

## Daily Economic News Summary: 12 June 2018

### **1. PM Modi Wants Indian Railways To Execute Rs 78,000 Crore Signalling Project With 'Make In India' In Focus**

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

Prime Minister Narendra Modi has asked the railways to use technology developed through "Make in India" for its ambitious Rs 78,000-crore new signalling project, Railway Minister Piyush Goyal said on June 11 adding that the national transporter was assessing the delay it could cause in overhauling the century-old system. In an interview to PTI, Goyal said the prime minister had made suggestions on two projects of the railways signalling and electrification at a meeting held earlier this year. "Keeping in mind the Make in India initiative and the fact that three Indian companies are already trying to develop the signalling system, he (Modi) suggested that we should consider indigenous technology also and in case it is found suitable, we should give preference to it," he said. Asked whether waiting for indigenous technology to be developed would delay the project, Goyal said, "That is what we need to assess and report back to the prime minister." He said there was also an option to involve international as well as domestic players and use the former for urgent requirements.

### **2. US Visit: Suresh Prabhu To Walk A Tightrope**

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

The two-day US visit of commerce and industry minister Suresh Prabhu, his first such high-level engagement since the US slapped duties on Indian steel and aluminium, is unlikely to be easy, as both the sides have so far not shown any conciliatory approach after US President Donald Trump raised the prospect of a global trade war earlier this year. Prabhu's visit commenced on June 11. While Prabhu will impress upon the US to exempt India from taxes on metals and relax a visa regime for foreign skilled professionals, especially those in IT, the US is expected to insist that India improve market access to American products, especially in agriculture, to restore trade balance and remove price curbs on medical equipment as well as a 50% duty on imports of new, fully-assembled Harley Davidson bikes. Nevertheless, the visit creates scope for both the countries to tone down the trade tussle, an official source told FE. The minister is expected to ask the US to

de-link a special tariff regime (generalised system of preference or GSP) that the US offers to some poor and developing countries, including India, from talks on greater market access. He will also invite US companies to make civil and defence aircraft in India.

### **3. Delhi, West Bengal Among Four States Yet To Give Nod To Modicare**

**Source: Livemint ([Link](#))**

Four states not ruled by the Bharatiya Janata Party (BJP)—Delhi, Odisha, Punjab and West Bengal are yet to give their nod to the implementation of the National Health Protection Mission (NHPM), according to a senior health ministry official. The ministry is in the process of signing memorandums of understanding (MoUs) with a majority of states for the implementation of the NHPM. Eight states and four Union territories have already signed the MoUs for the health mission, dubbed Modicare, which is the world's largest health insurance scheme and is expected to be rolled out soon. These include Himachal Pradesh, Haryana, Jammu and Kashmir and Uttarakhand and Chandigarh. "The programme will change the healthcare landscape in the country. We are moving according to the timelines for implementing the Ayushman Bharat-Pradhan Mantri Rashtriya Swasthya Suraksha Mission. We shall sign MoUs with 14 states on 14 June. West Bengal and Delhi have not yet given confirmation but consultations are on with all the states," said Union health minister J.P. Nadda "When the MoUs are signed, the states will be committed to implementing the NHPM," he said.

### **4. Wait For Bullet Train May Get Longer, India Likely To Miss December Target**

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

India is set to miss a December deadline to acquire land for a Japan-backed \$17 billion bullet train project following protests by fruit growers, government officials said, likely delaying one of Prime Minister Narendra Modi's most ambitious projects. Modi's office is now monitoring the project week-to-week, as Indian officials seek to reassure Tokyo that the hurdles can be overcome through intense negotiations with sapota and mango growers in Maharashtra. Protests, backed by local politicians, have flared up in recent months against attempts to secure sections of a 108-km stretch, which is around one-fifth of the entire bullet train corridor connecting Mumbai with Ahmedabad, the largest commercial city in Modi's home state Gujarat. "I've worked hard for three decades to

develop this plantation, and they are asking me to hand over this land," sapota farmer Dashrat Purav, 62, said as he showed his orchard in the town of Palghar, a three-hour-drive north of Mumbai. Purav said he would sell his land only if at least one of his two unemployed sons was promised a government job. Protests against land acquisitions are common in India, where tens of millions of farmers till small holdings. A planned \$44 billion refinery to be run by a consortium including Saudi Aramco, the world's biggest oil producer, is also struggling to secure land in Maharashtra.

### **5. Stressed Projects: Govt Mulls Larger, Multi-Sector Plan**

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

The government has moved into the fast lane in resolving the vexed issue of large stressed assets in the power sector. Seizing the opportunity presented by a recent order by the Allahabad High Court which gave temporary impunity to a clutch of power projects from the Reserve Bank of India's (RBI) February 12 circular mandating early detection and resolution of stressed assets by banks, interim finance minister Piyush Goyal and power minister RK Singh on June 11 confabulated on the immediate course of action in this regard. While the central bank hasn't yet indicated any relaxation of its circular, the finance ministry, sources said, would soon write to it and other stakeholders, including power producers, convening a meeting to find a resolution. Even as the meeting will be aimed at addressing power sector issues, it could potential help find a common resolution plan as well for other sensitive sectors, including steel and textiles, that are reeling under massive bad loans, the sources added. Giving relief to the petitioner power projects which are facing the threat of being pushed into insolvency proceedings, the court had ordered that no action be taken in their cases under the RBI circular till the finance ministry called a meeting of relevant stakeholders in June to see if the issues could be resolved.

### **6. China, Russia Back India On Protecting Traditional Knowhow**

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

China and Russia have backed India's move to revive talks at the World Trade Organization (WTO) to strengthen global norms to protect traditional knowledge from bio piracy and reckless patenting by corporates. The two major economic powers are among those that gave their go-ahead

during a brainstorming session on the rampant commercial exploitation of natural products by obtaining patents without fairly compensating the communities from which these knowledges originate. “There was strong support for India's initiative on this issue from China, Brazil, Indonesia and Russia,” said an official in the know of the development. While China has a keen interest in the subject, Brazil is said to be open to a plurilateral agreement on this issue. The United States, Korea and Japan are opposed to stronger norms to protect traditional knowledge and folklore. “Many options were suggested. Some were of the view that countries should go ahead even without the US,” the official added. The session which took place on June 7-8, was led by India to revive discussions at the World Trade Organization (WTO) to prevent theft of traditional knowledge. It was cosponsored by Brazil, Indonesia and South Africa.

## **7. Walmart, Flipkart Are Facing Roadblocks After A Month Of Signing Deal**

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

A month after signing the biggest e-commerce deal in the world, Walmart and Flipkart are facing roadblocks that could drastically change the contours of the transaction. If the Competition Commission of India (CCI) suggests structural changes in the Walmart-Flipkart deal, as indicated by officials, there could be three options before the American retail giant, sources said. One of the options for Walmart could be to not accept the structural changes suggested by the fair trade regulator, and back out of the deal. The second option could be to renegotiate the deal at a lower valuation. And the third could be challenging the CCI ruling in the courts. Although there's no evidence yet, the Bentonville-based retailer could attempt a solo entry into the Indian e-commerce space, quite like what rival Amazon did five years ago, if Walmart's deal with Flipkart were to fall through, another source pointed out. On May 9, Walmart had announced its decision to buy 77 per cent in Flipkart for \$16 billion. Commenting on structural changes that CCI may ask for in the Walmart-Flipkart deal, Harish HV, Partner, India Leadership team, Grant Thornton India LLP, said, “this seems to be based on protests by wholesale traders to penalise the deal.” There is talk of asking Walmart to set up a fund to help support small retailers, he said.

## **8. Panasonic India To Diversify Portfolio Of Services**

**Source: Livemint ([Link](#))**

Panasonic India plans to evolve from selling consumer appliances such as a televisions or refrigerators to providing complete solutions for a house or community, said Manish Sharma, president and chief executive officer, Panasonic India and South Asia. Globally, 78% of Panasonic's revenue come from business-to-business (B2B) services such as providing storage solutions or smart solutions. This includes security and surveillance systems. However, the situation in India is the opposite, because of its legacy as a electronic appliances maker, said Sharma. For Panasonic India, consumer appliances, including mobile phones, accounts for 50% of its revenue. Including sales of group company Anchor Electricals Pvt. Ltd, it accounts for about 80% of revenue, said Sharma. In Japan, the company is also known to build houses and provide everything that a household requires, from living spaces to kitchen solutions. "In India, we will not build houses, but we are diversifying our portfolio of services," Sharma said.

## **9. These Two Are Not Getting Privatised Any Time Soon, Clarifies Modi Government**

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

The Narendra Modi government has clarified that Public Sector Banks and the Railways are not getting privatised. Although, the clarifications came a few months apart against different backdrops. Post the Nirav Modi fraud at the Punjab National Bank, the chorus to privatise PSU banks gained momentum and made the Finance Minister Arun Jaitley to clarify that parliamentarians would not favour the idea. "The issue of bank privatisation involves a large political consensus and involves an amendment to the law (Bank Nationalisation Act). My impression is that in Indian political opinion in the Parliament may not favour this idea," Arun Jaitley had said at an event on February 24. A similar assertion was made on June 11 by interim Finance Minister and Railway Minister Piyush Goyal for the lifeline of India the Railways. "Let me make it very clear that there are no plans to privatise railways, either now or ever," he said. Piyush Goyal made the clarification after the railway unions raised concerns over technological upgradation and modernisation of the sector being handed over to the private entities.

### **10. Govt May Launch Rs 5-Bn Credit Enhancement Fund In July: Finance Ministry**

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

The government is set launch a Rs 5-billion credit enhancement fund next month to facilitate infrastructure investments by insurance and pension funds, a senior finance ministry official said on June 11. The fund was first announced in the financial budget for fiscal year 2016-17. "India is launching a dedicated fund may be next month to provide credit enhancement for infrastructure projects which will help in upgrading credit ratings of bonds issued by infrastructure companies and facilitate investment from investors like pension and insurance funds," said Kumar Vinay Pratap, joint secretary (infrastructure, policy and finance), ministry of finance (MoF). He was speaking at an event here on private sector participation in resource mobilisation organised by the MoF. The initial corpus of the fund, to be sponsored by IIFCL (India Infrastructure Finance Company), will be Rs 5 bn, and it will operate as a non-banking finance company, he said. Pratap said there is a "mismatch" at present, where bonds floated by infrastructure finance firms are typically rated BBB, whereas regulatory agencies mandate a rating of at least 'AA' for investments by the long-term pension and insurance funds. He attributed the delay in fructification of the budget announcement to the time taken in amending the NBFC-CE (credit enhancement) notification by the Reserve Bank of India (RBI) and also getting all stakeholders together.

### **11. Donald Trump Accuses India Of Charging 100 Per Cent Tariff On Some Imports**

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

President Donald Trump has taken a swipe at India along with the world's other top economies and accused New Delhi of charging 100 per cent tariff on some of the US' goods, as he threatened to cut trade ties with countries who are robbing America. He also made a reference to India, indicating that his grievances on tariffs was not restricted to the developed economies alone. "This isn't just G7. I mean, we have India, where some of the tariffs are 100 per cent. A hundred per cent. And we charge nothing. We can't do that. And so we are talking to many countries," Trump said. Trump has repeatedly raked up the issue of India imposing high import duty on the iconic Harley-Davidson motorcycles and threatened to increase the import tariff on "thousands and thousands" of Indian motorcycles to the US.

## **12. Govt To Launch ₹500-Crore Credit Enhancement Fund**

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

The Asian Infrastructure and Investment Bank will take a 10 per cent equity stake in a ₹500-crore credit enhancement fund that seeks to raise investments in operational and stabilised infrastructure projects, a government official has said. China is the largest shareholder in AIIB. The dedicated fund will be set up as a non-banking finance company (NBFC) with IIFCL as lead sponsor and financial institutions and public-sector banks as shareholders, Dr Kumar V Prathap, Joint Secretary, Ministry of Finance, said in Mumbai on June 11 adding “AIIB is expected to take a 10 per cent equity in the credit enhancement fund”. The fund will be set up in July. The fund will help in raising credit rating of bonds issued by infrastructure companies and facilitate investment from long-term investors, Prathap said at the conference on ‘Private Sector Participation and Innovation in Resource Mobilisation’ organised by the Ministry of Finance and FICCI. Prathap said bond financing of infrastructure projects needs to be mainstreamed to deal with the asset-liability mismatch related to debt funding of public-private partnership (PPP) projects, mainly from banks.