Daily Economic News Summary: 25 April 2018

1. India May Face Pressure To Cut Duties On 90% Of Goods Traded With China
Source: The Economic Times (Link)

India is likely to face greater pressure to eliminate duties on 90% of goods it trades with China under the mega trade agreement among 16 Asia Pacific countries that is in the works. Officials said that China, which has till now not aggressively pushed to fast track negotiations in the Regional Comprehensive Economic Partnership (RCEP), has shown a new keenness to "engage actively" ahead of the next round of talks later this week, the first after it its trade standoff with the US. The talks are scheduled for April 28- May 8 in Singapore. "The current situation can influence our negotiations. China looks keen to engage actively," said a government official. Beijing's sudden interest in the closure of the RCEP is fuelled by Washington's renewed interest in the Trans-Pacific Partnership (TPP) agreement, another mega regional trade partnership. Incidentally, seven countries-Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam-are common to both the agreements.

2. India Signs USD 210 Mn Loan Pact With World Bank For MP Roads
Source: The Economic Times (Link)

India has signed a USD 210 million loan agreement with the World Bank to improve rural connectivity in Madhya Pradesh, the finance ministry said on April 24. The project will cover 10,510 km stretch of rural roads in Madhya Pradesh that fall under the Chief Minister's Gram Sadak Yojana (CMGSY) programme. Of this 10,000 km will be upgraded from existing gravel to bituminous surface roads, while 510 km of new roads will be built to the same bituminous surface standard. Of this 10,000 km will be upgraded from existing gravel to bituminous surface roads, while 510 km of new roads will be built to the same bituminous surface standard. "The Government of India, the Government of Madhya Pradesh and the World Bank on April 24 signed a USD 210 million loan agreement for the Madhya Pradesh Rural Connectivity Project," the finance ministry said in a statement. The project is expected to improve the durability, resilience and safety of the gravel surfaced rural roads and enhance the capacity of the state to manage its rural roads network, it added. The project will undertake resilience measures such as surface sealing of roads, embankment pitching, and balancing culverts to prevent damages caused by extreme flood events.

3. Bankruptcy Code: Govt To Bring In Ordinance With Major Changes Soon
Source: Financial Express (Link)

The Cabinet will likely consider a proposal on April 25 to bring in an ordinance to effect major changes to the Insolvency and Bankruptcy Code (IBC), ranging from narrowing an exclusion criterion to boost the number of bidders for stressed assets and treating home-buyers as financial creditors to allowing promoters of small businesses who are not wilful defaulters to bid. The ordinance will be based on the changes suggested in a report by a 14-member Insolvency Law Committee, headed by corporate affairs secretary Injeti Srinivas. A draft Cabinet note has already been circulated by the corporate affairs ministry for this purpose, said an official source. The ordinance will seek to address the problem of unintended disqualification of bidders by streamlining Section 29A of the IBC. Only those who contributed to defaults of the company or are otherwise undesirable would be rendered ineligible. The ordinance will narrow the scope of disqualifications under 29A of the code by making way for a carve-out for pure-play financial entities. Applicants holding an non-performing asset account due to the acquisition of a corporate debtor will be exempted from the disqualification criteria under Section 29A. However, such financial entities will be defined in the code to clarify the scope of the exemption, which will, however, not be applicable to financial entities if they are related parties of the corporate debtor.

4. Bharti Infratel Sees 5G Rollout, Rising 4G Usage Boosting Tower Industry's Growth Prospects
Source: Livemint (Link)

Telecom tower infrastructure provider Bharti Infratel, which has witnessed tenancy losses due to consolidation in the telecom sector, expects better business in the future as telcos continue to roll out 4G telecom networks and prepare for 5G services, top company officials said. "With improving industry structure, rising consumer demand, and the need to expand 4G network in the short-term and potentially 5G in the longer term, we expect the (tower) industry to come out of the current phase (of slow growth) much more stronger," Bharti Infratel chairman Akhil Gupta told analysts in a post-earning call. "With data demand growing at a very rapid pace, it is clear that all private operators have to invest heavily on network throughout the country to remain competitive," Gupta said. "In addition, in the longer term, the advent of 5G would significantly increase the demand for sites because of the spectrum being in higher frequency," Gupta added. The tower arm of Bharti Airtel, Bharti Infratel on April 23 reported a 2% rise in consolidated net profit at Rs606 crore for the March quarter against Rs597 crore a year ago. The revenue decline of Bharti Infratel will be driven by the exit of select players (RCom, TTSL and Aircel), said IDFC Securities Telecom Research dated 3 April. "This is likely to drive increase in churn and overall gross adds for the quarter are unlikely to offset this drag," it said.

5. Framework For National E-Commerce Policy To Be Finalized Soon This Year
Source: Livemint (Link)

A think tank of key stakeholders headed by commerce minister Suresh Prabhu will finalize a framework for a national e-commerce policy in six months' time that will settle India's stand on key issues such as taxation, competition policy, foreign investment and server localization, among others. India has been finding it difficult to arrive at a consensus on a domestic e-commerce policy to effectively respond to a proposal for multilateral discipline in e-commerce at the World Trade Organization (WTO) as various government departments have contradictory views on the matter, *Mint* first reported on 7 March, 2017. For example, while the department of telecom wants server locations of global e-commerce companies operating in India to be based in the country, the ministry of electronics and information technology supports no such restriction. Asked whether India will have a more flexible approach in joining negotiations for a e-commerce treaty at the WTO now, Teaotia said discussions at the WTO on e-commerce are underway in four technical groups and it does not have a negotiating mandate as yet. "We certainly engage in these discussions. As we flesh out our own policy, our position will be much more informed and clear," she added.

6. Solar Cell Imports: EU, Japan Question Safeguard Duties Recommended By India
Source: The Hindu, Business Line (Link)

The European Union and Japan have questioned the preliminary safeguard duties of 70 per cent on imported solar cells recommended by the Directorate General of Safeguards in India, adding to the on-going debate on the appropriateness of the duties."In a meeting of the World Trade Organisation (WTO) Safeguards Committee on April 23, the EU and Japan criticised the conduct of the investigations and the initial findings leading to the proposed safeguard duties on solar cells in India. New Delhi, however, stated that it follows WTO rules and regulations on the imposition of safeguard measures," a Geneva-based trade official told *BusinessLine*. The EU alleged that India's injury analysis on imported solar cells was inconclusive and its causal analysis doubtful. It added that India's actions would create serious domestic shortages and even risk the environment and urged the country from imposing any definitive measure. Japan, in its observations, pointed out that an investigation should include reasonable public notice and other appropriate means to ensure interested parties can present evidence. In response to the EU and Japan, India's representative said the preliminary duties were challenged in the domestic courts, so the matter is *sub judice*. "India has nothing further to add at this stage other than to say that its investigation will be carried out in line with WTO rules," the representative said.

7. Draft Rules Framed On Capital Gains Tax Where STT Not Paid
Source: The Economic Times (Link)

The income tax department has put out draft rules specifying situations where the recently imposed capital gains tax would apply even though no securities transactions tax (STT) has been paid. Bonus shares, policy compliant foreign investment, shares acquired via a will or inheritance, court or regulator approved acquisition, shares acquired under insolvency resolution and those under government disinvestment among others would be eligible for the new capital gains tax regime even though STT is not paid. The department has sought comments on the draft rules that recognise genuine transactions where STT could not have been paid. Once these rules are in force, these transactions would be eligible for tax at the rate of 10% even though there is no STT paid. Otherwise, such gains can face higher tax if clubbed with income. The circular lists three cases that will not enjoy the 10% capital gains if STT is not paid, leaving all other cases to be eligible. The three instances not eligible are, preference issue of shares in a company not frequently traded on stock exchanges, transactions in a listed company not entered through stock exchanges, and shares acquired after delisting but before relisting. The Finance Act, 2018 has withdrawn the long-term capital gains tax exemption on equities and equity-oriented mutual funds and introduced a new section 112A to tax such gains.

8. RTI Act Under Siege, May Slow Down India's Fight Against Corruption
Source: Business Standard (Link)

With almost 6 million RTI applications filed every year, India's Right to Information Act is the world's most extensively used transparency legislation. However, the government's proposed amendments to the RTI Act threaten the very foundations of this empowering law. In April 2017 the government put out a set of Draft Rules proposing amendments to the RTI Act. They include permitting the withdrawal of appeals based on a written communication by the appellant and the closure of an RTI query upon the death of the appellant. This means information seekers could be browbeaten into withdrawing applications. Also, if the death of an appellant leads to the automatic closure of the RTI query, information seekers and whistle- blowers will be even more vulnerable to assault than they already are. Another proposed amendment allows central and state governments to fix the salaries of the Information Commissioners (IC), which have so far been on a par with those of the officials of the Election Commission. "If the government decides the salaries of ICs the independence of the commissions could be compromised," says Anjali Bhardwaj of SatarkNagarikSangathan (SNS), a citizen rights body based in Delhi.

9. Indus Towers To Merge With Bharti Infratel To Create World's Largest Tower Co
Source: The Hindu, Business Line (Link)

Bharti Airtel, Idea Cellular (along with its subsidiary ABTL, "Idea Group") and Vodafone Group on April 25 said that they have agreed to merge Vodafone's, Idea Group's and Providence Equity Partners' respective shareholdings in Indus Towers Ltd ("Indus Towers") into Bharti Infratel creating a combined company that will own 100 per cent of Indus Towers. The combination of Bharti Infratel and Indus Towers by way of merger will create a pan-India tower company, with over 1.63 lakh towers, operating across all 22 telecom service areas in India. The combined company will be the largest tower company in the world outside China. Pro forma for the transaction, the combined company's equity value would be Rs. 6,500 crore. The final number of shares issued to Vodafone and the cash paid or shares issued to Idea Group and Providence, will be subject to closing adjustments, including but not limited to movements in net debt and working capital for Bharti Infratel and Indus Tower, Airtel said in a statement. Bharti Airtel and Vodafone will jointly control the combined company, in accordance with the terms of a new shareholders' agreement, it said. Indus Towers is currently jointly owned by Bharti Infratel (42 per cent), Vodafone (42 per cent), Idea Group (11.15 per cent) and Providence (4.85 per cent). The transaction will be structured as -- Indus Towers will be merged with into Bharti Infratel through a scheme of arrangement; the merger ratio of 1,565 shares of Bharti Infratel for every one Indus Towers share is within the range recommended by the independent valuer.

10. Protectionism In All Forms Should Be Rejected: Sushma Swaraj
Source: The Hindu, Business Line (Link)

India on April 24 said protectionism in all its forms should be rejected and reaffirmed its belief in an economic globalisation which is more open, inclusive and equitable, amidst new trade barriers cropping up across the world, especially in the United States. External Affairs Minister Sushma Swaraj in her address to the Shanghai Cooperation Organisation (SCO) Council of Foreign Ministers here raised the issue of protectionism. The SCO, a permanent intergovernmental international organisation created in 2001, comprises eight member states including India, Kazakhstan, China, Kyrgyzstan, Pakistan, Russian, Tajikistan and Uzbekistan. "The SCO countries have been connected historically through shared commonalities, which we are constantly rejuvenating," she said. "India is committed to working with SCO to strengthen our economic and investment ties. We believe that economic globalisation should be more open, inclusive, equitable and balanced for mutual benefits. Protectionism in all its forms should be rejected and efforts should be made to discipline measures that constitute barriers to trade," Swaraj asserted. She called on the eight SCO nations to promote liberalisation and facilitation of trade and investment to inject greater impetus into the world economy. "In this respect we must continue to diversify cooperation in the fields of innovation and digital economy, science and technology, energy, agriculture, food security, amongst others," she said.

11. Hydrocarbon Sector: Import Intensity On The Rise Despite PM's Roadmap For Relief
Source: Financial Express (Link)

In March 2015, speaking at the global hydrocarbon meet 'Urja Sangam' here, Prime Minister Narendra Modi delivered a passionate call for time-bound reduction in India's onerous import dependence for oil and gas. He also set a target for the stakeholders to reduce the country's import dependence for oil from around 77% then to 67% by 2022 and 50% by 2030, with a commensurate increase in domestic production. Three years later, the high import intensity, which over long years has had a pronounced deleterious effect on the national exchequer, the current account and the economy as a whole, has only risen worse, even the rate of increase hasn't abated despite Modi's urging; in fact, the rate has lately gone up a bit. According to official data from the Petroleum Planning and Analysis Cell (PPAC), against domestic consumption, India's oil imports were 78.3% in FY15 (the year the prime minister laid the roadmap for cutting import intensity) and the figure has since grown to 80.6% in FY16, 81.7% in FY17 and further to 82.8% in FY18. The dependence had grown from 76.7% in FY13 to 77.3% in FY14. During all these years, domestic crude oil production has steadily fallen (see graphic). Of course, acceleration in consumption, aided by a softening of crude oil prices, also added to the pace of imports and, therefore, higher import intensity in recent years.