Daily Economic News Summary: 21 June 2018

1. Early Exit: Chief Economic Adviser Arvind Subramanian To Move Back To US In September
Source: Financial Express (Link)

Chief economic adviser (CEA) Arvind Subramanian will leave the finance ministry in September after serving for around four years and return to the US due to “pressing family commitments”. Last year, his tenure was extended up to May 2019. Announcing Subramanian’s decision to go back on June 19, Union minister Arun Jaitley said in a Facebook post: “His reasons were personal but extremely important for him. He left me with no option but to agree with him.” Separately, the CEA said he will “return to a life of researching, writing, teaching, and reflecting”. Subramanian was appointed as CEA to the finance ministry on October 16, 2014, for a period of three years, before getting the extension. He is on leave from the US-based Peterson Institute for International Economics, where he’s a senior fellow. Subramanian also came up with the idea of a public-sector asset reconstruction agency a sort of bad bank to work out massive stressed assets with state-run banks. He was instrumental in crafting a Rs 6,000-crore package for the garment sector, which also included reforms such as the introduction of the fixed-term employment that was later extended to other sectors. He pitched for the rationalisation of “subsidies for the rich” and a universal basic income, and highlighted the role of the 4Cs (Courts, Comptroller and Auditor General, Central Vigilance Commission and Central Bureau of Investigation) that had historically stymied decision-making.

2. Modi Govt Plans ‘Pariwartan’ Scheme For Power Sector Revival
Source: Livemint (Link)

The government plans to warehouse stressed power projects totalling 25,000 megawatts (MW) under an asset management firm to protect the value of the assets and prevent their distress sale under the insolvency and bankruptcy code till demand for power picks up. State-run Rural Electrification Corp. Ltd (REC) has identified projects with a total debt of around Rs 1.8 trillion as part of the scheme, which is under government consideration and has been tentatively named Power Asset Revival through Warehousing and Rehabilitation, or ‘Pariwartan’, said a government official aware of the plan, requesting anonymity. The 'Pariwartan' scheme is inspired by the Troubled Asset Relief Programme, or TARP, which was introduced in the US during the 2008 financial crisis. The proposed plan also aims to stem the rise in bad loans in the power sector. With promoters losing interest, the value of these assets is deteriorating due to lack of operations and maintenance, added the government official. "With no fresh investments in thermal power, once demand kicks in, driven by a strong economic growth and schemes such as Saubhagya, these assets will be back in play."

3. Shillong Selected As 100th Smart City
Source: Financial Express (Link)

The Ministry of Housing and Urban Affairs has selected Shillong as 100th smart city after evaluating the proposal submitted by it, a government release said. Till now, 99 smart cities were selected in four rounds of competition and with this announcement, the selection of 100 cities has been completed under the Smart Cities Mission. Previously, 20 cities were selected in January 2016, 13 cities in May 2016, 27 cities in September 2016, 30 cities in June 2017 and nine cities in January 2018. With the selection of Shillong, the total proposed investment in the finally selected 100 cities under the Smart Cities Mission would be Rs 205,018 crore. As many as 91 cities have incorporated special purpose vehicles and 948 projects are under implementation. As many as 994 lakh crore urban population will be impacted by the Smart Cities Mission. The Smart Cities Mission was launched on June 25, 2015 with the objective of strengthening urban infrastructure through application of smart solutions and give a decent quality of life to citizens.

4. To Bridge Trade Gap, China Opens Door To Indian Raw Sugar
Source: The Economic Times (Link)

India will export 1-1.5 million tonne of raw sugar to China after almost a decade and is waiting for a formal notification from Beijing greenlighting the consignment. Though sugar exports attract a 50% duty in China, officials said it was still viable because of the high prices there. Raw sugar is the second product after non-Basmati rice that China has decided to import, weeks after Prime Minister Narendra Modi's visit, in a move to reduce the $60 billion trade deficit with India. India's exports to China in 2017-18 amounted to $13.3 billion while imports added to $76.2 billion. China has on multiple occasions promised India to address the high trade imbalance between the two countries. However, the sugar industry is keenly waiting for China to announce its new policy on sugar imports after it imposed hefty duties on sugar imports last year. Industry sources said that China received sizable imports including unofficial imports of over 2 million tonne annually from the south east countries. "With import from some developing countries including India to be exempted from the safeguard tariff, Indian exporters will only have to pay 50% export duty. Even with this tariff, sugar exports will be cheaper as sugar cost in China is around Rs 90-100 a kg while in India it is Rs 29-35 a kg," said an official from a global sugar trading company

5. Relief To Developers: Government Relaxes Norms For Building Solar Plants
Source: Financial Express (Link)

In a move that might provide some relief to solar power plant developers, the Ministry of New and Renewable Energy (MNRE) has relaxed time lines for land acquisition, financial closure and the commissioning period for solar projects. For forthcoming projects, land acquisition documents would now have to be submitted within 12 months from signing power purchase agreement (PPA), instead of seven months mandated in the August 2017 guidelines. Similarly, the proof of financial closure and funding arrangements made for developing the power plant can now be provided after 12 months, instead of the seven months stipulated earlier. The allotted time for setting up solar generation units inside solar parks have been increased to 21 months from 13 months. For projects of more than 250 MW, developed outside solar parks, the commissioning time would now be 24 months, instead of 15 months, from signing the PPA. Failing to complete projects within time line would attract penalty specified in the PPA. Such relaxations should be positive for the solar industry amid several impediments. The weak credit quality of state-owned electric distribution companies (discoms) is a key challenge to growing renewable capacity, credit rating agency Moody’s said earlier this month

6. Import Duty Hiked On Apples, Other Items From US
Source: The Hindu, Business Line (Link)

In what could be seen as a retaliatory move. the Government has hiked the import duty on goods, including apples, walnuts and non-alloy steel being brought in from the US. The revised tariff will come into effect from August 4, 2018. A late evening notification dated June 20 specified that the import duty on apples imported from US will be 75 per cent, while those from other countries will attract 50 per cent duty. It may be noted that apples of the brand name, Washington Apple, is famous in India and is imported in large quantities from the US. Almonds from the US will have import duty of between Rs 42-Rs 100 per kg as against duty of Rs 35-Rs 100 per kg to be levied on imports from other countries. Similarly, importers will have to pay custom duty at the rate of 120 per cent on walnuts, as against 100 per cent to be levied on imports from other countries. Tax authorities said the date for imposing duty has been announced in advance so that "there is room available for negotiation, if possible."

7. India In Talks With China, Australia, New Zealand To Crack Mega Trade Deal
Source: The Hindu, Business Line (Link)

India is holding bilateral dialogues with China, Australia and New Zealand to get them to agree to less ambitious tariff cuts for sensitive products. The aim is to end the logjam in the negotiations for the mega regional trade bloc, the Regional Comprehensive Economic Partnership (RCEP). The pact is being negotiated between 16 countries including the 10-member ASEAN, Japan and Korea. "All member countries negotiating the RCEP now agree that as members may have different sensitivities with each other, efforts must be made bilaterally to sort them out and reach a common ground. Without such efforts, it would not be possible to reach an agreement between 16 members," an official said. Once concluded, the RCEP is likely to result in the largest free trade bloc in the world covering about 3.5 billion people and 30 per cent of the world's GDP. Trade ministers from all the RCEP countries, including Commerce Minister Suresh Prabhu, will participate in the inter-sessional ministerial meet in Tokyo on July 1, where attempts will be made to push the negotiations towards a conclusion by the end of 2018.

8. US-China Trade War: How India Stands To Be A Winner In The Global Cotton Market
Source: Financial Express (Link)

In the global cotton market, India stands to be a winner amid escalating trade tensions between the US, the world's top exporter, and China, the biggest buyer. The weak rupee makes India's exports more appealing, and freight costs to the neighboring Asian country can be relatively cheap, Keith

Brown, the president of Keith Brown & Co., a brokerage in Moultrie, Georgia, said in a telephone interview. "It's a question of price and proximity," he said. "China will still get cotton from the U.S." possibly indirectly, he said. Mills may obtain some cargoes via Vietnam, or buy American supplies including a tariff, he said. The Cotton Association of India said last week that output this season will rise 8.3 percent from a year earlier, boosting exports. China's inventories have dwindled from a record in 2015 amid a decline in acreage. The government plans to issue additional import quotas because adverse weather damaged the domestic crop, and a shortfall of high-quality fiber looms.

9. UAE's Adnoc Plans India Investment
Source: Livemint (Link)

Abu Dhabi National Oil Co (Adnoc), the state-run oil company of the United Arab Emirates (UAE), may pick up a 25% stake in the largest global refinery and petrochemicals complex coming up at Ratnagiri in Maharashtra. Adnoc, the only company to commit to India's crude oil reserve programme till date, plans to acquire the stake from the world's biggest oil producer, Saudi Arabian Oil Co., or Saudi Aramco, which has partnered with a consortium of Indian state-run companies for the $44 billion project. This is significant given that the UAE supplies 6% of India's crude oil imports. With three million barrels per day of crude oil production, Adnoc is the world's 12th largest producer. "Post Adnoc's acquisition of a 25% stake, Saudi Aramco and Indian Oil Corporation Ltd will hold 25% each in the project, while 12.50% each will be held by Hindustan Petroleum Corporation Ltd (HPCL) and Bharat Petroleum Corporation Ltd (BPCL)," said one person aware of the development, requesting anonymity. Adnoc's presence in India's energy midstream sector will help the world's third-largest energy consumer after the US and China. India's worry over crude oil prices stems from its energy needs being primarily met through imports.

10. Modi Says Govt Wants To Double Farmers' Income, Skips Contentious Issues
Source: Business Standard (Link)

With farmers in many parts of the country restive at falling prices for their produce, Prime Minister (PM) Narendra Modi again sought to assure them that his government was committed to double their incomes by 2022. In an event billed as a rare instance of a PM interacting directly with farmers (via video conferencing, to over 600 districts), Modi, without dwelling on the issue of falling prices, sought to highlight his government's achievements. That included a promise to guarantee a minimum support price of 1.5 times the cost of production. Modi said the Centre was working on four main ways to double incomes. That included lowering the cost of production, enabling farmers to get the right price for produce, stopping wastage of food, and finding alternative source of incomes. Cultivators had, he said, achieved record production of foodgrain, cereals and pulses in the past four years. "In 2017-18, we achieved 280 million tonnes, a new record," the PM said. He gave various other statistics on output rising during the four years of his government.

11. Higher Import Duties On Strategic US Imports To Kick In From Today
Source: The Hindu, Business Line (Link)

Strategic imports from the US, including items across the board such as dry fruits, shrimps, chemicals, and motorcycles, are all set to attract higher duty from June 21 onwards. Set to bring out the official notification during the day, India has prepared a crafty list to counter US President Donald Trump's repeated threats of cutting trade while aiming to reduce the impact on domestic businesses. It hopes to rake in a total $240 million worth of duties through higher tax by up to 50 per cent on certain items. India last week notified the World Trade Organisation of its decision to impose higher import tariffs on 30 US goods. The move comes after New Delhi got a cold shoulder from Washington DC on its request for exempting India from the higher tariffs announced by the US on steel and aluminium imports.