

Daily Economic News Summary: 12 May 2017

1. New industrial policy for north east may incentivise eco-friendly sectors

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

Keen to push development and job creation without disturbing regional ecological balance, the government is formulating a new industrial policy for the North Eastern region, building incentives for select sectors. Industries which are environmentally sustainable such as agro processing, horticulture, floriculture and plantation crops are likely to figure in the list of special sectors which will be the focus of the new policy. “We will provide subsidies to people who will set up units under these activities. Sectors which could harm the ecology of the region will be low priority in the scheme,” a senior government official said. The North East is a major priority of the Narendra Modi government. Projects of railway and road connectivity have been kicked off in states of the region to promote growth in the areas of tourism, revenue and trade. The department of industrial policy and promotion (DIPP) along with NITI Aayog is redrafting the policy — new North East Industrial and Investment Promotion Policy (NEIIPP).

2. India to become China 2.0? Chinese think tank explains why Beijing should study New Delhi seriously

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

It is possible for India to become “China 2.0” to attract most of the world’s capital, says a report by a Beijing-based private think tank Anbound. The findings of the report were published by China’s official daily Global Times on Wednesday. The report argues that Beijing should “ponder and study” the rise of Indian economy carefully or end up as an “unfortunate bystander” watching India’s success. China’s GDP grew at 6.7% to more than \$ 10 trillion in 2016, while the growth in Indian economy was recorded at 7.1% for 2016-17. The report acknowledges that GDP of India is far behind vis-a-vis China, but the former country continues to remain a “potential emerging market that has high attractiveness for the global capital” The report says, India’s “vast domestic market, low labor costs and skilled labor market are its most attractive features. As China’s demographic dividend diminishes, India, with half of its population below the age of 25, is poised

to take advantage.” Drawing a parallel between China’s past and India’s present, the study noted that “changes that are taking place in India may also point to great potential for development.” According to the study, India could see an “explosive economic growth” in future.

3. GST rollout: Hasmukh Adhia reviews I-T readiness

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

Revenue secretary Hasmukh Adhia on Thursday expressed satisfaction with the IT preparedness for the July 1 roll-out of the Goods and Services Tax (GST) after he reviewed GST Network (GSTN) on Wednesday. As on April 30, over 60 lakh or 72% of the 84 lakh existing taxpayers had enrolled on the GSTN. The enrollment window will be re-opened for 15 days from June 1 to provide another opportunity for taxpayers to enroll on the system, the government said in a statement. GSTN is also conducting a pilot on GST system software where 3,200 taxpayers drawn from each state/UT and centre will participate. “The pilot covers all the three modules and is being run to give the taxpayers first hand opportunity to work on the live system as the creation of return has become an interactive process,” the government said. The pilot started on May 2 and will run till May 16. The three modules will cover the processes involved in filing a return under GST, which includes uploading invoices, creation of supply return, viewing purchase return, editing and accepting purchase return, response of purchaser on added invoice data, payment of taxes, creation of bank scroll and reconciliation of payment by accounting authorities. “All stakeholders involved in the GST System — taxpayers, bank, RBI and accounting authorities— are participating in this exercise which is like a rehearsal for the real roll-out. The feedback from the pilot will be used to further improve the GST software,” the government said.

4. CEA Arvind Subramanian hits out at global rating agencies for China bias

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

Chief Economic Advisor Arvind Subramanian on Thursday criticised the rating agencies for favouring China even though its growth was lower than India’s. Rating agencies have given higher rating to China because they want to do more business in China, said Subramanian while delivering the Dr VKRV Memorial lecture on ‘Competence, Truth and Power: Macro-economic Commentary in India’, here. He said the social media has encouraged the academics in the US and in the UK to

enter into a healthy macro-economic policy discussion but “in India, while social media is as omnipresent as elsewhere, it has not become a forum for serious macroeconomic debates.” Subramanian said the country requires diversity of opinion. “That diversity will require both competence and capability. It will require voices that are not silenced, compromised, or conveniently moderated by the lure or fear of power.” Urging academics to participate in debates, he said, “We want wider and critical debate on the government policies.” And further said the public interest is better served by richer debate that encompasses critical views, including of officialdom. However, experts stay on the right side of power. “Before policy decisions are announced experts tend to express the views they think officials are likely to take. After policy actions, they try hard to endorse the decisions already taken. As a result, we in the government do not really benefit from their wisdom. This is a serious problem, because high-quality policy-making demands high quality inputs and high quality debates,” he said.

5. India explores clean energy collaboration with Austria

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

Highlighting the need for India-Austria collaboration in clean energy, Union Power Minister Piyush Goyal said a policy directive on quality of modules will soon be in place, according to a statement here on Thursday. Goyal was speaking at the India-Austria Business Forum organised by the Ficci in collaboration with the Embassy of India in Vienna and Austrian Economic Chambers (Wirtschaftskammer A-sterreich WKO). “India needs to put entire solar value chain under quality direction... The government will have a policy directive in place on quality of modules (by end of May),” the minister said, according to the industry lobby statement. The other policies to follow it would be on solar cells, which would be in the next six-seven months and on wafers and polysilicon in the next two years, it added. Goyal said the two nations could leverage each other’s strengths to benefit both economies. India can offer better pricing for Austrian products while providing low-cost manufacturing base. He underlined affordability was a paramount imperative to be able to change India’s energy mix. He also said that Prime Minister Narendra Modi gave a new dimension to renewable energy. The latest solar tariff of four cents was a case in point for Modi’s vision of scaling up rapidly giving good returns in more ways than one.

6. Protectionism is a dead end, says top US Federal Reserve official

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

US President Donald Trump's protectionist policies had a surprising critic in William Dudley, President and Chief Executive Officer of Federal Reserve Bank of New York and Vice-President of Federal Open Market Committee. Without pointing to Trump or his policies, Dudley on Thursday said protectionism can have a siren-like appeal and viewed narrowly, it may be potentially rewarding to particular segments of the economy in the short term, but in the long term it would almost certainly be destructive to the overall economy. Countries need to compete better, not compete less. Trade barriers are a very expensive way to preserve jobs in less competitive or declining industries. They blunt opportunities in export industries and they reduce the affordability of goods and services to households, said Dudley. Indeed, such measures often backfire, hurting both workers and growth, he said while addressing industrialists, he said. "There are many approaches to dealing with the costs of globalisation, but protectionism is a dead end. Trade restrictions address the symptoms and not the underlying problems, and they introduce other costs and distortions," he added. While such measures might generate temporary boosts to growth from greater domestic production and consumption, these would likely be offset by a range of other costs and would retard productivity growth and thereby shrink the economic pie, Dudley said.

7. WPI, IIP series: Narendra Modi government may depart from the past, drop excise duty components from manufacturing goods

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

In a departure from the past, the government is planning to remove the excise duty component from the manufactured goods while calculating wholesale price inflation for this critical segment under the new WPI series with 2011-12 base year, sources said on Thursday. Analysts said the government's plan to also change the base year for the Index of Industrial Production (IIP) series to 2011-12 from 2004-05 will help capture the country's factory output better and could lead to significant upward revision in growth figures for the sector in recent years. However, it won't end the notorious fluctuation in certain IIP segments, particularly capital goods, because volatility is linked to the production pattern. The government will announce new series data for both the IIP and WPI on Friday.