

Deficit widens to 5-yr high

■ Petroleum sector has helped exports hit double digit growth for the month

AGE CORRESPONDENT
NEW DELHI, JULY 13

Despite exports growing by 17.57 per cent in June, India saw its trade deficit, which widened to \$16.6 billion in June, surge to a five-year high due to surge in oil prices and a weaker rupee.

While overall imports grew at a rate of 21.31 per cent, crude oil imports, which is set to become a headache, rose 56.61 per cent to \$12.73 billion.

According to the commerce ministry's data, India's total imports stood at \$44.3 billion for the month while the exports stood at \$27.7 billion.

However, gold imports in June dipped by about 3 per cent to \$2.38 billion.

"Our export focussed ini-

TRADE DATA

■ The depreciating rupee and a widening trade deficit pose a challenge for Prime Minister Narendra Modi, who is aiming to boost economic growth ahead of national elections, due early next year



Oil has played a spoilsport in both imports and exports. It has incrementally added \$1.23 billion on imports and simultaneously a reduction in petroleum exports has been of \$1.17 billion on month

— SHUBHADA RAO,
Chief economist, Yes Bank

tiatives continue to bear fruit," said commerce minister Suresh Prabhu on double digit growth in exports.

Federation of Indian Export Organisations (FIEO) president, Ganesh Kumar Gupta said that the exports data for the second month in a row for

the fiscal have shown double digit positive growth though the growth have receded during the month.

"MSME units particularly labour-intensive sectors such as RMG of all textiles, agri products, jute manufacturing including floor covering, leather and leather products and gems

and jewellery are still showing modest growth or are into negative territory," said Mr Gupta.

The FIEO chief said that yet again cushioning has been provided by the petroleum sector; as it not only outperformed all other sectors but has also helped the exports sector

to continue on its double digit growth trajectory.

Mr Gupta also expressed his concern on the rising trade deficit, primarily on account of swelling of crude imports bill due to rising global oil prices, which have further added to inflationary conditions and the current account deficit.

He added that on domestic front, key issues like access and cost of credit especially for MSMEs should be looked immediately as global challenges and increasing protectionism, have already added to the problems of the exporters. FIEO also urges the government to soon come out with WTO compliant export strategy to give a boost to country's exports sector.

Maharashtra CM Blames NGOs for Protests Against Refinery

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Mumbai: Maharashtra Chief Minister Devendra Fadnavis on Friday said that several villagers had consented to give their land for the planned oil refinery project in Ratnagiri before protests started, allegedly after some not-for-profit organisations interfered.

The Centre plans to build a refinery-cum-petrochemical complex at Nanar in Ratnagiri in collaboration with Saudi oil giant Aramco.

When completed, it will be the largest single-location refinery complex in the world. But the plan is facing stiff opposition from the locals as well as some political parties.

Fadnavis said even the Shiv Sena was taken on board before the project was initiated, but the party turned against it later.



STATE'S STAND

Fadnavis said the govt would give point-by-point answer to Opposition and stakeholders opposing the project

“We had numerous meetings with the local people — we met representatives of the local people with whom we negotiated about the process of land acquisition and all their demands were accepted by the state. The only issue was the compensation. The villagers wanted to know the compensation for their land and we said we would announce in one month’s time,” Fadnavis said in the Maharashtra Assembly during a debate on the Nanar issue. “However, later certain NGOs approached the villagers and told them that mango cultivation would be affected and that the whole land would turn barren, following which there was protests.”

Of the total land requirement of 15,000 acres, the state government had managed to get consent letters for 2,500 acres before the protests broke out.

Trade deficit soars to five-year high

By **Mail Today Bureau** in New Delhi

THE country's trade deficit widened to its highest level in more than five years in June, driven largely by a surge in oil prices and a weaker rupee, according to official figures released on Friday.

Though merchandise exports rose 17.57 per cent year-on-year in June, the trade deficit widened to \$16.6 billion from \$14.62 billion in May. Oil imports rose by a staggering 56.61 per cent to \$12.73 billion.

India's oil import bill, the world's third biggest crude

importer, rose sharply with global oil prices amid concerns that U.S. sanctions against Iran would remove a substantial volume of crude oil from the world markets.

Oil imports during April- June 2018-19 were valued at USD 34.64 billion which was 49.44 per cent higher as compared to the same period last year.

Overall goods imports rose by 21.31 per cent to USD 44.3 billion during the month, according to the data released by the commerce ministry. Gold imports in June dipped by about 3 per cent to USD 2.38 billion

The trade deficit in June 2018 is the highest since November 2014 when the gap was USD 16.86 billion. The deficit in June 2017 stood at USD 12.96 billion.

During April-June this fiscal, exports rose by 14.21 per cent to USD 82.47 billion. Exports of petroleum products, chemicals, pharmaceuticals, gems and jewellery, and engineering goods registered a positive growth.

However, shipments of textiles, leather, marine products, poultry, cashew, rice and coffee recorded negative growth.

Federation of Indian Export Organisations president Ganesh Gupta expressed concern over rising trade deficit.

Oil imports shoot up 49% in April-June

Govt OKs Iran bank in Mumbai before US sanctions

SUNNY VERMA
NEW DELHI, JULY 13

JUST WEEKS before US sanctions on Iran begin, the Centre has approved a proposal from Iranian private lender Bank Pasargad to open a branch in Mumbai, it is learnt. The Finance Ministry has conveyed to the RBI that it has no objection to allowing the Tehran-based Bank Pasargad to open its branch in India.

The clearance to the Iranian bank comes amidst the US announcing sanctions and asking other countries to minimise oil purchases from Iran. The first US sanctions on Iran will start from August 6 and a second set will begin from November 4.

The Federation of Indian Export Organisations had earlier approached the RBI suggesting that they should allow the entry of Iranian banks into India to facilitate bilateral trade. Apart from

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Iran bank branch

the Iranian Bank, branch licence proposals of two South Korean banks, KEB Hana Bank and Kookmin Bank, have also been approved by the Centre, sources said.

After the RBI gives its first internal clearance to a foreign bank branch proposal, it is vetted by a committee comprising senior officials of the ministries of Finance, Commerce, External Affairs and Home Affairs. Clearance from each ministry is required before the RBI issues a licence to a foreign bank.

In the wake of US sanctions, India may explore the possibility of reviving the rupee-rial arrangement to import oil from Iran that it has used in the past. The presence of an Iranian bank in India will open up a significant financial channel that will ensure the smooth flow of funds between the two countries. India imports a large quantity of oil from Iran and has committed an investment of \$500 million for the development of the crucial Chabahar port.

The rupee-rial arrangement was used to buy oil from Iran before US sanctions were lifted against it three years ago. Under this mechanism, India paid in Euros to clear 55 per cent of its dues, while the remaining 45 per cent payment was remitted in rupees into accounts Iranian oil companies had with UCO Bank.

Sources said two banks from Iran, Bank Pasargad and Parsian Bank, had applied to set up maiden branches in India, while another Iranian lender, Saman Bank, had sent an application to set up a representative office. The government has so far cleared only the Tehran Stock Exchange-listed Bank Pasargad's proposal for a branch in Mumbai, while the other Iranian banks' plans are yet to get the green light, sources said.

Apart from the Iranian bank, the Centre has approved South Korean KEB Hana Bank's proposal to open its second branch in Gurugram and Kookmin Bank's request to convert its representative office in Gurugram into a branch. The government has also rejected an application from Malaysia's Maybank to open a branch in India for the second time, sources said.

At least 14 foreign banks applied to the RBI last year to open branches across the country. Apart from the Iranian banks, two Chinese banks, four banks from South Korea, and two from the Netherlands have applied to set up branches and wholly-owned subsidiaries in India. One bank each from the Czech Republic, Sri Lanka and Malaysia have also applied to open branches.

Russia says may step up oil production

REUTERS
Moscow, July 13

RUSSIA AND OTHER leading oil producers may boost output further if supply shortages hit the global market, Russian energy minister Alexander Novak said on Friday.

The expected drop in Iranian crude exports this year due to renewed US sanctions, coupled with a decline in Venezuela's production and outages in Libya, Canada and the North Sea have driven oil prices to their highest since 2014 in recent weeks.

Opec and other key producers including Russia responded to the tightness by easing a supply-cut agreement in June.

The deal effectively increases combined oil output by 1 million barrels per day (bpd), of which Russia's share stands at 200,000 bpd.

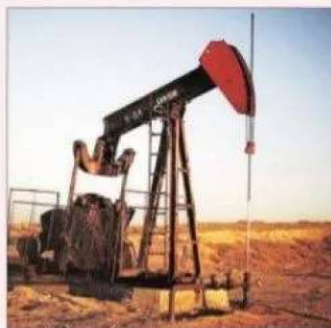
"If we need more than 1 million bpd, I don't rule out that we can quickly discuss it and make a quick decision," Novak told reporters, adding that the leading oil producers can get together and discuss the market situation at a teleconference.

He also said Russia may surpass the 200,000 level of increases if there is a need for it.

The International Energy Agency said on Thursday that there were already "very welcome" signs that output from leading producers had been boosted and may reach a record.

The global energy watchdog, however, said the disruptions underscored the pressure on global supplies as the world's spare production capacity cushion "might be stretched to the limit".

Novak said higher crude prices this year would add 2.5 trillion roubles (\$40.14 billion) to state coffers this year.



JP Morgan raises oil price outlook

INVESTMENT BANK JP Morgan on Friday raised its outlook for oil prices, but lowered its forecast for global crude demand-growth this year amid increasing uncertainty over international trade. The US bank said prices for Brent crude, the international benchmark for oil markets, would average \$70 per barrel in both 2018 and 2019, up from an earlier forecast of \$65 and \$60 per barrel, respectively. Brent stood at around \$74 on Friday. "Uncertainty around actual Opec production increases, current budget constraints and sanction effects could mean near-term oil prices remain elevated," the bank's European equity research team said in a note. Opec in June agreed on modest increases in oil production starting in July but it is not yet clear how those will pan out. — REUTERS

In tightrope walk, India schedules talks with Iran and U.S.

Washington to reimpose curbs on Tehran from August 6, wants all countries to stop their oil imports; Iran clarifies that it understands India's difficulties

SUHASINI HAIDAR
NEW DELHI

Ahead of the first set of U.S. sanctions on Iran kicking in on August 6, the Union government is planning to hold talks with senior Iranian and American officials back-to-back next week. On Monday, Iranian Deputy Foreign Minister Seyed Abbas Araghchi will meet External Affairs Ministry officials. On Tuesday, a U.S. team headed by a senior Treasury Department official will hold meetings with Indian officials to discuss India's options and concerns, government sources have confirmed.

The U.S. team, led by Assistant Secretary for Terrorist Financing Marshall Billingslea, has senior diplomats, including State Department Deputy Assistant Secretary for Near Eastern Affairs Andrew Peek, energy officials as well as counter-terrorism officials, and will be in Delhi as part of a U.S. outreach to several countries to convince them to cut down oil imports from Iran to "zero" as well as cut off trade ties.

In a bind

India appears to be caught in a catch-22 situation vis-a-vis its relations with Iran and the U.S.



- India is the second largest buyer of Iranian crude last year, second only to China

- The U.S. sanctions on Iran in order to isolate it after the Trump administration withdrew from the multilateral nuclear deal, have brought back into focus India's trade relations with the country

- For India, its decisions on procuring Iranian crude will have a cascading effect on its bilateral relations with both Iran and the U.S.

- If it ignores U.S. pressure, it could invite sanctions of its all-powerful friend and defence partner

- If India caves in to U.S. diplomatic pressure to cut its imports of Iranian crude to zero by November 4, it risks its relationship with its traditional partner Iran, as well as access to important trade routes through the Chabahar port and the International North South Transport Corridor, as well as its international reputation

This would be the "first face-to-face meeting with the U.S. since sanctions were reimposed", a government official told *The Hindu*, adding that the two sides would exchange "perspectives as friends" on the issue.

However, both Mr. Billingslea and Mr. Peek, a former U.S. military intelligence officer, are presidential appointees, served on U.S. President Donald Trump's transition team, and are known for their hardline views on Iran.

Mr. Araghchi was part of

the team of negotiators of the multilateral nuclear deal with Iran, JCPOA, which the U.S. withdrew from in May. Last month, he had warned that Iran could also exit the JCPOA, without sufficient guarantees from the European Union, adding that the deal was now in the "Intensive Care Unit" (ICU), and is likely to ask India for assurances that it will not accede to U.S. pressure.

This week, Iran's deputy envoy had warned that India would face a "deprivation of all other privileges Iran has

offered to India" if it chose to replace Iranian oil from other sources, although he clarified later that Iran understands India's "difficulties" with its energy choices and respected its sovereign right to choose partners.

Terror on agenda

According to officials privy to the U.S. team's agenda, Iran's role in supporting terror groups in West Asia would be brought up strongly, and they will highlight the U.S.'s support to India on fighting terror.

Earlier this month, Mr. Billingslea took over as the President of the Financial Action Task Force (FATF), where the U.S. was responsible for a decision to "grey-list" Pakistan for supporting the LeT and JeM among other terror groups.

"India tells us fighting cross-border terror is a priority. Then it must also take U.S. concerns about Iran as a state sponsor of terror and major cause of middle east instability into account," a diplomat said.

The visit comes close on the heels of U.S. envoy Nikki Haley's trip to Delhi where she met Prime Minister Narendra Modi, calling for India to "revise" its relationship with Iran, while a State department said the U.S. would make no exceptions to countries continuing to deal with Iran.

A senior official said India would seek a waiver from sanctions for its investment in the Chabahar port.

The first set of U.S. sanctions will target Iran's automotive sector, trade in gold, and other key metals.

India seeks Lanka help for JVs

Foreign Secretary tells leaders that India wants swift completion of projects

MEERA SRINIVASAN
COLOMBO

India has sought Sri Lanka's cooperation in swift completion of joint ventures, amid anxiety in South Block over apparent delays in taking India-assisted projects in the island forward.

Foreign Secretary Vijay Gokhale, here on a one-day visit, called on President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe on Friday, and conveyed Prime Minister Narendra Modi's keen interest in seeing the projects expedited, sources said.

The talks, both with Mr. Sirisena and Mr. Wickremesinghe, were largely focussed on key Indian projects, such as the proposed joint ven-

ture to run the Mattala airport in the island's Southern Province; an LNG terminal near Colombo, and the joint development of the oil storage facility in the eastern port town of Trincomalee, *The Hindu* learns.

Earlier this month, Minister of Transport and Civil Aviation Nimal Siripala De Silva told Parliament that India had offered to help revive and run the loss-making airport near Hambantota, where China has a 99-year-old lease on a huge port, and discussions were on to finalise the joint venture.

However, New Delhi has been concerned about the pace at which the projects are moving and has conveyed that on different occa-

sions in the past. This is Mr. Gokhale's first visit to Sri Lanka after he assumed charge as Foreign Secretary in January. Mr. Gokhale urged Sri Lankan authorities to keep "India's interests in mind", even as he pledged further support to partner Sri Lanka not just in the economic front, but also in the spheres of culture and spirituality, a top government source told *The Hindu*.

Avenues of investment

He said India was willing to explore avenues for further investment, including in the war-affected north and east. India's ongoing housing programme – India is building about 60,000 houses in the island – figured in the dis-

cussion between Mr. Gokhale and Mr. Wickremesinghe, a source in the Prime Minister's Office said. "India has also offered assistance to build roads and highways," the source said.

Leader of Opposition and veteran Tamil politician R. Sampanthan met Mr. Gokhale, and sought India's push to the new Constitution. Expressing concern over the delayed attempt at drafting a new Constitution, he told the visiting Foreign Secretary that the Tamils looked up to India, which had been a party to the Indo-Lanka Accord of 1987, that recommended devolving some power to the provinces, including Tamil-majority areas.