

## Daily Economic News Summary: 9 July 2018

### 1. US Oil Sellers May Look To India As China Tariff War Escalates

Source: Livemint ([Link](#))

American oil producers may find a new friend in India as they brace for a trade war with China that could curb US shipments. Refiners in China were the top buyers of American crude oil in May, and have been regular importers since the US revived domestic output and exports in recent years. But sales may slow amid a growing trade war between Beijing and the Trump Administration. “If China imposes tariffs, their refineries won’t buy US crude since it would cost more,” Sandy Fielden, director of research for commodities and energy at Morningstar Inc., said by telephone. “US sellers would have to find alternative buyers.” One option could be more shipments to India, which already has been buying more US crude. In May, Indian refiners imported 4.7 million barrels, or about nine times more than April and the most of any month based on US government data going back to 2015.

### 2. Govt May Launch 7 Greenfield Projects Under Bharatmala

Source: Livemint ([Link](#))

The National Democratic Alliance (NDA) is looking to connect select stations under its flagship roads and highways project to cut infrastructure costs. The central government is expected to launch seven greenfield projects to construct 3,000km of expressways under the ₹ 5.35 trillion Bharatmala scheme. In the first phase, the road network is set to connect Delhi-Vadodara, Chennai-Salem in Tamil Nadu, Kharagpur-Siliguri in West Bengal, Delhi-Bilaspur, Durg-Aurang in Chhattisgarh, Mangaluru-Chitradurga in Karnataka and Ambala-Kathputli in Haryana. The longest stretch of 1,000km will be built between Delhi and Vadodara. According to the road ministry’s estimates, the greenfield projects would cost 40-60% less than expansion of brownfield projects, given that land prices in brownfield projects are over twice the cost of land elsewhere. “The new alignments will help in three ways. One, it will reduce the land acquisition cost substantially. Two, the new alignments will shorten the distance between two stations and make life easy for road commuters. Three, the new alignments will help join backward areas with

mainstream infrastructure, leading to economic development in these areas,” said a senior government official, requesting anonymity.

### **3. Nitin Gadkari Bets On Alternative Fuels To Ease Crude Import Strain**

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

Minister for Road Transport and Highways Nitin Gadkari is betting big on alternative fuels that will reduce India’s crude oil import bill and create additional sources of income for farmers, who comprise more than 50 per cent of the country's population. Alternative fuels were cleaner and cheaper, he added. Gadkari said the use of ethanol, methanol, bio-compressed natural gas, dimethyl ether and electricity should be increased as alternatives to crude oil, 70 per cent of which has to be imported. “The benefit of these alternative fuels is that its raw material is available in the country and can be sourced in large quantities from the agricultural sector. It will help farmers increase their income too,” Gadkari said. Speaking about the financial strain crude oil imports place on the country, Gadkari said: “We spend Rs 7 trillion annually to import crude oil. The economy is facing challenges, one of which includes the heavy crude import bill. The fall in the value of rupee against US dollar is also related to this.”

### **4. Govt Mulls Setting Up Electric Vehicle Target For State Public Transporters**

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

The government is mulling over giving target to state public transporters to deploy certain percentage of electric vehicles in their new orders, while it will refrain from coming out with a policy on electric vehicles, a top NITI Aayog official said. Moreover, the official said for the personal transportation, the Aayog is of the view that the market forces should be allowed to decide whether people want to buy electric car or diesel/petrol car. "We may like to tell states that their carbon footprints must be minimised. We are considering of giving some targets to state public transporters to deploy certain percentage of electric vehicles in their new orders," the official told PTI. He added that, "We don't need a policy on electric vehicles, we need a behavioral change". The official also said that the government wants to encourage indigenous production of electric vehicles. As per an estimate, India at present has 100,000 to 150,000 electric vehicles and it is projected to grow to about 5 per cent of the total vehicles in the next five years.

## **5. Power Struggle: Tighter Regulations, Policies To Dent Discoms' Finances**

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

The UDAY scheme has helped the state-owned electricity distribution companies (discoms) to halve their losses to Rs 17,352 crore in FY18 but an imminent regulatory crackdown may cause many of them to relapse. FE has estimated that the cumulative impact of stepped up regulations and policy-induced obligations on the discoms would be around Rs 18,000 crore per year. The power ministry has made it clear that aggregate technical and commercial (AT&C) losses above 15% won't be compensated in tariffs (the new regime is likely from FY20). This would hit most discoms as AT&C losses of 26 major states under UDAY were 19% at the end of FY18 these losses are very high in Bihar (33.2%), MP (29.7%), UP (27.7%); a sudden 4 percentage points reduction will be a tall order for most of the discoms. Currently, regulators compensate the discoms for bulk of their actual AT&C losses. Since the monetary value of 1 percentage point change in AT&C losses is about Rs 4,000 crore, UDAY discoms across the country would have to take a hit of 16,000 crore, if tariffs don't allow such losses above 15%.

## **6. GST Alert: Ministerial Panel Favours Deferment Of Sops For Digital Payments Under Goods And Services Tax**

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

The Sushil Modi led ministerial panel will recommend to the GST Council to defer by a year the proposal to incentivise digital payments under GST, citing revenue implications of doling out concessional tax rate. The panel, in its meeting on 8 July, has decided to wait for stabilisation of revenues under Goods and Services Tax and the new return filing systems in the current fiscal before considering differential GST rates for people making payments using the digital mode. Besides, another ministerial panel under Modi, on Reverse Charge Mechanism has decided to recommend powers to the GST Council to notify the registered persons who would come under RCM purview. The meetings of the two Group of Ministers (GoM) were held in Delhi on 8 July. The recommendations of these ministerial panels will be placed before the GST Council, chaired by Union Finance Minister and comprising his state counterparts, in its next meeting on July 21.

### **7. India Reconsidering Rs 2 Trn 5th Generation Fighter Jet Project With Russia**

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

India has conveyed to Russia its unwillingness to go ahead with the joint development of a fifth-generation fighter aircraft (FGFA) primarily due to high cost involved in the project, official sources said. They, however, said the negotiations between the two countries on the much ambitious project have not yet been shelved as India was ready to have a re-look at co-development of the jet if an appropriate cost sharing formula between the two countries was arrived at. India and Russia had signed an inter-governmental agreement for the mega project in 2007, vowing to take the military ties between the two strategic partners to the next level. However, the project has been stuck for the last 11 years as there have been serious differences between the two sides on sharing cost of developing the jet, technologies to be used in it and number of aircraft to be produced. The sources said the cost of the project has been estimated at around \$30 billion or Rs 2 trillion.

### **8. WTO Under Threat, Challenging Times For Global Trade, Says Suresh Prabhu**

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

Saying that global trade is passing through “challenging times”, Union Commerce and Industry Minister Suresh Prabhu on 7 July said the existence of World Trade Organisation (WTO) was under threat. According to him, WTO is “a must” and in its absence, there will be chaos in the global trade. “Today, it is the most challenging time for global trade... we never had such a challenging time. For the first time, the existence of WTO is under threat. People are questioning the accepted trading norms,” he said at an event organised by Federation of Indian Export Organisations here. Citing an example of “letter of credit”, a prerequisite for exports to happen, Prabhu said fundamentals of global trade are “under scrutiny”. “If you don’t have WTO, not only India, every country will have a problem. We strongly feel WTO is a must because it guarantees certain rules and regulations to run global trade. There will be chaos if you don’t have WTO.” Prabhu said the country was trying to make the global organisation strong.

### **9. Iran Oil: Demand Will Be The Deciding Factor, Says Pradhan**

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

The country's crude oil demand, not global pressures, will decide on whether its domestic refiners will continue to buy the fuel from Iran. Talking to *BusinessLine*, Dharmendra Pradhan, Minister for Petroleum & Natural Gas, said, "There is no contradiction in our thinking on any issues. We will first ensure that our energy demands are met. Priority will be given to national interest." Iran is the third largest crude oil supplier to India after Iraq and Saudi Arabia. The global energy market is looking at how New Delhi will deal with the US President Donald Trump's threat to impose economic sanctions on Iran. "We will first look at our national interest. India's energy basket has multiple sources now. Our focus will be to see that our requirement is not affected, and to ensure this, we will do what we have to do. But, we will also keep a watch on global geo-politics," Pradhan said. Pradhan's confidence comes from the fact that in the global energy space where oil producers were agenda setters, large consumers like India have now gained voice as equals. This was also evident at the latest OPEC Forum meeting, where unlike in the past when the Indian delegation would just get a chance to meet junior officers of some of the key producing nations, this time around the key ministers of these countries, including Saudi Arabia, met the Indian team on the terms and time set by Indians.

### **10. 'India Does Not Provide Subsidy Support To Exporters'**

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

In an oblique reference to being dragged to the World Trade Organization's (WTO) dispute settlement mechanism by the US over export subsidies, Union Commerce and Industry Minister Suresh Prabhu said there was a general misconception that India was providing subsidies to its exporters. Prabhu said India was merely trying to create enabling factors so as to "partially offset" the lacunae in infrastructure and other adversities with a view to help exporters access global markets. "There is a misconception that we subsidise our exports, while actually we don't. What we give to the exporters in India is not any subsidy or incentive to promote exports, but a way to partially offset the inadequate infrastructure support they have and the high interest cost," the minister said at an award function organised by SHEFEXIL (Shellac and Forest Products Export Promotion Council). In doing so, India was not violating the global trading system, he added.

Talking about the need to adhere to higher standards for products and services to boost exports and to ensure better realisation of prices, Prabhu said, the commerce department is already working on the development of standards.

### **11. Govt Says 51 Lakh Houses Approved Under PMAY (Urban) In 3 Years**

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

The government has sanctioned more than 51 lakh dwelling units under the Pradhan Mantri Awas Yojana (Urban) against the validated demand of 1 crore in last 3 years of implementation. This is a huge jump in comparison to erstwhile housing scheme wherein only 12.4 Lakh houses were approved in around 9 years of its implementation, the Ministry of Housing said in a release. Out of over 51 lakh sanctioned houses, more than 28 lakhs have already been grounded and are in various stages of construction. Further, over 8 lakh houses have already been completed and nearly 8 lakh houses have been occupied by the beneficiaries. The government has now proposed a global housing construction technology challenge to support building cost-effective affordable homes. It added further that the government is committed to provide “Housing for All” by the end of the Mission period-2022. A National Urban Housing Fund for Rs. 60,000 crores has been set up for raising Extra Budgetary Resources (EBR) in phases, for the rapid implementation of PMAY (U).