Daily Economic News Summary: 26 July 2018

1. US Open To Steel Duty Waiver For India If It Lowers Export Volume
Source: Financial Express (Link)

The US has indicated that it will consider a waiver to India from its 25% additional tariff on steel, provided New Delhi offers an acceptable proposal to lower the volume of its supplies of the metal to the world's biggest economy, sources told FE. The move is important, as a failure to strike a deal soon will intensify a trade tussle between the two countries, with India having already notified its plan to slap retaliatory measures worth $235 million against 29 American items from August 4. Senior officials of the two countries huddled in Washington last week to hammer out a 'trade package' in which all the contentious issues including the Trump administration's decision to levy extra duties on steel and aluminium (10%) from India were discussed. India is now working on a proposal to see if lower volume of steel supplies, with the exemption from the extra tariff, will serve its interest better. Once it finalises the proposal, it will be submitted with Washington to carry forward the negotiations, said the sources.

2. Big Trouble Now For Likes Of Vijay Mallya, Nirav Modi; Fugitive Economic Offenders Bill Passed In Rajya Sabha
Source: Financial Express (Link)

The Fugitive Economic Offenders Bill, aimed at preventing loan defaulters and financial frauds from evading legal process and fleeing the country, has been passed in the Rajya Sabha. The upper house of the Parliament passed the bill almost a week after the Lok Sabha passed it following a heated debate between the government and the opposition. On April 21, the Union Cabinet had passed the proposal to promulgate Fugitive Economic Offenders Ordinance 2018. The bill allows the confiscation of properties and assets of economic offenders like loan defaulters who flee the country. The bill also allows tagging a person as a fugitive economic offender if that person has been found involved in any offence with a value over Rs 100 crore and has fled the country and refuses to face prosecution at home. The government had explained earlier that the bill will allow a person to put in the list of the fugitive economic offender if that person has committed a scheduled offence, has a legal warrant issued against, and refuses to face criminal prosecution by fleeing the country. This will allow the authorities to confiscate the person's assets.

3. India Cautions Against Attempts To Formulate E-Commerce Rules Outside WTO Framework
Source: Livemint (Link)

India has warned that attempts by developed countries to frame rules on e-commerce outside the World Trade Organization (WTO) framework could undermine the consensus principle at the multilateral body, as there is an existing mandate for similar discussions to take place within the WTO. In a statement at the informal trade negotiating body meeting at Geneva, India's WTO ambassador J.S. Deepak said that though proponents are suggesting that these are new pathways and approaches to multilateral agreements, India does not see the advantages of this approach and feels that this would further undermine multilateral work, mandates and the consensus principle. During the Buenos Aires Ministerial of WTO in December last year, 71 members led by countries like China, Japan and the US in a joint statement said they would initiate exploratory work towards future WTO negotiations on trade-related aspects of electronic commerce. India plans to bring out a national e-commerce policy in next three months as lack of a domestic policy prevents it from taking a firm stand on the matter at WTO. South Africa and India in a submission to WTO have proposed that "electronic transmission" under e-commerce be clearly defined as the present moratorium on customs duties on electronic transmissions could imply a loss of competitiveness for developing countries who have higher tariffs on physical products while the same products in digital form attract zero duty.

4. Walmart Supports India's Case For US Duty Benefits
Source: The Economic Times (Link)

US retail giant Walmart has come out in support of India on a trade measure against the country by the Trump administration. The retailer has urged continuation of low or zero duty benefits for Indian exports worth $5.6 billion to the US under the Generalised System of Preferences (GSP) scheme. In a submission to the US government, which EThas seen, the company said revoking India's GSP eligibility was "too blunt a tool" and would only end up benefiting others. "Removing India from GSP, or removing eligibility for a broad range of GSP products from India, would most likely shift that production to non-GSP eligible countries such as China," it said. The US is in the midst of trade disputes with various countries but China, Canada and the European Union head the Trump administration's list of adversaries. Diverting supply chains away from India would be disruptive and produce short-term higher costs as US duties were applied to Indian goods. Walmart is betting big on India. It's seeking to complete the acquisition of a 77% stake in India's largest online retailer Flipkart.

5. Over 340 'Irrational' Drugs To Go Off Shelves Soon; Many More Under Scanner
Source: Business Standard (Link)

The Centre is one step closer to banning 343 "irrational" fixed-dose combination (FDC) drugs that were potentially harmful to consumers. The market size of the banned drugs is estimated to be around Rs 20-22 billion and will impact the country's top drugmakers. Patient advocacy groups say more FDCs, worth Rs 200-250 billion, are under scanner. An FDC drug is one that contains two or more active ingredients in a fixed-dosage ratio. In March 2016, the ministry of health and family welfare had implemented a ban on 349 FDCs based on recommendations of the Chandrakant Kokate committee that found these drug combinations to be irrational and posing health risks. In December, the Supreme Court referred the matter to the Drug Technical Advisory Board (DTAB) for a fresh review after drugmakers challenged the ban. The DTAB, in a meeting held in New Delhi on July 25, re-inforced the ban on 343 of the 349 drugs. It, however, felt restricted use could be allowed for six FDCs. The DTAB would forward its report to the health ministry in the next 7-10 days, said a top government official.

6. Need To Ease Carbon Taxes To Help Energy-Intensive Industries Compete Globally: NITI Aayog
Source: Livemint (Link)

India's use of carbon taxes to promote clean energy has gone too far and there is a case for easing them to let energy-intensive industries compete globally, federal policy think tank NITI Aayog said in a new report. The observation that steps to discourage use of coal and promote solar and wind power have actually penalized downstream industry by way of high energy costs, comes at a time India is taking a global lead in climate change policies, while the US has turned its attention to easing of overly burdensome environmental protection rules. NITI Aayog's call to rationalize carbon taxes also echoes chief economic advisor Arvind Subramanian's warning last August that India cannot allow the narrative of "carbon imperialism" to come in the way of realistic and rational planning for the country's energy future. NITI Aayog also proposed a separate energy policy for power-intensive industries like aluminium, a strategic metal critical to infrastructure, automobiles and defence industries and is presently the subject of a global trade war, in the report titled *Need for an aluminium policy in India* by member V.K Saraswat and economist Aniruddha Ghosh.

7. Petroleum Definition Changed For Uniformity In Operations: Government
Source: Business Standard ([Link](#))

Further easing the oil and gas exploration norms in India, the government has now redefined 'petroleum', thereby giving operators the option to explore all hydrocarbons including traditional oil and gas, shale, coal bed methane and hydrates -in the same field. In a notification dated July 24 amending the Petroleum and Natural Gas Rules of 1959, the ministry of petroleum and natural gas said that petroleum means "naturally occurring hydrocarbon in the in the form of natural gas or in a liquid, viscous or solid form, or a mixture thereof." However, it will not include coal, lignite and helium occurring in association with petroleum or coal or shale. The move is likely to benefit not just state-run companies like Oil and Natural Gas Corporation (ONGC) and Oil India, but also private sector majors like Vedanta Cairn. "The amendment would open up exploration of all hydrocarbons in existing fields which is in line with the new HELP. This should help in enhancing domestic exploration and production of hydrocarbons, thereby increasing India's energy security and reducing our dependency on imports," said Prashant Modi, Managing Director and chief executive officer of Great Eastern Energy Corporation.

8. Increased Aluminium Imports To Hit Realisations Of Domestic Producers
Source: Business Standard ([Link](#))

Realisations of domestic primary aluminium producers are expected to drop in 2018-19, as import surges. The industry is preparing a plea to the government for protection."We had never anticipated such a glut of import and, hence, had not tied up long-term contracts overseas. Due to this, we have to sell abroad in the spot market, which has its own vagaries," a top official with one of the primary producers told *Business Standard*. Anil Agarwal's Vedanta, state-owned National Aluminium Company and Aditya Birla Group's Hindalco Industries are the major primary producers. Their combined annual output is four million tonnes and can cater to the entire domestic market, where consumption is usually 3.1-3.6 mt. Excess production is exported by these companies. “This year, we are exporting more than 50 per cent of our production as consumers are getting material at a much cheaper rate, which no domestic primary producer can match. Roughly half the consumption is being met via import mainly through aluminium scrap,” said the official.

9. 4 Companies From India And Israel Funded Under I4F Programme
Source: The Hindu, Business Line ([Link](#))

Four companies each from India and Israel will receive the first round of the India Israel Innovation India-Israel Industrial R&D and Technological Innovation Fund (I4F). The companies will co-create affordable technologies in the area of agriculture, healthcare, energy, water and Information and Communication Technology (ICT). This is part of the $40-million fund under I4F, with equal contribution from India and Israel, for a period of five years to promote, facilitate and support joint R&D between the two countries. In the healthcare space Appasamy Ocular Devices Pvt Ltd from India and Sanoculis from Israel will collaborate to create an affordable technology solution for treatment of glaucoma. While the Israeli company already has the technology, it will collaborate with the Indian company to create an affordable solution. Sivagnanam Subbiah, General Manager, Appasamy Ocular Devices, said the company would be granted funding of Rs 1.4 crore for a period of two years till 2020. Other awardees include Frog Cellsat (India), Uniqam (Israel), Vyoda (India), Agrosolar and Energy Efficient Services (India) and Bacsoft (Israel).

10. Public Servants Can Now Be Convicted For Corruption Only If They Have Illegal Assets: Relief For Bankers, Officials Whose Decisions Go Sour
Source: Firstpost ([Link](#))

The Parliament on 24 July 2018 had passed the Prevention of Corruption Bill 2018, provisions of which have been hanging fire since 2013. It treats bribe-givers at par with bribe-takers and prescribes jail term (in addition to fine) ranging from three to seven years to both on conviction for being equal partners in the crime of corruption. The Bill has done well to bring it into the nation's consciousness. As a corollary, it is no longer possible for the bribe-giver to turn an approver and stand in the witness stand against the bribe- taker. The Bill also does well to distinguish between voluntary and coerced bribes given. Accordingly, if the bribe-giver can prove that he was driven into giving bribes by lodging a complaint within seven days of paying, he will be absolved of the charge of being an equal partner in the crime of bribe-giving. But this may not be easy for the harried bribe-giver because there are obviously no tangible records of bribe giving linking it to a day and time. The act of sanctioning a loan involves judgment which in hindsight can be assailed as wrong. Hindsight will not be reason enough to haul a banker or for that matter any public servant over coals. But eyebrows have gone up over the monetisation, so to speak, of corruption.