and services include consultancy services. Out of the total credit by Exim Bank under this agreement, goods and services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India and the remaining 25 per cent of goods and services may be procured by the seller for the purpose of the eligible contract from outside India.

2. The Agreement under the LoC is effective from July 07, 2017. Under the LoC, the terminal utilization period is 60 months after the scheduled completion date of the project.

3. Shipments under the LoC will have to be declared on Export Declaration Form as per instructions issued by the Reserve Bank from time to time.

4. No agency commission is payable for export under the above LoC. However, if required, the exporter may use its own resources or utilize balances in its Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category- I) banks may allow such remittance after realization of full eligible value of export subject to compliance with the extant instructions for payment of agency commission.

5. AD Category- I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the LoC from the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or from their website [www.eximbankindia.in](http://www.eximbankindia.in)

6. The directions contained in this circular have been issued under Section 10(4) and Section 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.

Yours faithfully,

(J K Pandey)  
Chief General Manager