

Daily Economic News Summary: 18 May 2017

1. Narendra Modi government mulls FDI reforms, may ease norms in construction, retail

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

The government is considering further easing foreign direct investment (FDI) rules in a few sectors, including construction and food retail, a senior government official said on Wednesday. One of the proposals relates to allowing FDI in even undeveloped and underdeveloped plots in a project, albeit with certain conditions. The government currently permits 100% FDI in only developed plots where the basic trunk infrastructure is in place. A meeting was held in North Block on Wednesday for this purpose. It was attended by senior officials of various ministries, including finance, industry, urban development and health. The industry ministry may approach the Cabinet on these proposals soon, said another official. In the retailing of food products, the food processing ministry has proposed allowing domestically-produced non-food items worth 25% of a foreign retailer's investment at the farm-gate level. Among other proposals, the government has been considering allowing up to 100% FDI through the automatic route in single-brand retail.

2. PM Modi-led Cabinet approves pharma mission to develop bio pharmaceuticals

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

The government today approved a programme for development of bio pharmaceuticals through industry-academia collaboration entailing investment of Rs 1,500 crore by it over a period of five years. The programme will focus on development of specific products such as vaccines, biotherapeutics, medical devices and diagnostics, an official statement said. Besides, the 'Innovate in India empowering biotech entrepreneurs and accelerating inclusive innovation' mission will also work on establishment of shared infrastructure and facilities. It will build and strengthen domain specific knowledge and management skills while also creating and enhancing technology transfer capabilities in public and private sector, the statement added. The proposal was approved by the Cabinet Committee on Economic Affairs chaired by Prime Minister Narendra Modi at its meeting held today. The primary objective of the programme is to forge an industry-academia collaborative mission for accelerating discovery research to early development for biopharmaceuticals. The mission will be implemented by Biotechnology Industry Research

Assistance Council (BIRAC) – a public sector undertaking of Department of Biotechnology (DBT). The pan-India mission entails an investment of Rs 1,500 crore by the Government of India for five years with 50 per cent of the cost for the programme coming from the World Bank loan.

3. India urges WTO to include new issues on the agenda only after consensus

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

India wants that new issues in the WTO agenda should be taken up only after consensus among the member nations although it is not opposed to informal discussions, Commerce Minister Nirmala Sitharaman has said. The comment assumes significance as developed countries including the US are pushing for inclusion of certain issues like investment facilitation and ecommerce in the WTO agenda, which is being opposed by developing nations like India. "Whether it is investment (facilitation issue) or anything else, our position is that we have no problem discussing any issue. But if it has to come into the agenda, we are saying that there should be consensus among members," she told PTI in an interview. Before including issues in the WTO agenda, "if they want to discuss a paper which somebody has submitted, I have no issue talking about it", she said. She added that on investment facilitation and ecommerce, India wants that everybody should be on board.

4. Export rising despite global headwinds: Nirmala Sitharaman

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

India's exports have been increasing despite global headwinds and efforts are being made to neutralise any impact on them due to implementation of GST, Commerce and Industry Minister Nirmala Sitharaman said. She also said that the government will come out with amendments to the foreign trade policy to align it with the Goods and Services Tax (GST), which is scheduled to be rolled out from July 1. Since September last year, exports are consistently going up and "I can see this as a clear indicator that our exporters are performing against all odds and showing their capacity to withstand any headwinds and the global situation," she told PTI in an interview. "I do not think that global situation has improved drastically. Even if there are green shoots that people are seeing and saying that there are prospects that world trade might improve, it is yet to be significantly felt by others," she added. The minister said even in this type of environment,

domestic exporters are doing good. She also expressed hope that the country would achieve the 900 billion target of exports for goods and services by 2020.

5. 90% start-up in India fail within 5 years: IBM

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

India is booming with young entrepreneurs and start-ups but more than 90 per cent of start-ups in the country fail, according to a new study by IBM. According to the study done by the IBM Institute for Business Value (IBV) based on a survey done in collaboration with Oxford Economics, to understand the rapidly evolving India start-up ecosystem and its effects on the wider economy, lack of innovation, non-availability of skilled workforce and insufficient funding, are the main reasons for the high rate of failure. "77 per cent of venture capitalists surveyed believe that many Indian start-ups lack pioneering innovation based on new technologies or unique business models. Indian start-ups are prone to emulate already successful global ideas," IBM said in a statement... "The Indian start-up community; ranked third globally in terms of number of start-ups, has been creating new job opportunities and attracting capital investment. We believe that start-ups need to focus on societal problems, including healthcare, sanitation, education, transportation, alternate energy management and others, which would help deal with the issues that India and the world face. These require investments in deep technology and products which are built to scale globally," said Nipun Mehrotra, Chief Digital Officer, IBM India/ South Asia.

6. PM Narendra Modi to visit Germany, Spain, Russia from May 29

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

Prime Minister Narendra Modi will undertake a three-nation tour of Germany, Spain and Russia from May 29 to consolidate relations with these countries and invite investments to India. The visit to Germany and Spain will be bilateral in nature while the trip to St Petersburg in Russia is in connection with the St Petersburg International Economic Forum (SPIEF) to be held from June 1-3, sources told Press Trust of India on Wednesday. The SPIEF, which will be attended by thousands of business leaders from across the globe, will provide Modi an opportunity to invite investments in the country. On the sidelines of the SPIEF, the prime minister is expected to have talks with Russian President Vladimir Putin to review the state of bilateral relations and ways to push the ties further, the sources said. Matters related to trade and investment, defence and nuclear

cooperation are expected to figure in the talks. India and Russia are currently in talks over finalisation of the General Framework Agreement (GFA) for units 5 and 6 of the Kudankulam Nuclear Power Plant (KNPP) in Tamil Nadu but it is not clear yet whether it would be signed during the visit.

7. Nod for tax treaty

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

The Cabinet on Wednesday gave its go ahead for signing of a multilateral convention to implement tax treaty to check evasion by preventing Base Erosion and Profit Shifting (BEPS). Briefing reporters after the Cabinet meeting, Power Minister Piyush Goyal said the convention was an outcome of the OECD/G20 BEPS Project to tackle BEPS through tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations, resulting in little or no overall corporate tax being paid. The final BEPS project identified 15 actions to address BEPS in a comprehensive manner. Implementation of the final BEPS Package requires changes to more than 3,000 bilateral tax treaties which will be burdensome and time consuming...India was part of the Ad Hoc Group of more than 100 countries and jurisdictions from G20, OECD, BEPS associates and other interested countries, which worked on an equal footing on the finalisation of the text of the Multilateral Convention, starting May 2015. The convention has been opened for signature as on December 31, 2016 and a first joint signing ceremony is scheduled to be held in Paris on June 7. The Cabinet also approved the signing and ratifying of an agreement between India and Tajikistan on cooperation and sharing of Intelligence in the area of Customs. The agreement will help in availability of information for the prevention and investigation of Customs offences, an official statement said. It is also expected to facilitate trade and ensure efficient clearance of goods traded between the countries.

8. IKEA aims to have over 30% of products made in India: Patrik Antoni

Source: Live Mint ([Link](#))

Ahead of the groundbreaking ceremony for Swedish furniture maker IKEA's second retail store in Navi Mumbai on Thursday, Patrik Antoni, deputy country manager at IKEA India, says the firm is working hard to meet the 30% local sourcing norm. In an interview, Antoni said land acquisition for IKEA stores in India is one of the challenges the company is facing... IKEA has been in India for almost 30 years, sourcing products for our local stores. About €300 million of products we are exporting out of India... Since 2013, we have been working in retail; we have been allowed to do 100% foreign direct investment. During these years, we worked on two tracks—one is the sourcing side because IKEA's vision is to be affordable to many people. We need a price point that is very affordable. And to be affordable in India means to be able to produce locally—to find new suppliers, new materials, bring in new categories. We do a lot of textiles but we want to do sofas, mattresses, bookshelves and so on in India now.