Daily Economic News Summary: 21 July 2017

1. India, China question US & EU's 'trade distorting' farm subsidies
Source: The Economic Times (Link)

India has challenged a major flexibility given to developed countries whereby they can concentrate their subsidies on a few farm products which allows them more policy space and causes distortions in global agricultural trade. India and China have jointly prepared a paper in which they have argued that the subsidies given under this flexibility by developed members including the US, EU and Canada amounts to nearly $160 billion, which is more than 90% of the total global entitlements "resulting in a major asymmetry in the rules on agricultural trade". The paper, which was circulated in the World Trade Organization (WTO) on July 17, stresses on the need to eliminate this flexibility "as a pre-requisite for consideration of other reforms in domestic support negotiations"…As per the paper, "…The subsidies called the Aggregated Measurement of Support or AMS is the most trade distorting element in global trade in agriculture". Under the WTO norms, most developing countries cannot provide product-specific support exceeding 10% of the value of production of the agricultural product concerned, called de minimis. However, developed nations and some developing ones are not constrained by this 10% limit.

2. India on track to grow at 7.4 per cent in 2017, says ADB report
Source: Financial Express (Link)

India is expected to achieve the projected growth rate of 7.4 per cent in 2017 and further up 7.6 per cent next year on strong consumption demand, with South Asia leading the growth chart in Asia and the Pacific, an ADB supplement report said today. "India, the sub-region's largest economy, is expected to achieve previous growth projections of 7.4 per cent in 2017 and 7.6 per cent in 2018, primarily from strong consumption," the supplement of Asian Development Bank (ADB) Outlook 2017 said. According to the report, South Asia will be the fastest growing of all sub-regions in Asia and the Pacific, with growth on track to meet original projections of 7 per cent in 2017 and 7.2 per cent in 2018. The growth prospects in developing Asia for 2017 have improved on the back of stronger than expected export demand in the first quarter of this year, it said.

3. To boost exports, job creation, PM Narendra Modi government to unveil Rs 2,600cr package for leather sector
Source: Financial Express (Link)

The government is expected to announce soon a Rs 2,600 crore incentive package for the leather and footwear sector to boost exports and job creation, sources said. The package has already been approved by the expenditure finance committee and a draft cabinet note has been circulated to different ministries for their views. The proposal, mooted by the commerce and industry ministry, has sought tax incentives for the 'Indian Footwear, Leather, and Accessories Development Programme'. Besides, support has been sought to enhance tax incentives for employment generation. The package, which includes both tax and non-tax benefits, was prepared on the lines of the steps announced for the textiles sector last year, said sources, who did not wished to be identified. The sector assumes significance as it is a thrust segment under the 'Make in India' initiative. As per industry experts, Rs 1 crore investment in the sector results in creation of jobs for about 250 people. Currently about 30 lakh people are directly employed in the sector. The major players of the sector includes Bata India, Liberty Shoes, Mirza International and Relaxo Footwear. In global market, China is giving a tough competition to Indian leather manufacturers in terms of pricing. The government aims to increase the sector exports to USD 15 billion by 2020 from the current USD 7 billion.

4. Government approves plant to build 34 mega multi-modal logistics parks at an investment of Rs 2 lakhs cr
Source: The Economic Times (Link)

The government has approved a plan to build 34 mega multi-modal logistics parks at an investment of Rs 2 lakh crore. The projects, for which land is already available with state governments, will be taken up through public-private-partnerships. A special purpose vehicle would be formed with state governments, central government and private players to execute the projects. The parks would lease space to private companies to run their operations centrally and save on warehouse cost. "Logistics parks will act as freight aggregation and distribution hubs and will enable long haul freight movement between hubs on larger sized trucks, rail and waterways. It will reduce freight transportation costs," road transport and highways minister Nitin Gadkari told…The roads ministry has signed MoUs with 36 different government departments including various ports, state governments, transport corporations, railways and aviation ministries to come out with a joint multi-modal logistics park policy that will specify designs of parks, locations, trunk infrastructure needed and the pricing structure.

5. Arun Jaitley releases National Trade Facilitation Action Plan
Source: Financial Express (Link)

Finance Minister Arun Jaitley today released the National Trade Facilitation Action Plan and said the WTO-Trade Facilitation Agreement (TFA) coming into force on February 22, 2017 was a major milestone for the global trading system. Jaitley further said India looks forward to ensuring compliance with the TFA, according to a Finance Ministry statement. “This Action Plan gives a time bound map, not only for implementing TFA but also for India’s initiatives for trade facilitation and ease of doing business which goes beyond TFA,” the statement quoted the finance minister as saying. Jaitley was speaking after releasing the National Trade Facilitation Action Plan (NTFAP) here. According to the statement, the national action plan aims to transform cross border clearance ecosystem through efficient, transparent, risk based, coordinated, digital, seamless and technology driven procedures which are supported by state-of-the-art sea ports, airports and land borders. Noting that the action plan lists out specific activities which would be carried out by all regulatory agencies like Customs, FSSAI, Drug Controller, Plant Quarantine and DGFT in a time-bound manner, the statement said “the co-ordination among all the stakeholders is the key to achieve the objective of trade facilitation”. The action plan not only covers the activities coming under the TFA but they go beyond the ambit of TFA per se, which have been defined as TFA Plus category, the statement pointed out.

6. GST impact on economy: ADB says medium term growth in India set to get boost
Source: Financial Express (Link)

The Asian Development Bank (ADB) has retained its earlier growth forecast for India at 7.4% for the current fiscal and 7.6% for 2018-19, and said the goods and services tax (GST) regime is expected to improve the ease of doing business and facilitate growth in the medium term. n its supplement to the Asian Development Outlook 2017, ADB also said India’s economic growth slowed to 7.1% in 2016-17, mainly due to demonetisation, sluggish private sector investment and weak bank lending. However, in the first quarter of the current fiscal, manufacturing inched up, as indicated by the improvement in purchasing managers’ index from 51.2 in the fourth quarter of 2016-17 to 51.7.

"Consumption is likely to continue to be the main driver of growth. Higher crop sowing, helped by a healthy monsoon, and an uptick in rural wage growth will bolster rural consumption, while urban consumption will get a boost from pay hikes for central and state government employees," it said. The goods and services tax is expected to boost growth in the medium term, though there may be some teething pains as firms adjust to the new system, ADB said…Inflation in India is expected to average 4% in 2017-18 before rising to 4.6% in 2018-19, it said.

7. Cement demand to rise 5% this fiscal
Source: The Hindu Business Line (Link)

Cement demand is expected to increase by 5 per cent this fiscal against 1.2 per cent last year, largely driven by a revival in demand from the infrastructure segment, mostly road and irrigation projects, and the housing segment. Domestic cement production fell by 1.2 per cent year-on-year to 279.8 million tonnes last fiscal for the first time in the last decade. In fact, sales volume were down 9 per cent between November 2016 and March due to the demonetisation impact. However, since April, it has recovered to register a growth of 17 per cent. With rising demand, cement prices have also increased across most markets on the back of a better supply-demand scenario and support prices, with operational cost rising. Sabyasachi Majumdar, Senior Vice-President, ICRA Ratings, said that while cement plants in the northern region are likely to pass on the rising sosts of power, fuel and freight, the profitability of cement plants in other regions may depend on the sustainability of higher prices. The slowdown in the pace of new capacity addition may boost capacity utilisation and cement prices going forward, he added.

8. India needs to invest in energy mix & power networks: Michael Waldron
Source: Business Standard (Link)

The Paris-based inter-governmental International Energy Agency (IEA) has, in its latest report, indicated a decline in investment in the oil & gas sector for a second year and increase in energy efficiency and energy networks. India, it says, is the fastest-growing major energy investment market. Michael Waldron, energy investment analyst at the IEA, talks to Shreya Jai on the subject…Investment in electricity declined by one per cent in 2016 but it looks more because the investment in hydrocarbons came down. The investment is more towards the low carbon side, clean power and networks. By and large, coal power is still the third-largest in investment after solar and wind. But, in terms of the trend, investment in coal power has come down. In solar and wind, it is at least stable. Renewables continue to be the largest part of electricity investment, 40 per cent of the total here and 70 per cent of total generation investment….In most parts of India, there is an evening peak; so, demand-side management needs to be taken up. This is to reduce the peak or at least the growth in peak. This can be done by a combination of renewable and other flexible assets, without necessarily building huge amounts of peaking power. It could be storage or hydro or a combination of solar and wind. Having a well-connected system here in India would help. Such as connecting the hydro-rich Northeast with areas that have solar & wind and not much hydro.

9. Nirmala Sitharaman raises food security issues at WTO
Source: Business Standard (Link)

Commerce and industry minister Nirmala Sitharaman has reiterated that there be a solution to the issue of public stockholding of food-grain and a special safeguard mechanism. She said so during a visit to World Trade Organisation (WTO) headquarters in Geneva earlier this week. In her meeting with WTO director-general Roberto Azevedo, she discussed India's position on various issues, prior to the WTO meet in Argentina later this year…The DDA, adopted in 2001 at the fourth ministerial conference, had always struggled to find common ground between richer nations and poorer ones. With not much progress in 14 years, richer nations want new issues to replace the DDA. Developing nations, especially least developed countries (LDCs), oppose this, demanding trade concessions in the form of reduced tariffs and market access.

10. 'Mixed Response' to India's services trade proposal at WTO
Source: The Economic Times (Link)

India's proposal for a global agreement on trade in services, which includes easing border restrictions on travel for work, has evoked mixed response from WTO members, commerce and industry minister Nirmala Sitharaman said. The draft legal text on Trade Facilitation in Services Agreement (TFS), which was circulated in February, was criticised by the African nations but found support from Brazil, Colombia and Turkey. "India's proposal received a mixed response from the WTO members. Some members appreciated India's proposal as being comprehensive in scope and well balanced," Sitharaman said in a written reply to the Rajya Sabha. India has suggested multiple entry visas for those who meet the host country's immigration criteria in a comprehensive proposal on cross-border movement of services, and asked such countries to rely on the companies employing workers to judge their competence, as it looks to build a global consensus on cross-border business workers. Further, it wants cross-border transfer of information including personal information by electronic means to boost supply of services among various countries, which is being understood as ecommerce by the African group.