

## Daily Economic News Summary: 20 June 2017

### **1. Donald Trump, Narendra Modi willing to break with past practice: Expert**

**Source: The Economic Times ([Link](#))**

The meeting between Prime Minister Narendra Modi and US President Donald Trump would set the tone and the framework for the bilateral relationship going forward, a leading expert on India and Asia has said. "The two leaders will have a chance to get to know each other and to find some common ground on the way they look at the world and a common strategic view that would set the framework on how the two governments pursue the relationship going forward," Senior Fellow for India with the Asia Society Policy Institute (ASPI) Marshall Bouton told PTI. Bouton, a nationally known expert on India and Asia, said the first meeting between Trump and Modi in Washington on June 26 will be "all about setting the tone and the framework for the relationship going forward" but he does not expect the meeting to be "big bang." ...Listing the priority areas for the first Modi-Trump meeting, Bouton said the two leaders must begin by emphasizing the strongest areas of mutual interest, which are clearly security and terrorism issues. He noted that the Trump administration has not yet articulated with India its role in the broader Asia-Pacific region, importance of the US-India partnership over the next two-three decades of bringing stability and peace to Asia and India's "absolutely critical" role in accomplishing that.

### **2. Ahead of Modi's visit, US lawmakers ask India to rethink price cap on stents**

**Source: The Hindu: Business Line ([Link](#))**

A group of US lawmakers has backed medical device makers by urging India to reconsider its decision to cap prices of heart stents, raising the issue ahead of Prime Minister Narendra Modi's visit to the United States later this week. In a letter sent to the Indian ambassador to Washington last month, and seen by Reuters, 18 members of Congress said they were "troubled" by the price cap, warning that it could deter firms from launching new medical products in India. Modi's government has in recent years capped prices of hundreds of life-saving drugs to make them more affordable. And in February, it imposed a 75 per cent price cut for certain heart stents - wire mesh tubes used to treat blocked arteries. The government justified its action by citing "huge unethical markups". But global medical device makers have protested the new cap, with some saying it would force them to sell below cost. The US lawmakers warned that people would be denied access

to the latest medical advances if companies backed away from India's \$5 billion medical-technology market. "The sudden and unprecedented nature of the decision threatens citizens' access to the newest and most innovative medical technologies and raises strong concerns about the business environment in India," they said in the May 22 letter, which has not previously been made public.

### **3. Fewer concerns of GST being inflationary: Development Bank of Singapore**

**Source: Financial Express ([Link](#))**

There were fewer concerns the Goods and Services Tax rollout in India will be inflationary as most essential goods and services have been exempted from the new regime, the Development Bank of Singapore said today. The reform is set to be implemented from July 1 and will subsume most of other levies like exercise and service tax, and bring the country under a single taxation regime. The Development Bank of Singapore (DBS) said in its economic report on India that the tax incidence is "likely to rise mainly on selected service sector categories" after the GST is implemented. "(And) even if price increases lift these service indices by 10 per cent, headline Consumer Price Index inflation will only rise by 20 basis points," it said adding that if producers pass on partial or full benefits of the reduced taxes inflation might soften by 20-40 basis points over the year. According to the bank, inventory clearances were already seeing prices fall across different segments ahead of the GST rollout. In addition to favourable supply dynamics, the risks of demand-pull inflation appear benign. The bank said the economic impact of demonetisation reduced the Gross Domestic Product (GDP) growth to 6.1 per cent year-on-year in first quarter of 2017, down from 7 per cent in the fourth quarter of last year, and the resultant disinflationary pressures had lowered core inflation from 5 per cent in January 2017 to 4.3 per cent by May 2017.

### **4. India plans SAARC meet for startups to promote interaction: Nirmala**

**Source: Business Standard ([Link](#))**

India is planning to organise a meet of startups of the South Asian region for the exchange of new ideas and promoting interaction among them. Commerce and Industry Minister Nirmala Sitharaman also sought views of Indian startups to hold this programme. "I will be working towards having a SAARC (South Asian Association for Regional Cooperation) country meet

for startups. There are so many complementarities among us in the South Asian region," she said while launching a startup India hub portal here. She said the event can act as a platform for exchanging which can be mutually beneficial and can be worked out. She asked startups to give ideas about the people who can be invited for the meet. If the ministry gets feedback and suggestions in the next couple of months, by December the meet can happen in which SAARC country startups can come to India and share ideas. SAARC members are Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan and Sri Lanka. Further, to promote the startup ecosystem in the country, Sitharaman would write to all the Member of Parliaments to help budding entrepreneurs. Citing an example, the minister said she used her Members of Parliament Local Area Development Scheme (MPLADS) fund to create a co-working space for startups in Mangalore...She added that the ministry is working on modalities to facilitate the exchange of ideas between startups of India and Germany.

#### **5. India pitches for greater engagement with BRICS nations**

**Source: The Economic Times ([Link](#))**

India today pitched for a greater engagement with BRICS nations which have steadily expanded its agenda from financial matters to security and counter terrorism issues facing the international community. Addressing the BRICS Foreign Ministers meeting here, Minister of State for External Affairs General V K Singh said BRICS countries have reached significant understanding on security and counter terrorism issues. "Besides cooperating on financial issues, the BRICS agenda has witnessed steady expansion," he said. "BRICS joint working group mechanism has concluded in May 2017," Singh said, adding the National Security Advisors (NSAs) of BRICS countries are due to meet next month ahead of this year's summit of the bloc to be held in China's Xiamen city in September...Singh, who held a bilateral meeting with Chinese Foreign Minister Wang Yi yesterday, said India attached great importance to BRICS (Brazil, Russia, India, China and South Africa) and "(we) continue to work closely with all our partners with mutual trust, respect and transparency to further enhance our bonds". "Prime Minister Narendra Modi had laid special emphasis on people-to-people exchanges in the BRICS process," he said.

## **6. Govt unveils Energy Conservation Building Code**

**Source: The Hindu: Business Line ([Link](#))**

The government has launched an updated version of Energy Conservation Building Code on Monday that provides for current as well as futuristic advancements in building technology to further reduce building energy consumption and promote low-carbon growth. Speaking at the launch of Energy Conservation Building Code 2017, Minister of State (Independent Charge), Coal, Power, Renewable Energy and Mines, Piyush Goyal, said, “I have recommended that all new buildings and offices in the future be SuperECBC and Net Zero Energy Buildings.” The government expects that energy consumption will be reduced by 50 per cent by 2030, with the launch of the new code.

## **7. India ratifies United Nations TRI Convention**

**Source: Business Standard ([Link](#))**

India on Monday said it had ratified the United Nations TIR (Transports Internationaux Routiers) Convention, a move that would ensure a secured supply chain and boost trade. The accession to the TIR Convention is part of India’s multi-modal transport strategy that aims to integrate the economy with global and regional production networks through better connectivity. Managed and developed by International Road Transport Union (IRU), the world road transport organisation, TIR is the global standard for goods customs transit. The decision had put India and its neighbours at the centre of efforts to increase overland trade and regional integration across South Asia and beyond, fast-tracking the region’s potential to become a strategic trade hub, IRU said in a statement. In March this year, Union Cabinet had given its approval to India’s accession to the Customs Convention on International Transport of Goods under cover of TIR Carnets (TIR Convention) and for completion of necessary procedures for ratification, for its entry into force. IRU Secretary General Umberto de Pretto said: “I am delighted to welcome India into the TIR family of nations. This is an important step in harmonising standards and boosting transport, trade and development across South Asia.” “We look forward to working closely with the Indian government and business community as we turn our attention now to implementing the TIR system,” he added. TIR will be critical in helping India implement the World Trade Organization’s Trade Facilitation Agreement, which it entered into this year.

### **8. India's EXIM container trade volumes growth slowed down in Jan-March**

**Source: The Economic Times ([Link](#))**

India's EXIM container trade volumes growth slowed down in Jan-March due to a short-term decline in imports, said a trade report by A.P. Moller-Maersk. "India's EXIM container trade volumes have grown by 7 per cent in the first quarter of 2017 as compared to 10 per cent in the same period last year. The slowdown has been due to a short-term decline in imports," the operator of the world's biggest container line said in the report. While container export volumes registered a growth of 8 per cent in the quarter, same as the year before, import growth volumes declined to 5 per cent against 13 per cent in the corresponding period last year, the report said. Trade with Europe remained flat. Exports to countries like Algeria, Italy and Spain increased by 48 per cent, 10 per cent and 9 per cent respectively; Algeria saw a rise in beef and auto imports from India which led to this substantial increase. However, demand for Indian garments, fruit and nuts dipped sharply in major markets like the UK, Germany and France, according to the report. On imports, while automobiles and wood pulp from Germany, Chemicals from Belgium, marble and other stones from Italy, appliances and kitchenware from Turkey and finally papers, plastics and rubber from Spain increased, paper and iron/steel scrap from the United Kingdom, metals and chemicals from Russia and metal scrap from Netherlands registered negative growth.

### **9. US eases rules for Indian seafood export**

**Source: Business Standard ([Link](#))**

The Food and Drug Administration (FDA) in the USA has issued a list of 140-odd Indian seafood exporting entities to be excluded from that country's restrictive 'Detention Without Physical Examination (DWPE)' ambit. US import in 2016-17 was 1,88,617 tonnes of Indian seafood, amounting to \$5.8 billion or nearly Rs 38,000 crore, about 22.7 per cent more in quantity over the previous year and 30 per cent in dollars. "The names of exporters in the list are exempted from detention but are subject to random examination by the US authorities and the list is revised from time to time," said the spokesman of a large exporting company. "Districts may detain, without physical examination, all fresh (raw), fresh frozen, and cooked shrimp from India, except shipments from those firms listed as exempt in the Green List to this alert," the FDA said. This positive development for Indian entities comes when the American Shrimp Processors Association has named India, Indonesia, Thailand, Vietnam, Mexico, China and Malaysia among 13 countries

with which the US ran a significant overall shrimp trade deficit in 2016. Similarly, the International Trade Commission of the US government had unanimously voted to extend the current anti-dumping orders on shrimp coming from China, India, Thailand and Vietnam for an additional five years, to save their domestic industry.

#### **10. India top exporter of information, computer, telecom services**

**Source: The Economic Times ([Link](#))**

The World Intellectual Property Organisation (WIPO) has ranked India as the top global exporter of information, computer and telecommunications (ICT) services. The WIPO's Global Innovation Index (GII) for 2017 released on Wednesday, ranked India 60 for innovation, up from 66 last year. "We see the rise of India, which is doing increasingly well along many metrics," said the report's co-editor, Soumitra Dutta, who is the dean of the SC Johnson College of Business at Cornell University, New York, at a Geneva news conference. The index, which was prepared by the WIPO in association with Cornell University and INSEAD, the France-based business school, said: "India has shown improvement in most areas, including in infrastructure, business sophistication, knowledge and technology and creative outputs." The GII, which covers 130 countries, gave the overall top spot to Switzerland, followed by Sweden, Netherlands and the US, while China claimed the 22nd rank. India's performance and rankings in individual areas that go to make up the overall standings paint a picture of stark contrasts.

#### **11. Natural calamities in Asia, Pacific threat to infra: ADB**

**Source: The Economic Times ([Link](#))**

Asia and Pacific countries, including India, Sri Lanka and Bangladesh, need to thwart challenges posed by natural calamities that have been taking toll on their infrastructure, ADB has said. They will have to find solution in greener infrastructure to restrict global mean temperature rise, it said. Shattered rail links, fractured roads, broken power lines and ruined water wells are the "distressing facts of life" for many communities in Asia and Pacific, despite countries in the region investing higher than ever on infrastructure, ADB said in an article. It said: "Increasingly, climate change is the culprit. Its impacts include stronger and more frequent natural disasters, like the deadly floods and landslides that recently affected Bangladesh, India, and Sri Lanka...India's future infrastructure investment requirements rise to 8.8 per cent of the gross domestic product (GDP) when adjusted for climate resilience, the Asian Development Bank (ADB) said.

## **12. From 11% to 2.2%... explain vanishing India inflation**

**Source: The Economic Times ([Link](#))**

Four years ago Indian inflation was running at more than 11 percent. Now it's melted to a record low 2.2 percent, below Mexico, Turkey and the U.K., as the central bank's battle against price pressures gains traction. The slide has prompted the Reserve Bank of India, led by Urjit Patel, to slashed its inflation forecasts and led one members of its six-person monetary policy committee to break ranks at its June 6 announcement, stoking market speculation the bank could next cut rates, perhaps as early as August...Economists say cyclical or temporary issues like a stronger currency and weaker domestic demand, combined with structural factors such as better food management by Prime Minister Narendra Modi's government are in play. There are risks the cyclical factors could easily unwind, but for now, economists increasingly see structural factors winning out. Inflation is expected to hug the lower band of the RBI's 2 percent to 3.5 percent forecast for the first half of the financial year ending in March and remain below the 3.5 percent to 4.5 percent target for the second half. To be sure, India is benefiting from subdued inflation globally, especially in oil, the country's biggest import. Along with a 5.4 percent rise in the rupee this year, the cost of imports have been held in check. Crucially, inflation expectations are becoming anchored...Radhika Rao, a Singapore-based economist at DBS Group, expects inflation to be below 2 percent for June, July and possibly August and only come within the 4 percent target by the March 2018 quarter. That will be nearly 100 basis points lower than the 5 percent estimate the RBI made in April...Last month, India also moved to new base year to calculate wholesale prices, bringing it in line with the 2012 base year of the consumer price index. This will reduce volatility in wholesale prices and provide a clearer signal for the RBI, said Soumya Kanti Ghosh, group chief economic adviser at State Bank of India the country's largest bank. Meanwhile, Bloomberg Intelligence economist Abhishek Gupta says that a raft of structural reforms, from the introduction of the goods and sales tax on July 1, to easier foreign direct investment rules, should boost India's growth potential over the longer term.