



# Economy

TUESDAY, AUGUST 11, 2020

## Quick View



### DUTY RELIEF

## Panel to decide ceiling rates for exporters

FE BUREAU  
New Delhi, August 10

**THE GOVERNMENT HAS** formed a committee to determine ceiling rates under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme. The panel has been tasked with evolving a mechanism for calculation of duties at the central, state and local level which are borne by exporters so that they can be refunded all the taxes paid on goods and services used in export but are currently not being reimbursed under extant mechanisms.

In March, the Cabinet had approved the RoDTEP scheme with the purpose that exporters would get the refunds in the form of transferable duty credit/electronic scrip, which will be maintained in an electronic ledger. This would ensure that exports are zero-rates, along with refunds such as drawback and IGST.

The Central Board of Indirect Taxes and Excise issued an

order for formation of the committee on July 30. It would have three months to prepare its main report after identification and prioritisation of sectors and items by the government.

Among the terms of reference of the committee is the task of interacting with administrative ministries, export promotion councils, commodity boards, trade bodies and other stakeholders so as to elicit their views on the ceiling rates under the scheme. The order said that the committee would prepare modalities for calculating taxes on exports "including

prior stage cumulative indirect taxes on goods and services used in the production and of exported product and such indirect duties/taxes/levies in respect of distribution of exported product and recommend in their report the ceiling rates of RoDTEP for the items/sectors identified by the government".

The committee would be chaired by retired former secretary to the government GK Pillai with retired CBEC members Y Parande and Gautam Rayas as other members.

At present, GST taxes and import/customs duties for inputs required to manufacture exported products are either exempted or refunded. However, certain levies are outside GST and are not refunded for exports, such as VAT on fuel used in transportation, mandi tax, duty on electricity used during manufacturing, among others. These would be covered for reimbursement under the RoDTEP Scheme.

FE BUREAU

New Delhi, August 10

### COMMERCE AND INDUSTRY

minister Piyush Goyal on Monday rejected the criticism of the government's decision to make licensing requirements mandatory for imports of certain products, including colour TV and tyres, highlighting that such moves were necessitated by the absence of "fair and reciprocal" global trade practices.

He also asked foreign investors that have set up shop here to not seek unrestricted (duty-free) imports of components for mere assembly in India "as a matter of right". If they have invested in India and they want to engage with the Indian market, I believe they should look at indigenising, particularly those items where India has capabilities. We don't get excited only by an investment which is brought into India to capture the Indian market, to save some import duties on finished products, and ...to use India to only assemble those components," he said at a Ficci event.

"I think they should, in a

phased manner, look at sourcing from India, developing their products in India and then encashing a large business opportunity that 1.3 billion Indians are offering. We invite businesses, we are encouraging investments, we want to allow free flow of goods but it has to be reciprocal. It can't be one sided," Goyal said.

Countering the criticism that India is turning more protectionist, Goyal said such a perception "shocks" him, as trade is not being undertaken among equals. "What we are trying to do is make sure our domestic industry gets a fair play," he said. Explaining his point, Goyal asked: "How can it be that one country does not allow tyres to be exported to them but wants free imports of tyres from that country into India? There has to be equal, fair and reciprocal arrangement. If other countries are desirous of 1.3 billion Indian market opportunity, they will also have to give our country's businesses equal opportunity to engage in their countries. They can't put overarching technical



PIYUSH GOYAL, commerce &amp; industry minister

barriers or overarching regulations on our products and then complain if we put any standards in our country."

India in June made it mandatory for importers to seek permits for purchasing new pneumatic tyres. The move was seen as targeting imports from China, which makes up for a large chunk of these imports (about \$370 million) into India. Subsequently, media reports suggested that German automakers had sought help from Germany's envoy to resolve the issue of tyre imports.

Expressing surprise at some EU countries' objection to India's standard specifica-

tions for tyre imports, the commerce minister said he is "amazed" by this. "I can list out 5,000 items on which technical standards are being put in their countries. Why should India not have the right to put technical standards?"

While Goyal didn't name any country, a fair chunk of his critical comments about dumping of substandard products in India, growing absence of trade transparency and reciprocity by some nations, etc, seems directed at China with which India ran a massive trade deficit of \$48 billion in FY20.

The minister also remained critical of the criticism of the government's push for localisation. "All these years, everybody used to say support our industry. They used to say how can we compete with countries that provide hidden subsidies? How can we compete when their interest rates are so low? How can we compete when we have a democratic and transparent way of working, while some others don't? But when we do something enabling, we find some criticism. This is not business among equals."

### From the Front Page

## Insolvent telcos: SC asks govt how it'll recover dues

A bench led by Justices Arun Mishra told solicitor-general Tushar Mehta that he should come "prepared on Friday with a plan for recovery of dues from the companies under insolvency. And whether spectrum can be sold by these telecom companies?

What is the government's stance? What is the government's plan to recover dues from RCom? It seems the government will get nothing," the bench observed. "The government will get zero," Justice MR

Shah, who was part of the three-judge bench, said, adding under IBC, if the preference is given to financial creditors, then the government will not get anything.

The court will next hear the matter on August 14.

While RCom has AGR dues worth ₹25,000 crore, Aircel's is around ₹12,389 crore.

The bench also asked the SG, "If you don't appeal quickly, how will you prevent spectrum from being sold off?" The question sprang up because the NCLT and the

NCLAT have allowed the respective companies to put up spectrum as part of their resolution plan and though the government disagrees with it, it has delayed in filing an appeal against such orders in the Supreme Court.

The SC has raised the issue at a time when the NCLT has approved the resolution plan of asset reconstruction firm, UVARCL, for Aircel, which includes its assets and spectrum and is in the final stages of taking a call on the assets and spectrum of RCom.

Apart from the bid to shore up local manufacturing, a suspected abuse of the India-Asean free trade agreement (FTA) by unscrupulous suppliers have also prompted the government to consider non-tariff restrictions on certain imports, which can't otherwise be controlled with mere duty hikes.

Customs officials have long suspected that China may be diverting its supplies to India via Asean nations, abusing rules of origin, to illegally take advantage of duty-free market access under the FTA. Given the latest border skirmish and the frosty political ties, the division may surge, they fear.

In fact, after Singapore and Hong Kong, Vietnam has emerged as the third Asian trade partner, which counts on massive Chinese investments, to turn its usual trade deficit with India into a decent surplus in a span of just three years. Between FY18 and FY20, India's trade balance with Vietnam swung from a surplus of \$2.8 billion to a deficit of \$2.2 billion, according to official data.

As for promoting local production, under a phased manufacturing programme (PMP) for TVs, certain parts like open cell, chips on films, printed circuit boards assembly are exempted from import duties. "Hence, India is ready for shift of manufacturing to India with cost-effective imports of essential parts (if required)," a senior government official had said after the import curb on colour TVs.

Recently, the government put imports of colour TV under the "restricted" category, which means traders have to seek licences to buy these products from overseas. Already, the government has been deliberating on a slew of tariff and non-tariff proposals to curb low-grade and "non-essential" imports and promote domestic manufacturing, the share of which in the country's GDP has remained stagnant at about 15-17% for three decades now. While the immediate target seems to be imports from China, which has initiated a border clash with India and is the largest source of substandard products, government officials say the changes being considered under the Atmanirbhar Bharat are meant for a longer term and go well beyond the narrow considera-

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### MAKING SMALL BIG

Nitin Gadkari, Union minister

We should identify the fields where we can make import substitution. How we can develop MSMEs and the industry? We are working on the idea of a land bank and social microfinance institution which will be very helpful for those who want to run small businesses.











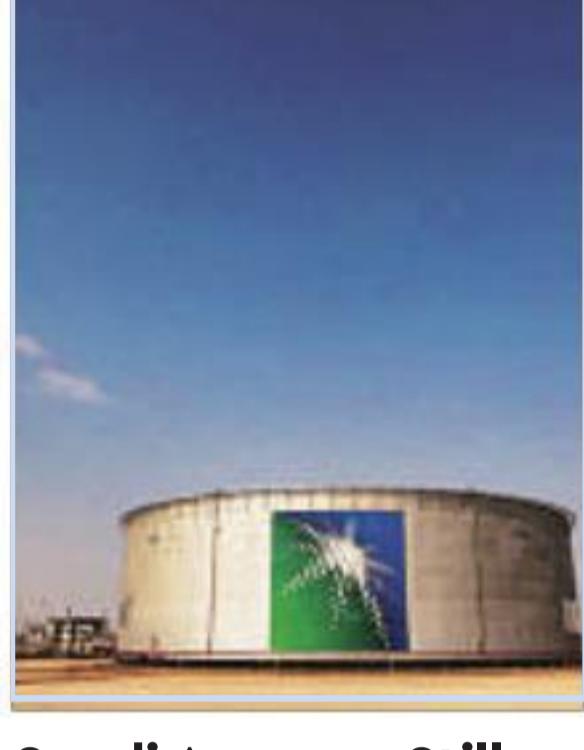
# International

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**US VIRUS TESTING**  
 Bill Gates, Microsoft founder & billionaire philanthropist  
 You're paying billions of dollars in this very inequitable way to get the most worthless test results of any country in the world...It's mind-blowing that you can't get the government to improve the testing because they just want to say how great it is...

## Quick View



### Saudi Aramco: Still planning to pay \$75 bn in dividends

SAUDI ARAMCO STILL plans to pay \$75 billion in dividends this year, the CEO of the world's top oil exporting company said on Sunday. "We intend to pay the \$75 billion, subject to board approval and market conditions," Aramco CEO Amin Nasser told reporters on a conference call after announcing the company's quarterly results. Payouts to minority shareholders as pledged are protected for five years, he added.

### Lebanon govt quits as port blast outrage swells

LEBANON'S GOVERNMENT DECIDED to resign as an outraged public demanded accountability for the biggest peacetime catastrophe in the nation's history. "Resignation is a responsibility," health minister Hamad Hassan said on Monday, almost a week after a catastrophic explosion in the Port of Beirut killed more than 150 people, injured thousands and displaced hundreds of thousands more. "We resigned as a responsibility and not an escape from it."

### Kodak plunges after govt loan put on hold

EASTMAN KODAK SHARES plunged in early trading on Monday after a federal agency announced it was suspending a \$765-million loan to help the former film company produce Covid-19 drugs, pending the outcome of investigations into potential wrongdoing. The International Development Finance Corporation said in a tweet Friday night that "recent allegations of wrongdoing raise serious concerns."

## WHO decries 'vast global gap' in funds needed to fight coronavirus

REUTERS

Geneva, August 10

THERE IS A "vast global gap" between funds needed to fight the coronavirus pandemic and funds committed, WHO chief Tedros Adhanom Ghebreyesus said on Monday, and the WHO was only "10% of the way" there. More than 19.92 million people have been reported to be infected by the coronavirus globally and 729,883 have died, according to a Reuters tally. Infections have been reported in more than 210 countries and territories since the first cases were identified in China in December 2019. "The coming three months present a crucial window of opportunity to scale-up the impact of the ACT Accelerator for global impact," Tedros told a briefing in Geneva, referring to the "Access to COVID-19 Tools" initiative. "However to exploit this window, we have to fundamentally scale up the way we are funding the ACT Accelerator and prioritise the use of new tools. There is a vast global gap between our ambition for the ACT Accelerator, and the amount of funds that have been committed." He said the WHO was only "10% of the way" to funding the billions of dollars required. "For the vaccines alone, over \$100 billion will be needed," Tedros said.

### MAPPING THE VIRUS

Global cases top 19.8 million	Deaths pass 731,000	Recoveries 12.04 million
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- US economy gets only limited help from Trump actions
- Virus Among US children jumps 40%
- Covid's spreading fast because billions don't have water to wash
- UK's Johnson says schools are safe but teachers aren't so sure
- China resumes tourist visas to Macau, lifting recovery hopes
- Iran shuts down newspaper over virus cover-up allegations

Saudi Arabia said it plans a clinical trial of a coronavirus vaccine developed by China's CanSino Biologics on at least 5,000 volunteers.

The first patient with a confirmed coronavirus infection has started a clinical trial in Switzerland that will involve as many as 150 people to investigate the use of Ruconest to prevent severe SARS-CoV-2 infection in hospitalised patients.

China will resume issuing tourist visas for visitors to Macau, paving the way for the mass return of Chinese punters to the world's largest gaming hub after months of losses.

German companies expect coronavirus-related restrictions on public life to last another eight-and-a-half months, according to a statement on a survey by the Ifo institute.

The record of fatalities eclipses the previous high of 17 announced Sunday, the majority of



which were related to care homes for the elderly. The number of new infections climbed by 322, Victoria's health department said in a tweet on Monday.

Iran says it has started distributing its generic version of Gilead's remdesivir antiviral drug to aid the country's fight against Covid-19. The Food and Drug Organization of Iran reportedly said last week an "Iranian remdesivir" had been sent to university hospitals, specialist clinics.

## Tech giants back legal challenge to Trump's foreign worker restrictions

REUTERS

Washington, August 10

TOP U.S. TECH firms, including Amazon and Facebook, filed a legal brief on Monday backing a challenge to US President Donald Trump's temporary ban on the entry of certain foreign workers to preserve jobs for Americans during the coronavirus pandemic. In the brief, filed in a lawsuit brought in California by major US business associations, the companies argued that the visa restrictions would hurt American businesses, lead employers to hire workers outside the US, and further damage the already struggling US economy.

Trump issued a presidential proclamation in June that suspended the entry of a range of foreign workers until the end of the year, a move his administration said would free up jobs for unemployed Americans amid the economic fallout of the pandemic.

Among those affected by the temporary ban are skilled foreign workers entering on H-1B visas and managers and specialised workers being transferred within a company on L visas — both visa types used by tech companies. Trump's ban also blocks seasonal workers entering on H-2B visas, with an exception for workers in food supply chain jobs. In the brief filed on Monday,



Cos like Amazon argued that the visa restrictions would hurt businesses, lead employers to hire workers outside the US, and further damage the already struggling economy

the companies argue Trump's proclamation could do irreparable damage to US businesses, workers and the economy, and was based on a "false assumption" that it would protect US workers. "Global competitors in Canada, China, and India, among others, are pouncing at the opportunity to attract well-trained, innovative individuals," the brief reads. "And American businesses are scrambling to adjust, hiring needed talent to work in locations outside our nation's borders."

McDonald's sues former CEO Easterbrook to recover severance

ANNE RILEY MOFFAT

New York, August 10

MCDONALD'S CORPORATION FILED suit against its ousted leader Steve Easterbrook, alleging his termination last fall over a relationship with an employee shouldn't have included severance pay because he "concealed evidence and lied about his wrongdoing."

Easterbrook, who was fired as CEO in November "without cause," had originally admitted to having a consensual relationship with an employee. But information the company received from an anonymous tip in July led the company to further investigate. It concluded he had been involved in sexual relationships with three additional company employees before his exit, according to a company filing on Monday.

The evidence also shows Easterbrook approved a special discretionary grant of restricted stock units worth hundreds of thousands of dollars to one of the employees after their first sexual encounter — and just days before their second, the company said.

As a result, the fast-food chain filed a complaint in the Delaware Chancery Court to recover compensation and severance benefits that he received when he left his post. The company has also taken steps to prevent Easterbrook from exercising any stock options or selling any shares.

Chris Kempczinski, who took over as CEO when Easterbrook was pushed out, alerted company employees about the action Monday.

"We recently became aware, through an employee report, of new information regarding the conduct of our former CEO, Steve Easterbrook," he wrote in the internal memo, reviewed by Bloomberg News.

"While the board made the right decision to swiftly remove him from the company last November, this new information makes it clear that he lied and destroyed evidence regarding inappropriate personal behaviour and should not have retained the contractual compensation he did upon his exit."

—BLOOMBERG

## Microsoft faces complex technical challenges in TikTok carve-out

ECHO WANG &amp; PARESH DAVE

New York/San Francisco, August 10

MICROSOFT CORP'S BID to carve out parts of TikTok from its Chinese owner ByteDance will be a technically complex endeavour that could test the patience of Trump's administration, according to sources in the know.

Trump has given Microsoft until September 15 to put together a blueprint for an acquisition that safeguards the personal data of Americans stored on the short-video app, and he has issued an order to ban it if there is no deal by then. Microsoft is negotiating a

transition period that will give it time to ringfence TikTok technologically from ByteDance after they agree to a deal, Reuters reported on August 2.

The clean break that Trump and lawmakers envision could take a year or more, some of the sources said. TikTok is functionally and technically similar to ByteDance-owned Douyin, which is available only in China, and shares technical resources with it and other ByteDance-owned properties, people familiar with the matter said. ByteDance started working on their technological separation several months ago amid

scrutiny from the US government, a source familiar with the process told Reuters. It began planning for a split as part of a strategy to shift its power from China, Reuters has reported.

While the code for the app, which determines the look and feel of TikTok, has been separated from Douyin, the server code is still partially shared across other ByteDance products, the source said. The server code provides basic functionality of the app such as data storage, algorithms for moderating and recommending content and the management of user profiles. To ensure uninter-

rupted TikTok service, Microsoft would likely need to rely on ByteDance's code while it reviews and revises the code, and moves to a new back-end infrastructure to serve users, according to cyber security expert Ryan Spears at River Loop Security, which also provides cybersecurity services.

Any technical or operational reliance of the US business on the Chinese company after the sale generally would have been unacceptable to the Committee on Foreign Investment in the US (CFIUS), said Aimen Mir, former deputy assistant secretary of the Treasury responsible for CFIUS.—REUTERS



Microsoft is negotiating a transition period that will give it time to ringfence TikTok technologically from ByteDance after they agree to a deal

New Delhi























