Daily Economic News Summary: 25 May 2018

1. India Drags US To WTO Over Levy Of Additional Duties On Steel, Aluminium
Source: Livemint (Link)

As the Trump administration threatened to take unilateral crowbar trade actions against auto and automotive parts manufacturing countries, India has dragged the US to the World Trade Organization (WTO) over Washington's controversial additional duties on import of steel and aluminium. Late on May 23 evening, US President Donald Trump pressed ahead with alleged unilateral trade actions by ordering investigations into imports of autos, trucks and auto parts, under the Section 232 provisions, which deals with the country's national security. Despite growing concerns over the earlier additional duties of 25% and 10% on steel and aluminium, respectively, under the controversial Section 232 provisions, the Trump administration decided to investigate whether "core industries, such as automobiles and automotive parts, [which] are critical to our strength as a Nation" are being undermined by imports. According to a 24 May report in *Washington Trade Daily*, "the investigation will determine whether imports of automobiles, including SUVs, vans and light trucks, and automotive parts into the United States threaten to impair national security as defined in Section 232". If the findings of the investigation into autos and auto parts are in line with Trump administration's views, the US could slap additional duties of 25% on autos and automotive parts. India which is a major supplier of auto parts.

2. India Keen To Renew Proposed Trade Deal With European Union
Source: Business Standard (Link)

India has agreed to a renewed push for the proposed trade deal with the European Union (EU) that has been stuck over key issues. The decision to find a way forward before the 15th India-EU summit, set to be held later this year, came on May 24, as Prime Minister of the Netherlands, Mark Rutte began his 2-day trip to India. Beginning in 2013, the proposed trade deal had completed 16 rounds of talks but negotiations had broken down in 2016 over India's position on a separate bilateral investment pact. This happened, even as both parties were unable to bridge the gap on crucial issues such as India's demand for a liberal visa regime and the EU remaining staunch on stricter intellectual property rights regulations as well as a duty cut for European automobile and wine exports. "They leaders expressed support to the efforts of both sides to re-engage actively towards timely relaunching of negotiations for a comprehensive and mutually beneficial EU-India Broad Based Trade and Investment Agreement (BTIA) and agreed to explore opportunities for further cooperation that will be generated by the next EU-India Summit." the official joint statement released on May 24 after Rutte met Prime Minster Narendra Modi, said.

3. Government Readies IBC 2.0 To Cope With Increasing Challenges
Source: The Economic Times (Link)

The biggest threat to the deadline-based approach prescribed by the Insolvency and Bankruptcy Code (IBC) has come in the form of a legal interpretation that court battles are outside the 270-day deadline prescribed by the law, something that the government is grappling with to find a solution. Separately, based on the experience so far, the ministry of corporate affairs (MCA) is readying what many believe to be IBC 2.0. The ordinance recommended by the Union Cabinet on May 23 was part of the plan. Next will be several changes in rules and codifying the processes, a task that has been assigned to the Insolvency & Bankruptcy Board of India (IBBI), the regulator and the development agency for IBC. The ministry's plan is to have detailed guidelines on every possible aspect, something akin to the Companies Act, where the process is clearly defined. "So far, the whole process was seen to be evolving but there is scope for multiple interpretations, which we want to avoid to bring about certainty and transparency," said a source, who did not wish to be identified. Besides, by putting in place rules, the government also wants to ensure faster decision-making as public sector bank representatives, who are members of the committee of creditors that decides on bids and liquidation, need comfort. There is already evidence of lenders shying away from deciding on a bid for Jaypee Infratech as it was seen to be below the liquidation value. "The rules will protect them from undue scrutiny by the CAG, CVC and CBI," said a source.

4. 'Made In China' Mobiles Could Be Imported Via ASEAN To Evade Duty
Source: The Economic Times (Link)

An Indian mobile handset body has alerted the government to the possibility of mobile phones being imported into the country via Vietnam, Indonesia and Thailand to evade customs duty, a trend that may hurt the 'Make in India' endeavour and allied investments. The Indian Cellular

Association cautioned the revenue department about the likelihood of fully built mobile phones being shipped in at zero duty from ASEAN countries, with which India has free-trade agreements, and sought immediate investigation into such moves, which it said could cause revenue loss to the government. “We wish to bring to your notice the possibility of substantial case of customs duty evasion in the case of import of CBU (Completely Built Unit) of mobile phones from ASEAN countries, especially Vietnam, Indonesia and Thailand, at nil rate,” the Indian Cellular Association said in a May 24 letter to revenue secretary Hasmukh Adhia. EThas seen a copy of the letter. India has signed free-trade agreements with ASEAN countries Singapore, Malaysia, Indonesia, the Philippines, Thailand, Myanmar, Laos, Cambodia, Vietnam and Brunei. As per the agreements, mobile phone imports from these countries are not charged duty. A government appointed agency of the exporting country has to certify the device’s ASEAN origin and that local content is 35%, while non-ASEAN material can be 65%.

5. Tenders Worth Rs 13,000 Crore Withdrawn Or Cancelled To Promote Make In India Products
Source: The Economic Times (Link)

Government tenders worth about Rs 13,000 crore were either cancelled or withdrawn and re-issued after the Department of Industrial Policy and Promotion (DIPP) stepped in to change their conditions for promoting 'made in India' goods, a top official said. "The DIPP is taking every step for effective implementation of public procurement order, 2017, to promote 'made in India' products," the government official said. The government issued the order on June 15, 2017, to promote manufacturing and production of goods and services in India and enhance income and employment in the country. A tender worth Rs 8,000 was withdrawn and re-issued with modified conditions after the intervention of the DIPP. The project was related with setting up of a urea and ammonia plant for gasification. The DIPP has asked for immediate issuance of guidelines and notifications relating to declarations of items with sufficient local capacity, domestic content. Under the Public Procurement (Preference to Make in India) Order, it was envisaged that all central government departments, their attached or subordinate offices and autonomous bodies controlled by the Government of India should ensure purchase preference be given to domestic suppliers in government procurement.

6. Govt Seeks $3.8 Billion From RIL, ONGC, Shell
Source: Livemint (Link)

The government has reiterated a demand for $3.8 billion dollars from Reliance Industries, Shell and ONGC following an English court ruling over government share from the Panna-Mukta and Tapti fields in western offshore. In a regulatory filing, RIL said the government had on May 2017 sought $3.8 billion as its share from the western offshore field and has "recently repeated its demand". The liability is to be split between the three companies in proportion to their stake in PMT. State-owned Oil and Natural Gas Corp (ONGC) has 40% interest while RIL and Shell hold 30% apiece. In December 2010, BG Exploration & Production India Ltd and RIL initiated an arbitration against the Government of India (GoI) after a dispute over the state's share of profit and royalty from Panna-Mukta and Mid and South Tapti contract areas off the west coast. "The Arbitration Tribunal determined a number of disputes in a final partial award on 12 October, 2016, which was accompanied by two dissenting opinions," RIL said in the filing. BG, which was subsequently acquired by Shell, and RIL initiated proceedings under English Arbitration Act 1996 to challenge the arbitration award before the English Commercial Court in November 2016.

7. Dutch PM Calls For Deeper Ties In Clean Energy, Agri, Health Sectors
Source: The Hindu, Business Line (Link)

The Netherlands Prime Minister Mark Rutte, on a two-day official visit to India, has called for deeper cooperation in areas of trade and investment, especially in clean energy, agriculture and food processing, cyber space, health care and smart cities. Rutte, who met Prime Minister Narendra Modi for bilateral talks on May 24, approved the signing of three government-to-government agreements which included the Framework Agreement of the International Solar Alliance (ISA) which made the Netherlands the sixty-fourth signatory member country. "I had called upon the Netherlands to join the International Solar Alliance and I am happy to tell you that the country has become a member of it today," Modi said in his media statement following the meeting. The ISA, which was first proposed by Modi, is a platform for countries to work for efficient exploitation of solar energy to reduce dependence on fossil fuels. Prime Minister Rutte, who is leading the largest trade mission to the country, was accompanied by the Minister of Agriculture, Nature and Food Quality, the Minister for Healthcare and Sport, the Minister for Foreign Trade and Development, and the Minister of Infrastructure and Water Management, the mayor of the city of The Hague and a large trade mission. The other two G2G MoUs signed by Netherlands included one with the Government of Haryana, to support the State with the diversification of the agricultural sector, with a focus on horticultural crops, while the other made it a partner country for the Tech-Summit in 2019.

8. 7 States/Union Territories To Roll Out Intra-State E-Way Bill Tomorrow
Source: Financial Express (Link)

Maharashtra, Manipur and five union territories will tomorrow roll out intra-state e-way bill system for movement of goods worth over Rs 50,000 within the state. With this, 27 states/union territories would have implemented the e-way bill system for intra-state movement of goods, the finance ministry said in a statement. The union territories which will roll out this system tomorrow are Chandigarh, Andaman and Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu and Lakshadweep. The government had launched the electronic-way or e-way bill system from April 1 for moving goods worth over Rs 50,000 from one state to another. The same for intra or within the state movement has been rolled out from April 15. "On an average 12 lakh e-way bills are being generated every day," the ministry added. Touted as an anti-evasion measure, transporters of goods worth over Rs 50,000 would be required to present e-way bill to a GST inspector, if asked. The measure is expected to help boost tax collections by clamping down on trade that currently happens on cash basis. The GST Council, in March, decided on a staggered roll out of the e-way bill starting with inter-state from April 1 and intra-state from April 15.

9. Andhra Pradesh Plans Rs51,000 Crore Capex In 1st Phase Of Amaravati Project
Source: Livemint (Link)

The Andhra Pradesh government plans to incur a capital expenditure of Rs51,208 crore on the first phase of development of its capital city Amaravati, senior state government officials said on May 24. The officials, including Andhra Pradesh Planning Board vice-chairman C. Kutumba Rao, were in the country's financial capital to invite participation from top financial institutions in its Rs2,000 crore unsecured bond issue, backed by the state government. The issue is proposed with a tenor of 10 years and is rated AA- by Brickworks Ratings India Pvt. Ltd and Smera Ratings Ltd. The state government, through the Andhra Pradesh Capital Region Development Authority (APCRDA), has already received funding of close to Rs27,000 crore from the World Bank and the Housing and Urban Development Corporation Ltd (HUDCO), with 48% of capex planned in phase 1 already under execution. The ambitious Amaravati project, based on the concept of “tactical urbanism”, has raised concerns on fiscal prudence and ecology, since over 38,000 acres of agricultural land has been pooled by the state government to build its capital city. Further, the government aims to monetise close to 25% of the pooled land (around 10,000 acres) over a 20-30 year period to raise over Rs50,000 crore to cover its interest and debt payments. Founded in 2015 after the creation of Telangana, Amaravati aims to house 3.5 million people and is scheduled to be completed by 2029.

10. Centre's Target Of All-Electric Vehicles Possible Only In 2050: Toyota
Source: Business Standard (Link)

Toyota Kirloskar Motor on May 24 said the Centre's earlier target of setting up an all-electric fleet from 2030 will be possible from only 2050 and suggested that hybrid cars will be an "interim" solution till that time. Vice-chairman and whole-time director at TKM, Shekar Viswanathan said the Japanese car maker is in the process of shipping around 4,000 newly launched Toyota Yaris sedan across the country for consumers even as he maintained that as of now they have about 60,000 customer enquiries on the car." The central government itself has backtracked on the 100 per cent e-vehicles by 2030 target. They realised that you can't have electric charging infrastructure in place by 2030 to achieve that target). The car maker on May 24 officially launched Toyota Yaris in Telangana. He said they are suggesting the Government to encourage hybrid cars so that it need not create any additional infrastructure for charging of vehicles. "Our message for the Government of India is we don't have charging infrastructure today. It will take 20 to 30 years to build that charging infrastructure." "In the interim period we believe that the ideal solution is hybrid vehicles. This is what we told the Government. And the Government will not have to spend a single penny in creating charging infrastructure for hybrid vehicle," he explained.

11. Govt Hikes Import Duty On Wheat, Almond, 3 More Items
Source: The Economic Times (Link)

The government May 25 raised import duties up to 100 per cent on five products, including wheat, shelled almond, walnut, and protein concentrate, which are imported from the US and other developed nations. Invoking "emergency powers" to increase import duties under Section 8A of the Customs Act, the Finance Ministry increased basic customs duty on walnut in shell from 30 per cent to 100 per cent. Import of protein concentrate will now be subject to 40 per cent duty, up from 10 per cent. However, the duty on protein concentrate and textured protein substance has been raised to 40 per cent, from 30 per cent, according to notifications issued by the Central Board of Indirect Taxes and Customs (CBIC). The government last week had told the World Trade Organisation (WTO) that it would raise duties by up to 100 per cent on 20 products such as almonds, walnut, wheat, apple and specific motorcycles imported from the US, if Washington fails to roll back high tariffs on certain steel and aluminium items. Deloitte India Partner M S Mani said, "the hike in Customs duties on selected items appears in continuation of similar hikes on certain other items including agricultural products. They could increase the preference for local production as imports would become more expensive".

12. Ola, Oyo Rooms, Lenskart Draw Up Plans For Overseas Expansion
Source: Livemint (Link)

A growing number of Indian start-ups, including cab-hailing service Ola, hotel brand Oyo Rooms and eyewear retailer Lenskart, are venturing overseas, as they grow increasingly confident about their business models and their ability to take on global rivals. On May 25, Ola said it has expanded its presence in Australia by introducing its service in Brisbane, the Gold Coast and Canberra. *Mint* reported on 22 March that Oyo Rooms, which is present across 230 cities in India, Malaysia and Nepal, is looking to expand into China and other international markets. Lenskart is also considering expanding to countries in Asia, according to two people aware of the discussions. One reason behind their overseas expansion is that the founders of these companies have become increasingly confident about their platforms' ability to attract customers. Ola has so far come out on top in its gruelling market-share battle with Uber, while Oyo has seen a turnaround in its business, driven by its effort to gain full control of the room inventory on its platforms. In general, Asian internet companies haven't been able to match the success of their American peers in terms of overseas expansion. Companies such as Google, Facebook and Amazon are present in several countries globally whereas Chinese internet champions Alibaba and Tencent have chosen to buy overseas assets rather than build their own businesses outside.

13. Govt Mulls New Category To Impose Import Duties On Hi-Tech Products
Source: The Economic Times (Link)

The government is exploring the possibility of creating new categories in its tariff structure that will allow it to impose import duties on hi-tech products without violating a global agreement that mandates nil duties. The government has already imposed customs duties on mobile phones to encourage manufacturing in India. The finance and commerce ministries and the department of electronics are in discussions on the issue to give a 'Make in India' push to hi-tech products. Officials say some countries have already used the flexibility available in the Harmonised System of Nomenclature of goods to raise duties without running afoul of the Information Technology Agreement 1, or ITA1. Violations of the agreement are challenged at the World Trade Organization (WTO). The government has also sounded out the industry on the idea, said a person privy to the move. New Delhi had imposed customs duty on smartphones from July 1, 2017 and subsequently on some inputs as well. However, there have been protests from countries such as Japan disputing imposition of these duties. A review of the tariff structure to introduce new lines would ring-fence India from protests that can be taken to the WTO, say experts. "The proposal to introduce new tariff lines may possibly help in protecting domestic industry and possibly not being questioned from binding commitment perspective," said Rahul Shukla, executive director, PwC. Sophisticated electronic equipment and Internet of Things (IoT) devices could be considered for this rejig.