

Daily Economic News Summary: 22 March 2018

1. Cabinet Clears India-Qatar Double Taxation Avoidance Treaty

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

The Cabinet on March 21 approved revision of double taxation avoidance agreement between India and Qatar. The existing Double Taxation Avoidance Agreement (DTAA) with Qatar was signed on April 7, 1999, and came into force on January 15, 2000. "The revised DTAA updates the provisions for exchange of information to latest standard, includes Limitation of Benefits provision to prevent treaty shopping and aligns other provisions with India's recent treaties," an official statement said. "The Union Cabinet has given its approval for revision of the agreement between India and Qatar for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income," the statement added.

2. Informal Ministerial: Members Reaffirm Support to WTO

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

An informal ministerial of the World Trade Organization (WTO), organised by India, almost unanimously reaffirmed commitment to preserving a rule-based, multilateral trading system that the WTO represents. The move comes barely three months after the Buenos Aires ministerial collapsed over issues such as the role of the WTO as a multilateral trading body. It also comes at a time when growing unilateral protectionist policies by the US and some others have worsened fears of an escalating global trade war, threatening to render the WTO meaningless. Offering India's stance on various issues at the WTO, Prabhu called for respecting mandates and decisions made at earlier ministerial, including the Doha Development agenda (DDA), and pushed for preserving the mandate of special and differential treatment to poor and developing nations. Special treatment allows longer time frames to such nations than their developed counterparts to implement a particular trade agenda, among other facilities. Prabhu also said India was willing to look at certain new issues (like e-commerce) only after "we are convinced that these issues are trade-related and negotiating binding rules on them would be beneficial for poor and developing countries".

3. Exporters Urge RBI to Reconsider the Ban on LoUs

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

Exporters have urged the Reserve Bank of India to reconsider the ban on letters of undertaking (LoUs), which was triggered by the \$2 billion fraud at the Punjab National Bank, as it was causing distress to players in sectors such as textiles and leather and increasing their operating costs. “With some banks deciding to cancel LoUs that have already been issued, the situation has become worse as exporters do not have enough cash to pay upfront for their imports,” said Ajay Sahai, Director-General, FIEO. An LoU is a guarantee given by one bank to another to repay a loan on behalf of a client and which allows the client to raise short-term credit to mainly pay for an import. FIEO, an umbrella body representing a number of export organisations, has written to the RBI requesting its intervention in extending help to exporters hit by the move to ban LoUs. In the letter, FIEO has asked the RBI to consider introducing LoUs with safeguards as alternative instruments were increasing the operating cost of exporters by up to 3 per cent. It also stressed that existing LoUs or LoCs (letters of comfort) should be allowed to live their normal validity as some banks have asked exporters to deposit equivalent amount in lieu of the instruments.

4. Scheme for Industrial Development in North East India Approved by Cabinet

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

In line with the Narendra Modi government’s Act East policy, the cabinet on March 21 approved a scheme to encourage industrial development in the north-east. New industrial units set up in the region will get a host of tax breaks and incentives from the government, capped at Rs200 crore per unit. The North-East Industrial Development Scheme, with an outlay of Rs3,000 crore, will help generate employment in the north-eastern states and is aimed at encouraging micro, small and medium enterprises (MSMEs), the government said in a statement. The Bharatiya Janata Party (BJP) has expanded its electoral footprint in the north-east and has just formed governments in Tripura, Nagaland and Meghalaya with its allies.

5. Modicare: NHPS Gets Cabinet Nod, Scheme Portable across Country

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

Government’s flagship National Health Protection Scheme on March 22 got cabinet nod detailing the contours of the scheme. The mega health insurance scheme, which is looking to insure 40% of

the population will cover all pre-existing diseases and yes will be portable across all states and union territories in the country. The scheme will give cashless benefits in any public or private hospital across the country. “The health insurance scheme will cover all pre-existing diseases,” said a senior official of Niti Aayog. “Also, pre hospitalization of 3 days and post hospitalization for 15 days are covered under the scheme. Payments under the scheme will be done in package rates to control costs.” The Cabinet also gave its approval for moving official amendments in the Surrogacy (Regulation) Bill, 2016, to control unethical practices in surrogacy in the country, prevent commercialisation and prohibit potential exploitation of surrogate mothers and children born through surrogacy.

6. CBI Files Case against Chennai-Based Jeweller Kanishk Gold for Cheating 14 Banks Of Rs 824 Crore

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

The State Bank of India has alleged that the directors of the company had misrepresented and falsified the financial statements to receive credit. The Central Bureau of Investigation filed a case against Chennai-based jeweller Kanishk Gold Private Limited for allegedly cheating a consortium of 14 banks, led by the State Bank of India, of Rs 824 crore, PTI reported on March 21. In January, SBI wrote a letter to the CBI alleging that Kanishk Gold had manipulated records and shut shop overnight. In May 2017, when the bankers visited the company’s corporate office, factory and showroom, they reportedly found no activity or stock.

7. Sebi May Impose Trading Curbs on Cos Undergoing Insolvency Proceedings

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

The Securities and Exchange Board of India (Sebi) may impose trading restrictions on shares of companies that are undergoing insolvency proceedings. The move, which is also a demand by industry players, is aimed at reducing volatility in stock prices and curbing manipulation or misuse of price-sensitive information. Sources said the market regulator would lay down a compliance framework for listed companies undergoing insolvency resolution. The announcement will likely be made at Sebi’s board meeting next week. The Sebi board may also announce more checks and balances on algorithmic (algo) trading, reduction of mutual fund costs and changes in buyback and takeover regulations. As part of the new framework for firms undergoing insolvency, Sebi is likely

to provide several relaxations, including exemptions from minimum public shareholding norms and doing away with tedious reverse book building process for delisting. Sebi will allow the new promoters to breach the 75 per cent shareholding cap in order to infuse equity into the company. Such promoters will have more time to reduce their holding to the threshold of 75 per cent.

8. India's Focus on Food Stockpiling Gets Cautious Support from other Nations

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

While there has not been any breakthrough at the World Trade Organization (WTO) mini ministerial which ended on March 20, other nations have reportedly softened their position on key issues important to India such as food stockpiling. “This includes the promise of continued talks on agriculture stockpiling for food security purposes. Any attempt by India to discuss these had been spurned by developed nations earlier, even in the last full ministerial meet in Buenos Aires, Argentina last year,” a senior commerce ministry official said. The mini ministerial which saw the participation of 53 nations had been called by India to ‘break the ice’ after the Argentina meet saw nations hardening their positions on key agricultural issues. “Historical asymmetries and imbalances in the Agreement on Agriculture were also highlighted,” the government has said. India says this market is dominated by American majors who will benefit from the issues, but industry has been more welcoming of discussions, he added. Again, while India has pushed against the China backed agreement on trade facilitation, industry has made it clear that it has no issues with the proposal.

9. US Slaps Anti-Dumping Duty on Steel Wire Imported from India, China

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

The US has decided to slap anti-dumping duty on stainless steel flanges imported from India and China after it found in its preliminary probe that both the countries provided subsidies to the exporters. President Donald Trump had earlier this month imposed heavy tariffs on imported steel and aluminium which he said were necessary to boost the US industry suffering from "unfair" business practices, a move that has sparked fears of a global trade war. The Department of Commerce has found that exporters from China and India have sold stainless steel flanges in the US at 257.11 per cent and 18.10 to 145.25 per cent less than fair

value, respectively, according to an official statement issued March 21. Following this decision, the commerce department will instruct the US Customs and Border Protection (USCBP) to collect cash deposits from importers of the stainless steel flanges from China and India, based on these preliminary rates, it said. The preliminary investigation was launched by the Department on the petition by the Coalition of American Flange Producers, including Core Pipe Products Inc. (Carol Stream, IL) and Maass Flange Corporation (Houston).