

Daily Economic News Summary: 19 March 2018

1. WTO Dispute Settlement Mechanism under Threat

Source: Livemint ([Link](#))

Attempts are currently underway to downgrade the World Trade Organization (WTO)'s dispute settlement mechanism into a "non-binding" system to placate concerns raised by the US, in what could be a body blow to the multilateral trading system, said trade envoys familiar with the development. As trade ministers congregate on March 19 in New Delhi to address the "systemic challenges" facing the dispute settlement arm of the WTO, it remains to be seen whether the meeting can issue a clarion call to preserve the "binding" dispute settlement mechanism that is reckoned as the "jewel" in WTO's crown, said an African trade envoy, who asked not to be named. The WTO, after the washout in the ministerial meetings last year due to the uncompromising stance of the US, is struggling for legitimacy, especially with countries increasingly assuming a more conservative stance towards global trade. The US trade representative, ambassador Robert Lighthizer, had said unambiguously that Washington wants to go back to the old GATT practice of negotiating rulings. "There are number of areas (where) there is a broad agreement that the WTO dispute settlement system is deficient," Lighthizer told the Center for Strategic and International Studies in Washington DC on 21 September.

2. India Cannot Retaliate in Global Trade War: Assocham

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

An annual trade deficit of as much as \$150 billion with the US alone does not allow India room to retaliate in the event of a global trade war being unleashed by recent protectionist trends in the developed world, since the country's imports are mostly of an essential nature, industry chamber Assocham said on March 18. The Associated Chambers of Commerce and Industry of India (Assocham) statement here comes in the wake of US President Donald Trump slapping import tariffs of 25 per cent on steel and 10 per cent on aluminium earlier this week, unfolding the prospect of an all-out global trade war. "He (Trump) has also said that more items could be brought under high import tariff, triggering fears of retaliation from Europe, Japan and China. As far as India is

concerned, even if we want to retaliate we cannot do it without pain since, our imports are of essential nature,” ASSOCHAM said. “We cannot flex too much of our importing muscle, even if our exports face consequences of trade war and are subjected to tariff barriers. “So, the best course would be to keep engaged with the major trading partners, without aligning ourselves too much into a single bloc,” the statement added. The industry lobby suggested that in cases where exports are affected, India must engage bilaterally and use the channel of the World Trade Organisation (WTO).

3. E-Wallet Will Address GST Refund Issue of Exporters: Suresh Prabhu

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

Introduction of e-wallet mechanism will effectively address the woes of exporters who have been complaining of delays in refund of taxes under the GST regime, Commerce and Industry Minister Suresh Prabhu has said. Under the e-wallet mechanism, a notional credit would be transferred to exporters' accounts based on their past record and the credit can be used to pay taxes on inputs. Prabhu said that secretaries in the commerce and finance ministries are working on the matter. "The only way it can be addressed properly is through e-wallet (mechanism). Finance ministry has to take a call on this. E-wallet will actually address the issue because then you (exporters) do not have to pay and seek refunds," he told PTI. According to exporters, delay in refund of taxes is blocking their working capital and impacting shipments. The issue of refunds to exporters has been delayed for over eight months now. The revenue department, on the other hand, has argued that there are discrepancies in the forms submitted by exporters with the customs department and those with the GST Network (GSTN).

4. 50 Nations to Take Up Global Trade Issues at WTO Ministerial Meet

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

The government said on March 18 that 50 nations will engage in free and frank discussions on global trade in Delhi this week to explore the options for resolving various issues and re-invigorating the WTO. Representatives from 50 countries will be gathering in New Delhi on March 19-20 for an informal World Trade Organization (WTO) ministerial meeting. “The informal meeting of ministers will provide an opportunity to engage in free and frank discussions with the

hope that it will lead to political guidance on some major issues,” the Ministry of Commerce and Industry said in a statement. It will look at the issues both at the negotiating table and also in other areas. Commerce Secretary Rita Teatonia had said recently that the meeting would be more of an “ice-breaker” as it is being held after the collapse of talks at the Buenos Aires WTO Ministerial in December.

5. Kolkata to Dhaka: Ministry Keen to Push Cargo Through River Route

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

In an effort to reduce logistics costs and make India-Bangladesh trade more competitive, the Union Shipping Ministry has proposed the inclusion of Pangaon river terminal near Dhaka in the bilateral protocol for inland water trade, during the upcoming secretary-level talks. The Pangaon container terminal is located 20 km from Dhaka. Currently Kolkata port in West Bengal; Mongla, Narayanganj, Ashugunj in Bangladesh; and Karimgunj in Assam are listed in the protocol. “We will propose inclusion of Pangaon terminal in the protocol during the annual secretary-level meet, which is expected shortly. We expect the proposal to receive the support of the Bangladesh government as it would help transport goods at a cheaper cost between Kolkata and Dhaka,” Gopal Krishna, Secretary Shipping, told *BusinessLine*. Meanwhile India and Bangladesh are keen on initiating a ₹305-crore dredging project in Sirajganj-Daikhawa on Kushiara river in Bangladesh to promote inland river movement between Kolkata and the North East through Bangladesh. India will bear 80 per cent (₹244 crore) of the total cost.

6. IBC: Amendments Likely to Resolve Cross-Border Cases

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

India is likely to tweak the Insolvency and Bankruptcy Code to create a mechanism to resolve cross-border insolvency cases using a reciprocal arrangement with other countries. The 14-member high level committee reviewing the Insolvency and Bankruptcy Code (IBC) is likely to suggest that India take a cue from countries including the US, the UK, Australia and Singapore, and adopt a similar model law set by the United Nations (UN), a senior government official said. “Many companies are in the eye of the storm and have subsidiaries abroad,” the official said. “If we have cross-border insolvency and reciprocal arrangement with these countries, then these

cases can be resolved easily,” the official said, not wanting to be named. The final recommendations of the committee are likely to come by the end of this month. Ministry of corporate affairs also plans to measure the success of IBC on three parameters – time taken, money recovered and the cost burden on the corporate debtor. The statistic will be compared with global counterparts to further improve the Code. The government is keen to remove the ambiguities in the Code for faster and effective resolution of NPAs which have gone into insolvency proceedings.

7. Services, Agriculture Sectors Key to Make India \$5 Trillion Economy, Says Suresh Prabhu

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

The Commerce Ministry on March 18 said the country can become a USD 5 trillion economy in the next seven to eight years with the major contribution by services, industries and agricultural sector. It said that of the USD 5 trillion figure, services sector could contribute about USD 3 trillion, while industries and agricultural sectors could account for USD 1 trillion each. This was discussed during the first meeting of the Working Group on making India a USD 5 trillion economy yesterday. The meeting was chaired by Commerce and Industry Minister Suresh Prabhu, who pointed out that the present USD 2.6 trillion Indian economy will become a USD 5 trillion in due course. “The key was the timeline within which it will be achieved. The objective of constituting the Working Group was to chart out this timeline, along with suitable strategies to achieve the same,” the ministry said in a statement.. Several tier-II cities need to be created to make growth more inclusive. “Growth of GDP will come from four items — Government expenditure, Private Expenditure, Investment and Exports,” it said adding Strategies under each need to be carried out on the ground.

8. ‘Economy Should Be Top Agenda for SAARC Countries Despite Political Challenges’

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

Economy has to be the most important agenda for the Saarc nations despite political challenges and compulsions, businesses leaders said here at Saarc CII Conclave on March 18. “Economic agenda has to be the foremost important agenda for the political parties (in the region). Unfortunately in our region it is not the top priority, somehow due to all ours thought process.

“Thrusting the economic agenda foremost should be all ours guiding force for our relationships. Our political agendas are never ending. We really need to come out of this and see how economic agendas can be prioritised,” said Shekhar Golcha Senior Vice President, FNCCI (Nepal) on the concluding day of three-day Saarc Business Leaders Conclave here. Shobana Kamineni, President CII (India), said the Saarc region will continue to grow for another 25 years with 30-35 per cent of its population as young with India alone nearly 60 per cent of the people under the age of 35 years, so it is imperative that they stay healthy and eligible for jobs. To give jobs to millions and millions people is the most fundamental thing that the industry and governments must understand, she noted.

9. India Pins Hopes on ‘2+2 Meet’ To Mend Ties with US

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

India is concerned that the much-awaited ‘2+2 Ministerial’ meet may get “further delayed” with the bilateral ties hitting a rough patch in less than a year since the two countries vowed to attain “prosperity through partnership.” Soon after Defence Minister Nirmala Sitharaman announced earlier this month that India will not be purchasing the F-16 fighter jets from American aerospace giant Lockheed Martin for the time being, the US Trade Representative (USTR) filed a massive trade dispute against India specifically targeting the ‘Foreign Trade Policy 2015-2020’ at the World Trade Organization (WTO). Not wasting any moment, India is believed to have kicked off a major diplomatic outreach with the US in order to prevent bilateral ties from going down further, sources told *BusinessLine*. In an unprecedented step, the US Trade Representative (USTR) has complained against all of India’s export subsidy programmes amounting to \$7 billion stating that these schemes have harmed American workers and manufacturers. The new dialogue mechanism was announced during Prime Minister Narendra Modi’s visit to Washington when he met US President Donald Trump in June last year. That is also when both the countries agreed to a joint statement – US and India: Prosperity Through Partnership. While the ‘2+2 Ministerial’ is aimed at strengthening the strategic partnership between both countries, including their joint cooperation in the India-Pacific region, the recent exchange of barbs over trade-related matters is expected to mar the talks significantly, said sources.

10. Govt Plans Regulatory Framework for Social Media, Online Content: Smriti Irani

Source: Livemint ([Link](#))

The government is planning to put in place a regulatory framework for social media and online content, said Union minister of information and broadcasting Smriti Irani on March 17. Speaking at the News18 Rising India Summit in the capital, Irani said that the current legislation is not very clear with regards to online news and broadcast content material. “We have Press Council of India for newspapers which is different from government, still self-regulatory enough to awaken its own conscience and take a decision that will bar such processes. Similarly, for television news you have the News Broadcasters Association. I’m hopeful that such a similar body will also emerge for the social media at least in the news, opinion and entertainment content,” she said. The ministry is already in talks with the concerned stakeholders on the issue, Irani added. On March 14, three separate departments, namely, the Directorate of Film Publicity (DFP), Song and Drama Division (S&DD) and the Directorate of Audio Visual Publicity (DAVP) were officially integrated into a singular unit and will henceforth operate from under the banner of Bureau of Outreach Communication (BOC) as per the new structure. These media units were responsible for promoting government policies and programmes among the public through advertisements, films, and performance arts. Their roles will now be consolidated and overseen by the new parent body post-integration.

11. Economist Paul Krugman Warns India of Mass Unemployment if Manufacturing Sector Does Not Grow

Source: Scroll.in ([Link](#))

Nobel laureate Paul Krugman on March 17 warned that India may end up with mass unemployment if its manufacturing sector does not grow, News18 reported. The American economist was speaking at an event that the news channel had organised. “As the world’s economies took off because of growth in the manufacturing sector, India stood apart and unique,” Krugman noted. “It exported services, which was unprecedented.” The economist observed that India’s demographic dividend puts it at an advantage. “India’s lack in the manufacturing sector could work against it, as it does not have the jobs essential to sustain the projected growth in

demography,” Krugman said. “You have to find jobs for people.” The economist cited the examples of Japan and China to emphasise his point. “Japan is no longer a superpower because its working-age population declined, and China is looking the same. In Asia, India could take the lead but only if it also develops its manufacturing sector, not only the services one.” India has achieved much more economic growth in 30 years than what Britain had achieved in 150 years, Krugman said, adding that a high level of income inequality has cancelled out the advantage of such growth. “There is this concept called artificial intelligence that you should be wary of,” Krugman said, according to *The Economic Times*. “In future, while diagnosis may be outsourced to a doctor in India, it could also go to a firm based on artificial intelligence. Things like this could be a cause for worry for Indian services sector.”