

Daily Economic News Summary: 11 July 2017

1. Countering China's push into India: Navigating the choppy sea trade route

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

...As Minister for Shipping, Road Transport and Highways Nitin Gadkari acknowledges India has very little presence in this waterway via ports, which he wants to correct. The risks are intense, arising from China. With its expertise to build ports, China is on course to circle India with a ring of mega ports that would mimic the current stress points and shut India even more out of the lucrative business. The minister is thus, pushing for development of at least one port system to rival the top 10. The most promising one is JNPT, near Mumbai — currently at number 32 globally — in terms of the volume of cargo handled. While the ministry expects to get close by 2021, Sakhuja is more guarded. “I am not quite sure if that is achievable in the near future. If the projects under Sagarmala take shape well, it may be possible to work towards the top 10”. Deputy National Security Advisor Arvind Gupta says in the interregnum, India must intensely develop “short shipping”. In other words, develop a fleet of vessels that can have a quick turnaround, ferrying goods to large ports from India's ports. This sort of traffic is necessary to build up volumes at ports like Chabahar, where India and Iran have signed an agreement for India to operate two berths. Last week, according to PTI, the two major Indian conglomerates have bid for supplying key equipment for building the berths at the port. The shipping ministry plans to expand the financial eligibility criteria to attract more bidders, the report said.

2. Narendra Modi government provides sweet surprise, hikes import duty on sugar to 50pct

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

The government on Monday raised the import duty on sugar to 50% from 40% to discourage dumping of cheaper supplies from abroad and as local prices stabilise after a spike earlier this marketing year. The move will improve the ability of sugar mills to pay farmers for their supplies of cane, according to the sugar industry. The government, however, raised the duty lower than the 60% that some of the mills had demanded to balance the interest of producers with consumers'. Nevertheless, the hike in the duty comes as a relief for mills amid slowing domestic demand, especially after demonetisation, as the cost of production remains elevated due to high cane prices. A crash in global sugar prices to just 12.55 cents per pound around a fortnight ago had alarmed

domestic millers, who had apprehended large-scale imports flooding the domestic market if the duty was not raised...In April this year, the government had allowed duty-free imports of raw sugar up to five lakh tonnes to improve domestic availability, fearing a drop in domestic output in 2016-17 could trigger a spiral in prices to irrational levels. This was for the first time since 2012 that imports of sugar under the open general license (OGL) was allowed at zero duty, albeit in limited quantity.

3. India new global growth pole, to keep lead over China: Havard study

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

India has emerged as the economic pole of global growth by surpassing China and is expected to maintain its lead over the coming decade, says a new study by Harvard University. According to the Harvard University's Center for International Development (CID) growth projections, India will feature on top of the list of the fastest growing economies till 2025 with an average annual growth of 7.7 per cent, for a variety of reasons. "The economic pole of global growth has moved over the past few years from China to neighbouring India, where it is likely to stay over the coming decade," the CID research suggested. The study attributed India's rapid growth prospects to the fact that it is particularly well positioned to continue diversifying into new areas, given the capabilities accumulated to date. "India has made inroads in diversifying its export base to include more complex sectors, such as chemicals, vehicles, and certain electronics," the growth projection pointed out.

4. India seeks Japanese loan to fund Rs 20,057-cr dairy development project

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

India has sought a loan from the Japanese International Co-operation Agency to fund a dairy development project with an outlay of ₹20,057 crore. The funds will be used to set up 1.05 lakh bulk milk coolers to store 524 lakh kg of milk per day in an additional 1.28 lakh villages. The funding will also be deployed to create milk and milk product processing infrastructure of 76.5 lakh kg per day, an official release from the Agriculture Ministry said on Monday. The move, it said, would benefit 122 lakh additional milk producers. Part of the funds will also be used to upgrade and expand old milk and milk product processing plants set up in the past as part of Operation Flood, the release said. The proposal for the funding, which will be routed through the

National Dairy Development Board, was forwarded to JICA by the Department of Economic Affairs.

5. India to join new Global Foreign Exchange Committee

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

India will soon get a seat on the Global Foreign Exchange Committee (GFXC), a newly-constituted forum of central bankers and experts working towards promotion of a robust and transparent forex market. The committee has been set up under the guidance of the Bank for International Settlements (BIS), an international financial organisation owned by 60 member central banks, representing countries from around the world. In a progress report on 'reducing misconduct risks in the financial sector', the Financial Stability Board (FSB) informed the G20 Summit, attended by Prime Minister Narendra Modi, here that actions to enhance conduct standards and adherence in markets include a 'Global Code of Conduct for the Foreign Exchange Markets'. FSB is an international body for global financial system...The newly expanded and formalised GFXC, which will meet regularly, replaces a similar but more informal organisation of eight foreign exchange committees -- namely those from Australia, Canada, Euro area, Hong Kong, Japan, Singapore, UK and the US.

6. India to import crude oil from US for the first time

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

India, the world's third-largest oil importer, will import crude oil from the United States for the first time after Indian Oil Corp bought a cargo that will be delivered in October. The purchase comes after Prime Minister Narendra Modi's visit to the US in June when President Donald Trump said his country looked forward to exporting more energy products to India. IOC bought 1.6 million barrels of US Mars crude, a heavy, high-sulphur grade, and 400,000 barrels of Western Canadian Select that will be delivered onboard a Very Large Crude Carrier, IOC's head of finance, A K Sharma, told...IOC had to obtain special permission from the shipping ministry to buy the cargo on a delivered basis as local regulations favour the use of Indian flagged carriers for imports, Sharma said. India is the latest Asian country to buy US crude after South Korea, Japan, China, Thailand, Australia and Taiwan as the countries seek to diversify oil imports from other regions after the OPEC cuts drove up prices of Middle East heavy-sour crude, or grades with a high sulphur content.

7. First test of India's new bankruptcy law offers cautionary tale

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

...The new Insolvency and Bankruptcy Code aims to move cases of company failure into a single forum, replacing an archaic system of overlapping regulations under which banks, company promoters and other creditors could all initiate competing proceedings in different courts, tribunals and regions. That system left India's Debt Recovery Tribunals vastly overstretched, with court buildings strewn with ever-rising pillars of dusty files, gumming up the flow of credit in the economy and discouraging new investment. That system left India's Debt Recovery Tribunals vastly overstretched, with court buildings strewn with ever-rising pillars of dusty files, gumming up the flow of credit in the economy and discouraging new investment. The World Bank estimated it took 4.3 years on average in India to resolve insolvency under the old laws, more than twice as long as in China. And average recoveries were just 25.7 cents on the dollar, one of the worst among similar sized economies. The new regime aims to significantly boost recoveries and put a firm timeline around case resolution in the hope that this will help clean-up bank balance sheets and spur lending.

8. Imbibe spirit of competitive cooperative federalism: PM Narendra Modi

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

As India tries to improve its ranking in the ease of doing business report of the World Bank from low of 130, Prime Minister Narendra Modi asked states to accord priority for creating a conducive business climate, mixing the spirit of cooperative federalism with competition to attract investment. And, requested them to maximise use of Aadhaar, the citizen identification system, in their programmes and plans. In the backdrop of farmer unrest, the PM also laid emphasis on agricultural reforms, including e-national agri marketing initiatives. He was addressing a day-long conference of state chief secretaries on a theme of 'States as drivers for transforming India'...The PM did not mention the impact of farm debt waivers on fiscal deficits. However, Niti Aayog officials stressed that states could not raise their borrowings beyond the limits set by the Fiscal Responsibility and Budget Management (FRBM) Act, unless the Union government agreed. The PM said: "The whole world today has trust in India, has expectations from India and wants to partner with India. This is a golden opportunity for us. Ease of doing business should be accorded top priority and would greatly help states in attracting investment."

9. Centre to clear Amazon's \$500 mn investment proposal

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

The Centre has decided to approve US retail giant Amazon's proposal to invest \$500 million in food retail sector in India. The Department of Industrial Policy & Promotion (DIPP) — the nodal body for the retail sector — at a recent meeting decided to give its nod for Amazon's proposal, a government official told *BusinessLine*. "A formal letter from the Commerce & Industry Minister, Nirmala Sitharaman, issuing the permission to Amazon to start food retailing is expected soon," the official added. Amazon had applied for permission to bring in FDI into the food retail sector a few months ago, but the proposal got held up because of the decision to dismantle the Foreign Investment Promotion Board that cleared FDI proposals that had to be routed through the government.

10. Pocket money of kids in India more than GDP of 52 countries, says Pogo study

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

Cartoon channel Pogo recently conducted a survey on the pocket money of the kids in the country. The 'Turner New Generation 2016' study was conducted in all major cities and also places with more than 1 lakh population. The report said that kids in India spend more than Rs 22,000 crore, given to them as pocket money, bhaskar.com reports. This amount is more than GDP of 52 small countries which included Maldives and Bhutan. Pogo had conducted a similar survey in 2012. During that year, kids used to get Rs 275 per month approximately which rose to Rs 555 five years later. The latest report says not all kids spend all their pocket money, in fact, 50 percent of them also save money, mostly girls. Most kids buy clothes, shoes, junk food from the amount they get from their parents or near and dear ones. In big cities, 90 percent children also have mobiles as well as other gadgets with them.

GST SPECIAL

11. High-income taxpayers to get priority treatment and extra facilities

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

...Central Board of Direct Taxes (CBDT) has begun work on a plan based on the recognition that 80 per cent of India's direct tax is paid by 20,000 individuals and entities. There is a strong view in government circles that they be accorded better treatment along the lines of priority customers,

an official said. Such a priority taxpayer will be able to meet a tax official across the table to resolve questions over liability. Any assessment order on such taxpayers will be vetted by a specialist in that sector before being issued to the company, according to the proposal under discussion. This will help reduce litigation and disputes that India's tax system is burdened, it is hoped. "A taxpayer is like a customer to the department," said the official. "One who pays more tax should have some additional facilities." Another category of taxpayers comprises those who will get better treatment but are prone to evasion and therefore need to be monitored through data feeds. A third category is of individual taxpayers in the Rs 5-10 lakh annual pay bracket. They will get completely non-intrusive service with an emphasis on e-filing, e-assessment and e-scrutiny, said the official.

12. Arun Jaitley launches 'Aaykar Setu' to enhance e-access of taxpayers

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

The Income Tax Department has launched an online facility that will enable payment of taxes, tracking of tax deducted at source and filing of applications for permanent account numbers (PAN). The facility known as 'Aaykar Setu,' launched by finance minister Arun Jaitley, will also help people link their 12-digit biometric identifier Aadhaar with PAN. Central Board of Direct Taxes will make it available as a desktop service and as an app for Android mobile phones, providing a range of informative and useful tax services. "This is a very important step forward by the CBDT and the principal reason being technology as a very powerful tool becomes an enabler," Jaitley said.

13. Experts: Technology expected to fuel job creation going ahead

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

As the debate on job growth in India and the role played by technology in it assumes greater significance, panelists at the IE Think discussion on "Will tech open up the Indian jobs market?", organised by The Indian Express, said that technology is expected to fuel creation of employment in the country going ahead. The panel comprised Niti Aayog member Bibek Debroy, India director of International Growth Centre Pronab Sen, Director-Seller Enablement of AmazonIndia Archana Vohra, Founder & chief executive officer (CEO) of Little Black Book Suchita Salwan, Managing Director of Technopak Arvind Singhal, and co-founder of think-tank iSPIRT Sharad Sharma. Singhal pointed out that technology would help create good quality jobs and enable growth in

sectors such as textile, retail, food processing and food service, leather and footwear, and tourism, which are estimated to have created around 4.5 million jobs per year in the last 4-5 years. “The five sectors form such a large part of our employment base. I don’t see technology disrupting them in a negative way. I see technology enabling their growth further, and good quality jobs,” he said.

14. Digital transaction slowing down after initial demonitisation rush

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

The growth in cashless transactions, doubling in the aftermath of demonetisation, seems to have hit a new normal of 27 per cent in May and June. By the time this financial year draws to a close, growth in digital modes of payment may stabilise at 30 per cent to 40 per cent higher than last year, say industry experts. The currency ban widened the use of debit cards. The average value of card payments fell drastically, showing that they were used even for small value purchases. Although monthly volumes varied, transactions on a day-to-day basis have remained steady even after March. According to RBI data, debit card usage at points of sale more than doubled to 400 million-plus transactions at the height of the cash crunch in December from 140 million in October. That number fell in February to 250 million and has stabilised around 268 million in April.