

India businesses battle to ward off tariffs

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Indian business leaders are engaged in frantic last-minute lobbying to persuade ministers not to hit their sectors with import tariffs as the government struggles to stabilise the fast-dropping rupee.

New Delhi is expected to announce the details of a plan to shore up its battered currency within days, which Arun Jaitley, the finance minister, said last week would include curbs on “non-essential” imports.

The government’s plans would make India the latest country to turn to protectionist measures in an attempt to boost its economy. Pakistan imposed import restrictions yesterday as it battled to restore its depleted reserves of foreign currency, while the US and China are engaged in a trade war.

Mr Jaitley’s announcement on Friday came after the rupee dropped to its lowest ever level against the dollar, hit by worries about emerging economies generally, and specifically by concerns over India’s widening current account deficit.

The deficit grew to \$15.8bn, or 2.4 per cent of gross domestic product, during the April-to-June quarter, New Delhi announced this month. The rupee has lost about 12 per cent against the dollar this year.

Officials are now drawing up a list of items that could fall under the new restrictions, with gold, textiles, electronics and telecoms equipment all reportedly under consideration.

But business groups are urging the government to limit the number of goods that will be targeted, warning the measures inadvertently risk hurting exports. “You cannot target such a broad base of things,” said one business leader who did not want to be named. “Many of these goods are used as inputs into exported goods, or in widely used domestic items. It would have the opposite effect to what they want to achieve.”

Telecoms companies, for example, import about 90 per cent of their network equipment, including receivers, antennas and routers. They say it would not be possible to buy such items domestically.



Rajan Mathews, director-general of the Cellular Operators Association of India, said: “Mobile operators cannot immediately substitute their imports for domestically made goods.

“If they have to pay more for these items, mobile users will pay more. If they cannot buy them, they will hold back on developing mobile infrastructure.”

One of the most sensitive items reportedly under consideration is gold, which is used across India as a common means to store wealth, and is also used extensively in jewellery exports.

Colin Shah, vice-chairman of the Gems and Jewellery Export Promotion Council, said: “While they want to bring in import curbs, they also want to increase exports.” He noted that the import duty on gold and silver had already been raised from 2 to 10 per cent over 15 months from March 2012.

Analysts warned that restrictions on steel imports would damage industries such as construction and car making.

Gold is used extensively in Indian jewellery exports. Below left, the rupee has fallen to its lowest level ever against the dollar

— Dhirej Singh/
Bloomberg

Amit Dixit, an analyst at Edelweiss Securities, said: “[Steel import restrictions] would be a boon for steelmakers but downstream industries would definitely suffer.”

Officials must also be careful not to break World Trade Organization rules. India is already under pressure at the WTO, having been challenged by the US over six different export subsidy schemes, worth a total of \$7bn.

Under the WTO’s information technology agreement, for example, members cannot levy import tariffs on a range of telecoms equipment. On other goods, such as textiles, India is already close to the maximum allowed tariff.

“In many cases we do not have much headroom — we are already close to our bound rates,” said Biswajit Dhar, an economics professor at Jawaharlal Nehru university. Mr Dhar said these rules could be bent, but only if there was an impending crisis. “We still have enough foreign currency to cover eight months’ worth of imports,” he said. “That is not likely to be bad enough for the WTO.”

Mr Bannon, former adviser to US president Donald Trump, is forming a pan-European organisation called The Movement to support and potentially finance Europe’s radical right parties.

The Movement is due to launch this month as an “informal” EU organisation bringing together populist parties that support more national sovereignty, border and migration control, and a fight against radical Islam.

“We are talking to everyone,” said Mischaël Modrikamen, managing director of The Movement.

Mr Bannon’s project “is moving slowly but it will probably accelerate as the European elections approach. We’ll see each other again soon, in Paris,” Mr Aliot told French newspaper L’Opinion.

“He has the advantage of having won with Donald Trump. He . . . can enable us to achieve the same thing on the continent,” said Mr Aliot, who is expected to contest the European elections in May.

The RN is looking to capitalise on the faltering popularity of French president Emmanuel Macron, who has struggled to shift his image as a “president of the rich”.

An Odoxa poll of voting intentions for the European elections conducted this month showed Ms Le Pen’s party and Mr Macron’s En Marche party neck and neck.

“The coming European elections will be some kind of referendum for or against Europe . . . Marine Le Pen wants to mobilise voters so that the [RN] and its allies across Europe win as many seats as possible to oppose the agenda of the centre right and left in Europe,” said Jean-Yves Camus, a political scientist.

Ms Le Pen’s party has struggled since she lost the presidency to Mr Macron in May last year. Despite winning almost 11m votes in the final round of that election, her image as a viable leader suffered, partly because of a poor debate performance.

The party is also under financial pressure after French judges looking into whether it misused EU funds blocked pending state subsidies. She has appealed and a decision is due this month.

Mr Bannon has courted rightwing European populist groups ahead of next year’s vote — including figures such as Hungary’s Viktor Orban and Italy’s deputy prime minister, Matteo Salvini — to form a common front championing Eurosceptic causes.

In March Mr Bannon appeared at the RN’s annual conference, saying “history is on our side” and telling the audience to wear terms like “racist” as a “badge of honour”. The RN would join Italy’s populist League, led by Mr Salvini, and the rightwing Brothers of Italy who have signed up to Mr Bannon’s Movement.

