

Daily Economic News Summary: 25 July 2018

1. Parliament Passes Changes To 3 Decades Old PCA Bill; Decisions In Banks, Government Get A Leg-Up

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

In a major legislative step that could allow bankers and public servants to unburden themselves of the fear of the four Cs—courts, CBI, CVC and CAG as they take bona fide decisions in good faith, Parliament has approved a clutch of amendments to the three-decade-old Prevention of Corruption Act (PCA). With the Lok Sabha clearing the relevant Bill on July 24 (the Upper House had approved these last Thursday), investigating agencies will have to get prior sanction of the appropriate authority in government to probe officials, including retired ones. Another key change is that “criminal misconduct” will now only cover misappropriation of property and possession of assets disproportionate to income. Also, not just possession of disproportionate assets, but an officer’s intention to acquire such assets should be proved for accusing him/her for criminal misconduct. The changes would mean that instances like the recent conviction of former coal secretary HC Gupta in a coal block allotment case might not recur. Also, economic decision-making as well as commercial decisions by banks and public sector enterprises could gather speed, aiding investments and economic growth. The amended PCA also seeks to punish bribe givers for the first time, with a provision to jail them for up to seven years.

2. Tariff War Looms As US Spikes India Plea For Duty Rollback

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

India and the US failed to reach an agreement on the withdrawal of penal duties imposed by the Trump administration on Indian steel and aluminium, at a crucial meeting of officials last week: a development that could lead to a tariff war between the countries. “The US Trade Representative’s office rejected India’s proposal of a complete rollback of the penal tariffs on the metals. The Steel Ministry has been asked to come up with a fresh proposal that could be acceptable to both. It seems it will take time to sort out the matter,” an industry official close to the development told *BusinessLine*. If the two countries fail to resolve their differences over the tariff issue by August 4, which now appears to be the likely scenario, the retaliatory import tariffs announced by

India on 29 items from the US, ranging from almonds to steel, are likely to come into force. “New Delhi already delayed imposition of the retaliatory duties by a month-and-a-half to give the US time to resolve the issue. It is unlikely that it will bend over backwards and give the US more time in the absence of a resolution, unless it is given some tangible assurance,” a government official said.

3. US Duty Hike Unlikely To Hit Indian Shrimp Exports: Icra

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

The hike in anti-dumping duty on Indian shrimp exports to US in the final review by the US Department of Commerce (USDoC) is unlikely to have a material impact on Indian exports, says rating agency ICRA. During the twelfth final review notified on July 16, 2018, the USDoC hiked the weighted-average anti-dumping duty (ADD) imposed on Indian export of shrimp to the US from 0.84% to 1.35%. This, however, is lower than the preliminary rate notified in March 2018 of 2.34%. India was the largest exporter of frozen shrimp to the US in 2017 with 32% share after some south Asian producers like Thailand suffered due to diseases in fish farms. Pavethra Ponniah, vice-president and sector head, ICRA, said: “We do not anticipate any material impact on volume of shrimp exports from India to the US, because of the hike in ADD. Given that the Indian shrimp export industry is a price taker, impact of this ADD hike will have to be absorbed across the supply chain, especially by the farmers.”

4. China Clears 14 Indian Rice Companies For Export Amid Trade War With US

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

China has agreed to import rice from 14 of the 19 registered rice exporters from India, while the remaining five mostly of basmati rice sellers have been asked to improve storage and isolation facilities before applying afresh. China allows import of only basmati rice from India, but with this clearance, even non-basmati rice can be exported. The clearance comes amid rising tension between the United States and China over trade tariff. China is looking for newer markets to boost its inventories. Export from India has been caught under wraps since it failed to clear Chinese food safety and quality norms. China alleged India’s rice consignments contained ‘khapra’ (cabinet) beetle and were unfit for consumption, which Indian authorities and traders denied. Non-Basmati

rice exports from the country during April-February 2018 stood at \$3.26 billion as against \$2.53 billion in 2016-17. India wants to increase exports to China with a view to bridging the ballooning trade deficit, which has increased to \$63.12 billion in 2017-18 from \$51.08 billion in the previous fiscal.

5. 'Centre Must Consider Classifying Aluminium As Ninth Core Industry'

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

The Centre must actively consider classifying the aluminium sector as India's ninth core industry, according to a report by VK Saraswat, NITI Aayog member, and Aniruddha Ghosh, a Delhi-based economist. The aluminium sector contributes to nearly 2 per cent of manufacturing GDP and is a high direct and an indirect employment multiplier creating close to 800,000 jobs. Currently, India identifies coal, crude oil, natural gas, refinery products, fertiliser, steel, cement and electricity as the eight core industries. The report recommends that aluminium plants are generally based in the hinterlands of the country and aid in generating peripheral employment and economic development of the region. "Therefore, we recommend into looking actively into the possibility of classifying aluminium as a core industry," the report suggested. The report also said that India lacks a robust geological database which can be mined for bauxite exploration. It also recommends the creation of an ecosystem for fly-ash be created around these aluminium production plants which can used as a feedstock for brick, gravel and cement-manufacturing industries.

6. SEZ Rules May Be Aligned With GST Laws By July-End: Official

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

The Centre may come out with amendments to Special Economic Zones (SEZ) Rules 2006 to synchronise it with Goods and Services Tax (GST) laws by the end of this month, a top official said on July 24. "We have been working for a few months on the amendment of SEZ Rules, 2006 to synchronise it with the GST laws, this is under active consideration of the government. "With due consultation process with Department of Revenue... this fairly elaborate amendments of the rules is likely to come out now by the end of this month, it is almost at the final stage and we shall be issuing it," said Bidyut Behari Swain, additional secretary in the Ministry of Commerce at an

Assocham conference here. He also informed that the commerce ministry has created a group of eminent persons to develop a road-map for future of SEZs to have a very fresh look at it and come up with ideas which could be important in the policy making process.

7. IMF Wants India To Focus On FDI, Cautions Against Relying On Global Markets

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

The International Monetary Fund (IMF) has cautioned India it should not rely on global financial markets to finance its current account deficit (CAD) when it goes above 3 per cent of gross domestic product (GDP). The Fund basically advised India to rely more on stable sources of foreign inflow foreign direct investment (FDI). The advice came amid expectations that India's CAD will rise to 2.5 per cent of GDP in the first quarter of 2018-19. On the contentious issue of the rupee's value, the Fund in its latest external report has noted the real effective exchange rate (REER) is in line with the fundamentals with the range of -7 to +5 per cent for 2017-18. India's current account deficit has sharply deteriorated over the past few quarters. As the report, released on July 24, notes, the country's current account deficit rose to around 1.9 per cent of GDP in 2017-18, up from 0.7 per cent in the previous year, partly due to the sharp rise in oil prices.

8. Of 16 Major Power, Irrigation Projects, Only 5 Under Execution: CAG

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

Of the 16 major irrigation and power projects approved by the Centre, only five are under execution after a decade, and slow physical progress of those led to an overall cost escalation by 2,341 per cent, a report by the Comptroller and Auditor General of India has said. In February 2008, the Cabinet had approved a select group of irrigation projects with well-defined deliverables. The five projects that are under execution are the Gosirkund project, Teetsa, Saryu, Indira Sagar Poolavaram project, Shahpur-Kandi project. "The fundamental remained unachieved even after almost a decade of existence of the scheme with only five projects being under actual implementation. A total expenditure of Rs 13,299.12 crore had been incurred on these five projects as of March 2017," the report said. Despite this, none of the five projects is near completion and the anticipated benefits in terms of creation of irrigation potential and augmentation of water and power generation were yet to accrue, the report observed.

9. Government Considers Cap On Number Of Shared Rides By Private Cars Owners

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

The government, which wants to promote ride sharing by private car owners, is considering a proposal to either cap the number of such rides or the money they can make to protect the livelihood of cab drivers, said persons with knowledge of the matter. The ride-sharing push is part of the government's larger plan to enhance mobility in India. The government is considering the Singapore model under which a private car owner can provide two shared rides a day or the US model where there is a cap on the money a car owner can make in a year through carpooling services. A senior bureaucrat said the government is looking at various models to decrease the number of passenger vehicles on the road and promote public transportation. Allowing commercial ride sharing by private car owners is one of them. The taskforce was set up to formulate an action plan to reform the country's transport system and make it less polluting, ET had reported at the time.

10. E-Commerce: Cash-On-Delivery Deals Not Authorised, Says RBI

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

Cash-on-delivery (CoD), which accounts for almost half the ecommerce purchases in the country, could be a regulatory grey area, going by the Reserve Bank of India's reply to a Right to Information (RTI) query. The method involves Flipkart, Amazon and other marketplaces collecting cash from customers on behalf of third-party vendors at the time the goods are delivered. "Aggregators/payment intermediaries like Amazon and Flipkart are not authorised under Section 8 of the PSS (Payments and Settlements Systems) Act, 2007," the apex bank said in its response to the RTI application. However, some legal experts said the rules don't necessarily invalidate cash-on-delivery. The Act mentions electronic and online payment, but doesn't make explicit mention of money received through the cash-on-delivery route. The query had asked RBI to "confirm if cash-on-delivery payment collection and disbursement to ecommerce merchants by ecommerce marketplaces such as Flipkart and Amazon (are) covered under the definition of payment system and system provider of the Payments and Settlements Systems Act, 2007, No. 51 of 2007 by acting as intermediaries and system providers.