

Daily Economic News Summary: 26 June 2018

1. GSP, Medical Devices, Steel Tariffs High On Agenda

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

Pricing of medical devices, additional tariffs on Indian steel and aluminium exports, and duty cuts for \$5.6 billion of Indian exports are high on commerce ministry's agenda for the two-day meeting with officials of the US administration beginning on June 26. The first round of meetings to resolve a plethora of trade issues comes days after India notified its retaliatory tariffs on 29 products from the US, striking back against Washington's move to impose higher duties on Indian steel and aluminium exports. At least 7-8 officials from the US administration, including assistant US trade representative Mark Linscott, will be in New Delhi for the talks. The Indian side will have officials from departments of commerce, agriculture and pharmaceuticals, and other ministries concerned. The meetings will help "resolve areas of mutual concern and arrive at mutually acceptable solutions" said one official. In a hearing with United States Trade Representative officials on June 19 in Washington, India said it has been a recipient of Generalized System of Preferences (GSP) benefits for a long time and that has benefitted its small and medium enterprises.

2. Indian Companies Ask Govt To Restrict Chinese Aluminium Imports

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

Arguing that recent import duty hikes by the US may see huge amounts of Chinese aluminium scraps being dumped in India, manufacturers have asked the government to curb imports. Recently, executives from companies, including Vedanta and Hindalco, met Department of Industrial Policy and Promotion (DIPP) Secretary Ramesh Abhishek to request that quantitative restrictions be placed on aluminium imports, which have shot up over the past two years, a commerce ministry official said. In a presentation made by the Aluminium Association of India (AAI), which was reviewed by *Business Standard*, the industry told the government that manufacturers were suffered owing to the impact of unfavourable Free Trade Agreements (FTAs). They also sought anti-dumping duties for the majority of imports, but said aluminium should be exempted from the list of items that were currently being discussed for the proposed Regional Comprehensive Economic Partnership agreement. Trade officials of 16 Asia-Pacific countries that

form the grouping are set to start the next round of negotiations in Tokyo soon. India's aluminium imports rose in the last two years, and a majority of that came from nations, including Malaysia and South Korea, those with which India had trade pacts. Imports rose from \$3.47 billion in 2016-17 to \$4.52 billion in 2017-18 as global commodity prices saw an uptick. However, the largest component of this, aluminium scraps, mainly originated from China.

3. GST Council May Reduce Rates On Construction Material To 18%

Source: Livemint ([Link](#))

The goods and services tax (GST) Council will consider a proposal to reduce GST rates on more items used in construction to 18% from 28%, as the government looks to create more jobs and boost the economy ahead of the 2019 general elections. If the GST Council approves the proposal in its 19 July meeting, it could be a shot in the arm for both homebuyers and builders. The idea is to bring down taxes to aid economic growth, said a person familiar with the development. The move comes days after the government's decision to relax rules that would enable more homebuyers to access the interest subsidy scheme. Industry insiders say that construction activity may pick up pace on the back of the recent moves as it would boost demand, while lowering input costs. "It will be helpful in the long run. Lowering GST will help in construction of more homes and increasing inventory," said Niranjan Hiranandani, president National Real Estate Development Council, and chairman and managing director of Hiranandani Communities. At present, raw material such as cement and paints come under the 28% tax slab. However, many other items used in construction are in the 18% slab.

4. ISA Plans Global Solar Bank To Finance \$150 Billion Of Power Projects

Source: Livemint ([Link](#))

The International Solar Alliance (ISA) plans to approach multilateral development banks (MDBs) such as Asian Infrastructure Investment Bank (AIIB) to create a special purpose vehicle (SPV) to specifically finance solar projects, said the alliance's interim director general, Upendra Tripathy. This SPV aimed at financing \$150 billion would become a World Solar Bank, said Tripathy. The concept note for the solar bank will be shortly circulated by ISA to all eight MDBs with which the first treaty-based international government organisation based in India has signed joint

declarations. The idea of a solar alliance was mooted by Prime Minister Narendra Modi during the India-Africa Summit in Delhi in October 2015. ISA has inked joint declarations with the World Bank, African Development Bank, Asian Development Bank, AIIB, New Development Bank, European Investment Bank, European Bank for Reconstruction and Development and the Green Climate Fund (GCF) for enhancing cooperation in the solar energy area. The proposal for a World Solar Bank comes against the backdrop of ISA's mission to undertake joint efforts required to reduce the cost of finance and the cost of technology, mobilise more than \$1,000 billion of investments needed by 2030 for massive deployment of solar energy, and pave the way for future technologies.

5. Government Extends Ban On Import Of Milk Products From China For 6 Months

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

The government has further extended the ban on import of milk and its products, including chocolates, from China for six months till December 23. "Prohibition on import of milk, milk products (including chocolates, chocolate products, candies, confectionary food preparations with milk or milk solids as an ingredient) from China is extended for a further period of six months, i.e., till December 23, 2018 or until further orders," DGFT said in a notification. The ban was first imposed in September 2008 and later extended from time to time. The last ban imposed by Directorate General of Foreign Trade (DGFT) ended on June 23 this year. The ban was imposed on apprehensions of presence of melamine in some some milk consignments from China. Melamine is a toxic chemical used for making plastics and fertilisers. Although India does not import milk, milk products from China, it has imposed the ban as a preventive measure. India is the world's largest producer and consumer of milk. It produces around 150 million tonne milk annually.

6. Government-Appointed Panel To Suggest Employment-Based Sops For SEZ

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

A group set up by the commerce ministry to study SEZ policy will make suggestions for shifting from fiscal support to employment-based incentives and introducing grandfathering clause for existing provisions, according to an official release. The matter was discussed in the group's first

meeting, headed by Bharat Forge chairman Baba Kalyani, held last week in Delhi. Kalyani stressed that the biggest challenge June 25 is creation of jobs and said the focus of the group would be addressing this issue. “The group will make suggestion to shift from fiscal incentives to employment-based incentives, reframe the boundaries and introduce grandfathering clause for existing provisions,” the commerce ministry said quoting Kalyani. Commerce and Industry Minister Suresh Prabhu has requested the members of the group to review the entire ecosystem of special economic zones (SEZs) to suggest policy changes to make it simple and transparent. The group has decided to meet in the middle of July again and will submit its report by the end of August, it added. SEZs have emerged as major export hubs in the country as the government provides several incentives including tax benefits and single window clearance system.

7. Saudi Aramco, Adnoc To Join Hands For Petroleum Retail In India

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

Saudi Aramco, the world’s largest oil producer, and UAE’s national oil company Abu Dhabi National Oil Company (Adnoc) are in talks to jointly foray into the retail petroleum and marketing businesses in India. On June 25, Adnoc also signed a memorandum of understanding (MoU) with the country’s big three oil marketing firms Indian Oil Corporation (IOC), Bharat Petroleum (BPC) and Hindustan Petroleum Corporation (HPC) to be a part of the Rs 3 trillion-West Coast refinery and petrochemicals project in Maharashtra. Both the foreign companies will jointly hold 50 per cent in the proposed refinery, while the Indian trio will hold the remaining stake. Additionally, Adnoc also expressed interest in acquiring stake in the Padur strategic oil reserves. The size of the project is around 2.5 million tonnes (MT). In February, Adnoc had signed a contract with India to fill 0.75 MT of space in the Mangalore strategic oil reserves cavern. Saudi Aramco President and Chief Executive Officer Amin H Nasser said that the company wants to step into the full value chain. “We are exploring opportunities to have a tie up in retail petroleum and marketing with Adnoc. We are also in discussions with the three Indian companies.”

8. Policybazaar Joins Unicorn Club With \$200 Million Funding

Source: Livemint ([Link](#))

Policybazaar, which raised more than \$200 million in a funding round led by SoftBank Group's Vision Fund on June 25, is the latest Indian start-up to achieve the unicorn status. The online financial services portal run by EtechAces Marketing and Consulting Pvt. Ltd has been valued at more than a billion dollars, the company said on June 25. Existing Indian investors other than Premji Invest have all participated in the current round, according to the company. EtechAces, which runs PolicyBazaar and Paisabazaar.com, counts Temasek, Tiger Global Management, True North, Premji Invest as existing investors. "SoftBank's culture of backing disruptive businesses and industry leaders with long-term capital investment gels well with our own values and vision of creating a transparent and empowering financial products marketplace. We hope to gain a lot from their global footprint and experience," Yashish Dahiya, co-founder and chief executive said in a statement. The company said that the growth in insurance purchases digitally will enable it to grow at an annual average rate of 80% over the next three years to a total of 10 million transacting customers by 2020.

9. Farmers To Pay The Price Of Tariff Fight With Trump

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

It's not just high fuel costs; farmers are also grappling with rising fertiliser prices, mainly non-urea complexes such as di-ammonium phosphate (DAP) and muriate of potash (MoP), this kharif season. DAP and MoP have risen over the past few months tracking an increase in the international prices of raw materials. The rupee, which has fallen 7 per cent since January, has also made imports of these decontrolled fertilisers costlier. The industry also fears that the Centre's move to impose safeguard duty on imports of phosphoric acid from the US may turn counterproductive. India imports around 2.4 mt of phosphoric acid, of which imports from the US are estimated to be 200,000 tonnes. The bulk of the imports are from Morocco, Senegal and Jordan. As part of the retaliatory measures against the US, the government has hiked the duty on phosphoric acid to 20 per cent from 5 per cent. "The higher duty on US products may push up the prices of phosphoric acid from other origins," an industry source said. Phosphoric acid prices are currently at around \$730 a tonne, having risen \$150 from a year ago. Agriculture expert Devinder Sharma said the rise

in prices should augur well for India to move away from chemical fertilisers. “There is a need to take a re-look at their use,” he said, adding that recent studies in Andhra Pradesh prove that there is no co-relation between rise in yields and fertiliser use.

10. Harley-Davidson To Shift Some Of Its Production Overseas; President Donald Trump 'Surprised'

Source: Firstpost ([Link](#))

Harley-Davidson has announced to shift some of the production of its iconic motorcycles overseas against the imposition of steep import tariffs by the European Union, leaving US President Donald Trump "surprised". Trump, who has been taking up the case of tariffs on Harley-Davidson by India, which in part is responsible for the current trade tension between the two countries, said he is surprised by such a decision by the motorcycle manufacturer. In fact, he accused the Wisconsin-based company of raising white flag. Outside the US, Harley-Davidson has manufacturing facilities in India, Brazil and Australia. Harley-Davidson said that shifting targeted production from the US to international facilities could take at least nine to 18 months to be fully completed. The company's decision surprised Trump who has been continually raising the issue of high import tariffs on the motorcycle manufacturer elsewhere. "Surprised that Harley-Davidson, of all companies, would be the first to wave the White Flag," he said.

11. India Inc's Foreign Direct Investment Dips 63% To \$1.17 Billion In May

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

Indian companies' investments into their overseas subsidiaries/joint ventures fell by 63 per cent to \$1.17 billion in May this year, according to RBI data. In May 2017, India Inc's foreign direct investment stood at \$3.12 billion. In April 2018, the outward foreign direct investment (OFDI) of Indian firms was \$3.56 billion. Of the total investment by domestic firms in overseas ventures in May 2018, \$ 374.18 million was in the form of equity infusion, \$162.96 million in loan and \$630.45 million as guarantee issuances, as per Reserve Bank data. Among the major companies that made investment in their overseas subsidiaries/joint ventures included Indiabulls Real Estate \$368.09 million, ONGC \$57.94 million, Tata Hitachi Construction Machinery \$26.62 million and Wadhawan Global Captial \$15.23 million.

12. Centre Dismisses Reports Claiming That India Has Reduced Exports Of Essential Goods To Maldives

Source: Scroll ([Link](#))

The Ministry of External Affairs on June 25 said that media reports claiming that India had reduced exports of essential goods to Maldives were misleading. “The requirements [of essential goods] are calculated based on actual utilisation in recent past and is consistent with the mechanism of the trade agreement signed between India and Maldives in 1981,” said Ministry of External Affairs spokesperson Raveesh Kumar in a statement. Kumar reiterated that India is committed to its ties with Maldives and “will ensure that people of Maldives do not have to endure any hardships.” Reports in the media, citing a notification issued by the Directorate General of Foreign Trade, had said that India had lowered its export limit on commodities like potatoes, onions and eggs to Maldives. India’s relationship with the island nation has soured after it criticised the Abdulla Yameen government for imposing a 45-day emergency earlier this year. The situation worsened in April when the Maldives demanded that India take back two Dhruva helicopters gifted to Male in 2013. Fresh tension emerged on June 4, when New Delhi barred a Maldivian MP, Ahmed Nihan, a close aide of President Abdulla Yameen, from entering India.