

## Daily Economic News Summary: 6 August 2018

### **1. Trump Tariff Fallout: India Becomes Steel Dumping Ground; Imports From China Jump 67%, Japan 47% And Korea 35%**

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

India seems to have turned a favourite dumping ground for steel makers from not just China but also Japan and South Korea, which are diverting supplies from the US and the European Union in massive volumes to beat the impact of a global tariff war initiated by the Trump administration. Official data suggest steel supplies from China, the world's largest steel producer, surged to 3,62,000 tonnes in the April-June period, up as much as 67% sequentially from 2,17,000 tonnes in the previous quarter, even though our overall merchandise imports from the second-largest economy faltered. Similarly, steel imports from Japan and Korea jumped 47% and 35%, respectively, to 3,74,000 tonnes and 7,46,000 tonnes in the June quarter, against supplies in the previous three months, according to a note prepared by the steel ministry.

### **2. Widening Of FTA: India, Sri Lanka Aiming To Conclude Talks By December**

**Source: Financial Times ([Link](#))**

Holding the tenth round of talks for widening the scope of existing free trade agreement in goods, India and Sri Lanka are aiming at concluding the negotiations by December this year. "The talks are going at a healthy pace and both the countries are targeting to conclude the talks by December for the Economic and Technology Co-operation Agreement (ETCA)," an official said. The pact is aimed at further boosting the economic ties between the two countries by liberalising trade norms. Both the countries already have a free trade agreement (FTAs) in goods, but now the talks are on to widen the scope of this pact by including services and investments to make it comprehensive. India and Sri Lanka have a free trade agreement in goods was implemented in March 2000. India has a healthy trade surplus in goods with Sri Lanka. India exported goods worth USD 4.5 billion in 2017-18 and its imports from that country were only USD 773 million. Sri Lanka is India's major trading partner in South Asia. In 2003, both sides set up a joint study group to widen the ambit of the FTA. Based on its recommendations, they started negotiations for a comprehensive economic partnership agreement in February 2005.

### **3. India Makes Final Plea To Avail GSP Benefits**

**Source: Livemint ([Link](#))**

India has made a final plea for continuation of the generalized system of preferences (GSP) benefits currently under review before the US Trade Representative (USTR), arguing that the cheaper imports of intermediary products from India enable availability of cost-effective and price-competitive inputs to the US downstream industries and helps the US firms remain domestically and internationally competitive. The GSP programme allows duty-free entry of 1,937 products worth \$5.6 billion from India into the US, benefitting exporters of textiles, engineering, gems and jewellery and chemical products. In its initial submission during the hearing, India had threatened to drag the US to the dispute settlement mechanism of the WTO, claiming withdrawal of the GSP benefits would be “discriminatory, arbitrary and detrimental” to its developmental needs. While the US has been trying to leverage the GSP review to gain more market access in India, India has at least through the written submission, made it clear that the benefits should be “unconditional and not contingent upon reciprocal market access for goods, services or other emerging areas of trade.

### **4. Group Of Ministers To Look At Reservations On Joining RCEP**

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

Divisions within the government over a free trade pact with 16 nations including China has prompted the Centre to set up a group of ministers (GoM) to decide the course of action, a senior official said. Cabinet secretary PK Sinha has called an urgent meeting this week after most ministries and departments expressed reservations about joining the proposed Regional Comprehensive Economic Partnership (RCEP). An order setting up the GoM will be issued shortly, said the person cited above. There is concern across ministries that joining the accord could severely dent local manufacturing and jobs and that China’s \$60-billion trade surplus with India will swell even further as it floods the market with cheap goods at zero tariff. The August 7 meeting will discuss the pact as pressure grows on New Delhi to seal the deal amid an escalating trade war between China and the US. The RCEP includes the 10-member Association of Southeast Asian Nations (Asean), China, India, Japan, South Korea and New Zealand. “Most ministries have reservations... A GoM will now look at the pact,” a senior government official told ET. The pact

proposes to eliminate import tariffs on 90% of goods. India already has trade pacts with Asean, Japan and South Korea.

### **5. Govt May Hike Import Duty On 300 Textile Products To Boost Manufacturing**

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

The government is likely to hike import duty on about 300 textile products to boost domestic manufacturing and create employment opportunities, sources said. Foreign direct investment norms for the sector may also be relaxed. Products on which imports duties are expected to increase includes some fabrics, garments and man-made fibres. The duties could be enhanced to 20 per cent from the current level of 5-10 per cent. Government sources said the Finance Ministry may soon issue a notification in this regard. If the government decides to notify the duty hikes this week, then it would have to be first tabled in Parliament. Increase in duties would give an edge to domestic manufacturers as the imported products are relatively cheaper. Increase in manufacturing activity will help create jobs in the sector, which employs about 105 million people. In July, the government doubled import duty on over 50 textile products, including jackets, suits and carpets, to 20 per cent, a move that is aimed at promoting domestic manufacturing.

### **6. Sri Lankan Government Reworking Mou On Hambantota Airport Deal With India**

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

The Sri Lankan government is reworking on the draft of a memorandum of understanding to hand over the management of Mattala Rajapaksha International Airport at Hambantota to Indian airport operator, according to a media report on August 5. Built with high interest commercial loans from China by the Mahinda Rajapaksha government, the MRIA is dubbed as the “world’s emptiest airport” due to lack of flights. It was officially opened in March 2013 and the only international flight operating from there was halted in May. The Sri Lanka government had announced that it will go ahead with the deal with India to jointly operate the USD 210 million Mattala Rajapaksha International Airport (MRIA) at Hambantota, about 241km south-east of Colombo, through a joint venture with the Airports Authority of India (AAI). The government had last month asked the Indian airport operator to submit its business plan for operating the loss-making airport. A draft MoU on handing over of the MRIA to the Airports Authority of India (AAI) was recently presented

before the Sri Lankan Cabinet and is now being reworked at the Indian government's request, the Sunday Times reported.

## **7. President Gives Assent To Bill On Fugitive Economic Offenders**

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

President Ram Nath Kovind has given his assent to a Bill that will deter fugitive economic offenders from evading the legal process in India and fleeing the country. A fugitive economic offender is any individual against whom warrants for arrest are issued for his involvement in select economic offences, involving an amount of at least Rs 100 crore or more, and has left India so as to avoid criminal prosecution. The Fugitive Economic Offenders' Act, 2018, has got the nod from the President, according to an official order. The new legislation will prevent big economic offenders such as Vijay Mallya and Nirav Modi, from fleeing the country and evading the law. Both Mallya and Modi, wanted in cases being probed by the Central Bureau of Investigation (CBI), are out of India. The new law allows the designated special court to declare a person as a fugitive economic offender and to confiscate his property, including 'benami' ones. "All the rights and title in the confiscated property shall, from the date of the confiscation order, vest in the Central Government, free from all encumbrances," the Act says

## **8. India And China Unite To Seek Cuts In Developed Nations' Farm Subsidies**

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

India and China have together demanded at the World Trade Organization that developed economies lower farm subsidies to their farmers under the agreed multilateral trade rules.

The two have proposed that developed economies including the US, the EU and Canada do away with \$160 billion of trade-distorting farm subsidies that they give to products including cotton, wool and tobacco. They have recommended that half the difference between the actual support and 10% Aggregate Measurement of Support (AMS) be reduced in 2019 with equal steps. Under the WTO, the AMS or 'Amber Box' is capped at 5% of the value of production for developed countries (de minimis support), but in many cases the actual support has exceeded the ceiling. In a joint proposal to the WTO, the two countries suggested a formula for a gradual reduction and an eventual elimination of these incentives by developed countries. "The product-specific support has

to be ultimately brought down to zero but till the time it is there, it should be limited to 5%,” said an official aware of the proposal.

### **9. GST Incentives For Digital Payments To Be Rolled Out On A Pilot Basis: Goyal**

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

States will roll out on a pilot basis incentives for digital transactions through Rupay card and BHIM app under the Goods and Services Tax, Finance Minister Piyush Goyal has said. The GST Council, chaired by Goyal, at its meeting in Delhi on August 4 also decided to set up a Group of Ministers (GoM) under the Minister of State of Finance, Shiv Pratap Shukla, to look into the issues of the MSME sector. Simultaneously, law and procedure related issues for the sector would be looked into by the law committee of Centre and State tax officers, while tax rate related issues would be looked after by the fitment committee of tax officers. With regard to incentives for digital transactions, Goyal said that these would be rolled out on a trial basis by states who volunteer to do so. "Based on the pilot, we can assess the revenue gain or loss," he told reporters after the GST Council meeting. A ministerial panel headed by Bihar Deputy Chief Minister Sushil Modi has approved the proposal for incentivising digital payments through Rupay card and BHIM app by way of a cash back.

### **10. Retaliatory Tariffs On 29 US Products Deferred Till September 18**

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

India has deferred imposition of retaliatory tariff on 29 US products by 45 days till September 18 due to the ongoing discussion between the two countries to resolve trade disputes. The tariffs were supposed to come into effect on August 4. "The said notification, with effect from the 4th day of August-...shall come into effect from the 18th day of September, 2018," the government said in a notification. The department of commerce had last week recommended to the department of revenue to amend the notification for further extension of retaliatory measures for 45 days that would affect imports of American apples, almonds, walnuts, iron and steel products, flat rolled products of stainless steel.