

Daily Economic News Summary: 28 June 2018

1. US Threatens Sanctions On India For Iran Oil Imports; Says, ‘No Exemption’ For Anyone Dealing With Iran

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

Issuing a strict warning, the US on June 28 threatened all countries including India and China to stop oil imports from Iran or face sanctions. There would be ‘zero’ waivers to any nation dealing with Iran, the US said, PTI reported. “On China and India, yes, certainly,” PTI reported citing an unidentified state department official when asked if the US has told all countries, including India and China, to stop all their imports of Iranian oil by November 4. After Iraq and Saudi Arabia, Iran is the third-largest oil supplied globally. During April 2017 and January 2018 (first 10 months of 2017-18 fiscal), Iran supplied 18.4 million tonnes of crude oil. In May, the US withdrew from the Iran nuclear deal to create more pressure against Tehran’s atomic programme. The Donald Trump administration issued foreign companies either 90 or 180 days to wind down their business with Iranian companies. PTI reported the same official saying that the Indian and Chinese companies would be subject to the same sanctions as those in other nations. “Their (India and China) companies will be subject to the same sanctions that everybody else’s are if they engage in those sectors of the economy that are sanctionable, where there were sanctions imposed prior to 2015. And yes, we will certainly be requesting that their oil imports go to zero,” PTI reported citing an unidentified state official.

2. Temasek Acquires \$250-Million Stake In Kerala’s UST Global

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

Temasek Holdings has bought \$250-million stake in Chanderies-led UST Global, in an unprecedented bout of investment in the digital technology sector by the Singapore-based investment behemoth. Temasek is usually reputed to invest in infrastructure, financial services, consumer business etc, with stakes in firms like Bank of Singapore and Alibaba Group. This equity infusion brings Kerala’s first homegrown unicorn UST Global in the league of \$1 billion-plus firms, UST Global CEO Sajan Pillai told mediapersons, in Thiruvananthapuram. Temasek is also the first institutional investor for UST Global in its 18-year journey from a 10-people outfit in

Thiruvananthapuram's Technopark. Currently, it employs 18,000 people in India alone. It has 35 offices worldwide and regional headquarters in California and London. Although UST Global's top brass prefers to call the new equity infusion "a minority share" without mentioning the exact share, Temasek's share is reported to be about 20%. Chanderies-led Comcraft Group, run by a Kenyan business family of Indian origin, has the controlling stakes in UST global.

3. Exim Bank Extends \$10 Mn Loan Facility To Seychelles

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

The Export-Import Bank of India (Exim Bank) on June 27 said it has extended \$10 million worth of line of credit (LOC) to Seychelles for healthcare and procurement of goods and projects. The LOC is the first tranche of the \$50 million sanctioned by the Exim Bank to the country, a release said. With this agreement for \$10 million, Exim Bank, till date, has extended two LOCs to Seychelles, taking the total value to \$28 million. Earlier this week, the bank had extended two LOCs aggregating \$31 million to the Republic of Suriname for upgradation of transmission line network and maintenance of Chetak helicopters there. Exim Bank has 233 LOCs in place at present, covering 62 countries in Africa, Asia, Latin America and the CIS, with credit commitments of around \$22.86 billion, available for financing exports from India, the release said.

4. Trade Events In Africa, S. America To Explore New Export Domains: Commerce Ministry

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

Trade events are being organised in African, Central and South American countries to explore new markets with a view to boost the country's exports, the commerce ministry said on June 27. "Because of these measures, exports are continuously registering growth," it said. These issues, among others, were discussed in a meeting chaired by Commerce and Industry Minister Suresh Prabhu last week. In the meeting, the minister reviewed a strategy for revitalising India's exports. "The minister reviewed development of USD 100 billion additional export strategy focussing on champion and promising products and market retention," it added. It said that commodity specific strategy includes products like gems and jewellery, leather, textile, pharmaceuticals, electronics, engineering, chemical, marine products and agriculture goods.

5. Govt Plans To Sell Air India Building In Mumbai To JNPT

Source: Livemint ([Link](#))

The government has started discussions for sale of the Air India building at Nariman Point, Mumbai, to the country's biggest container port Jawaharlal Nehru Port Trust (JNPT) as part of efforts to raise funds for the cash-strapped national carrier, said people familiar aware of the development. The people said that the proposal for Air India building sale has received in-principle approval from Prime Minister Narendra Modi, following which an inter-ministerial panel has been constituted to work out the modalities. Air India's 23-storey building at Nariman Point, Mumbai, which was also once the airline's headquarters, is a prime property and is likely to fetch high valuations. The proposal to sell the building to state-owned Jawaharlal Nehru Port Trust (JNPT) also comes after the government's efforts of Air India strategic disinvestment failed to take off. The prime minister has given his in-principle approval for the proposed sale of Air India's iconic building to JNPT, people familiar with the matter said. On June 25, finance minister Piyush Goyal had said the government is giving a new thrust to strengthen Air India's management practices and operational efficiencies while the disinvestment plan would depend on various circumstances. "In the next 18 months, you will see the visible change," he had said

6. SBI To Shut 9 Foreign Branches As Part Of Rationalisation: Pravin Gupta

Source: Livemint ([Link](#))

State Bank of India (SBI) has closed six foreign branches and is in the process of closing down another nine branches as part of rationalisation of overseas operations, said managing director Pravin K. Gupta. SBI, country's largest lender, has operations in about 36 countries with nearly 190 branches. "Capital is generally a constraint for most of the bank sites. Obviously, you want to use your capital at the place where it is best utilised. So, as a part of our foreign branch rationalisation, we have closed about six branches already in the last two years. There are nine more branches under the process to be closed down," Gupta told *PTI* in an interview. Not all the branches in the foreign locations are full-fledged offices, he said, adding that in countries like Bangladesh and South Africa there are some small branches as well as some retail branches and there is need to rationalise them. Even as the public sector banks have been mandated by the

department of financial services to wind-up businesses at unviable locations, SBI itself was looking to rationalise the foreign offices before the order came, Gupta said.

7. India, China Demand Reduction In Rich Nations' Harmful Farm Subsidies From 2019 **Source: The Hindu, Business Line ([Link](#))**

Hitting back at WTO members that have questioned India's Minimum Support Price (MSP) programme for food, including the US and the EU, New Delhi has teamed up with Beijing to formulate a step-by-step proposal for rich members to eliminate their farm subsidies where the World Trade Organization (WTO) has allowed them higher amounts beyond *de minimis* (ceiling) levels. In a joint proposal to the WTO submitted recently, the two countries have said that the reduction process should begin as early as 2019 to remove the asymmetry in the WTO's agreement on agriculture and remove distortions in world trade. "Any meaningful attempt at reforms in agriculture subsidies must address the asymmetry between the developed members on the one hand and most of the developing members on the other hand in their respective entitlements to AMS (Aggregate Measurement of Support) beyond *de minimis* and the flexibility to provide high product-specific support," the proposal said. Negotiations on further discipline on domestic support for agriculture should start only after reduction of trade-distorting subsidies by developed nations, it added

8. Export Push: ECGC, NEIA To Get More Capital Support **Source: The Hindu, Business Line ([Link](#))**

In an effort to boost exports, the government on June 27 approved financial assistance of over ₹3,000 crore to the Export Credit Guarantee Corporation (ECGC) and National Export Insurance Account Trust (NEIA). These were among the many proposals approved at the meeting of the Cabinet and the Cabinet Committee on Economic Affairs (CCEA). ECGC will receive capital infusion of ₹2,000 crore while NEIA will have grant-in-aid (corpus) of ₹1,040 crore. This will help in providing insurance cover approximately up to ₹3 lakh crore. ECGC provides insurance cover to exporters of goods in case of payment default by the receiving party or in other incidence. Similarly, NEIA provides insurance cover for project export. Interim Finance Minister Piyush Goyal said more financial assistance will help exporters, especially those belonging to

Micro, Small and Medium Enterprises (MSMEs). Echoing similar sentiment, an official statement said that it would strengthen India's exports to emerging and challenging markets like Africa, CIS (Commonwealth of Independent States) and Latin American countries. Covers from the corporation will help in improving competitive position of India exporters in international markets. "More than 85 per cent of customers benefited by ECGC's covers are MSMEs. ECGC covers exports to around 200 countries in the world," it mentioned.

9. India To Focus On Services Trade At RCEP Ministers Meet In Tokyo

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

India will be focusing on securing a strong commitment on services trade liberalization from member countries at the latest round of negotiations on the proposed Regional Comprehensive Economic Partnership (RCEP) which will see trade ministers meet on July 1. The RCEP is a proposed free-trade agreement (FTA) between the 10 Asean economies and six others with which the grouping currently has FTAs-Australia, China, India, Japan, South Korea, and New Zealand. So far, 22 rounds of negotiations have concluded apart from five minister-level meets. Commerce and Industry minister Suresh Prabhu, who is currently on a bilateral visit to Australia, is set to fly onwards to Tokyo for the ministerial dialogue that is expected to hammer out the basic tenets of the deal. India will be looking to secure a commitment on market access in services trade from other nations, given that discussions on goods trade had deteriorated over the past two rounds, a senior Commerce Department official said before leaving for working committee level talks set to happen till Friday. India has large numbers of trained services professionals such as nurses, chartered accountants, information technology professionals and has pushed hard on easing norms for cross-border migration of professionals.

10. Private Investment Plans In India's Strategic Oil Reserves Get Cabinet Nod

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

The Union Cabinet on June 26 cleared a proposal to bring in private investments for building the next phase of strategic crude oil reserves of around 6.5 million tonnes at Chandikhol in Odisha and Padur in Karnataka. The strategic petroleum reserves facilities at Chandikhol and Padur will be underground rock-caverns and will have capacities to the tune of

4 MT and 2.5 MT respectively. This comes two days after Abu Dhabi National Oil Corporation (Adnoc) expressed its interest of having space in Padur reserves. The move is likely to bring in investments from domestic private sector players like Reliance Industries (RIL) and Essar Oil. "The cost of the projects will be decided after the engineering studies and factoring in land acquisition costs," said finance minister Piyush Goyal, addressing the media on June 27. In February, Business Standard had reported that some Indian private refiners are in talks with Indian Strategic Petroleum Reserves Ltd (ISPRL) to grab a stake in their upcoming projects and a Cabinet clearance is expected soon. ISPRL has already constructed underground rock caverns for storage of 5.33MT of crude oil at three locations -- Vishakhapatnam (1.33 MT), Mangalore (1.5 MT) and Padur (2.5 MT). The total 5.33 MT capacity under Phase-I of the programme is currently estimated to supply approximately 10 days of India's crude requirement. Cabinet's approval for establishing additional 6.5 MT Strategic Petroleum Reserve facilities will provide an additional supply of about 12 days and is expected to augment India's energy security, the statement said.

11. India Notifies Rules For Income Tax Computation For Foreign Firms

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

The government has notified rules for computation of income tax for foreign companies if they have place of effective management in the country. According to tax experts, it brings clarity on various aspects of the new place of effective management (POEM) regime. Central Board of Direct Taxes (CBDT) has notified a mechanism for calculation of written-down value, and computation of brought-forward loss and unabsorbed depreciation. It has said a company would continue to be treated as a foreign company even after it becomes resident in India. "The notification has provided clarity to the foreign companies which shall be considered as a resident in India owing to its POEM being in India," said Rakesh Nangia, managing partner at tax consultancy Nangia Advisors LLP. "It provides guidance in case any conflict arises in the application of provisions of the Act to such foreign company qualifying as a resident company vis-à-vis a domestic resident company," he said. But, Section 115JH of the Act, which provides the special provisions applicable to foreign company said to be resident in India, required the government to provide the condition for

computation of total income of such foreign company considered as resident in accordance with POEM.