Daily Economic News Summary: 20 July 2017

1. RCEP talks: Civil Society concerned over tariff cuts, investments norms
Source: Business Standard (Link)

Possible cutdowns in agricultural tariffs and investment may increase chances of foreign firms initiating legal actions against India, several civil society groups said while flagging off a number of serious concerns over the ongoing negotiations for the Regional Comprehensive Economic Partnership (RCEP). On Wednesday, civil society groups across a wide spectrum of industries laid forth a host of concerns regarding the 19th round of RCEP negotiations, which began on Tuesday in Hyderabad. The RCEP is a proposed free trade agreement (FTA) between the 10 countries of the Association of Southeast Asian Nations (Asean) and six others with which this bloc has FTAs with namely, Australia, China, India, Japan, South Korea, and New Zealand. The current round of negotiations is expected to see members finalising the broad contours of the agreement. However, with most chapters on goods trade yet to see full discussions, members may make their second round of offers on tariff reduction, a senior government official recently said under conditions of anonymity. "Cutting down agricultural tariffs will basically mean giving away market access to nations like Australia, Japan and New Zealand who are major producers of dairy, meat and seafood." Ranja Sengupta from NGO Third World Network said.

2. India's digital economy to be $1 trillion in 5-7 years: Ravi Shankar Prasad
Source: Financial Express (Link)

Union IT Minister Ravi Shankar Prasad on Tuesday said India's digital economy is going to be $1 trillion in the next 5-7 years from the current size of $400 billion. "India's digital economy is currently $400 billion and in the coming 5-7 years, it is going to become a $1-trillion economy," the minister said at a session organised by the Indian Chamber of Commerce. According to him, the digital economy includes communication, IT and ITES, electronic manufacturing, cyber security, e-commerce and digital payments. He said that under the digital literacy programme, six crore families in India will be enabled in the coming three years to become digitally literate. Prasad also said that as many as 72 mobile manufacturing factories have come up in India in the last three years.

3. India's GDP could rise to about $8 trillion over next 15 years: Arvind Panagariya
Source: The Economic Times (Link)

India's GDP could rise to about $ 8 trillion over the next 15 years if the country registers an economic growth of 8 per cent annually and come very close to eliminating abject poverty entirely, NITI Aayog Vice Chairman Arvind Panagariya has said here. He said with that level of economic growth, living standards and amenities that are taken for granted in the west will become accessible to a very large part of the population in India in the coming 15 years…"Today, the Indian economy is among the major economies, the fastest growing economy, it has now left China behind. It grew in real dollars in the last 15 years ending 2016-17 (at) about 9 per cent," Panagariya said. Panagariya added that currently the Indian economy is on a much more stable path…There are some of the "legacy issues" such as the non- performing assets of the banks and they are being tackled by the government, he said adding that inflation is down to below two per cent and the government has systematically cut the fiscal deficits…Listing the "big-item and big ticket reforms" such as the Goods and Services Tax, Insolvency and Bankruptcy Act and the Aadhar Act implemented by the government, Panagariya said the benefits of those reforms are just beginning to happen.

4. India will reclaim fastest-growing economy spot this year: Poll
Source: The Economic Times (Link)

India will reclaim its position as the fastest growing major global economy this year, partly propelled by benefits from a new tax system and bolstered by an expected central bank interest rate cut, a Reuters poll showed. Having been in the offing for close to two decades, the goods and services tax (GST), which the government touts as the biggest domestic tax reform since independence, was introduced on July 1 and has bolstered economists' outlook. The new national tax will replace multiple cascading taxes levied by the central and state governments which economists in the poll were unanimous in saying would have either a positive or very positive effect on long-term GDP growth. The median forecast from the poll of over 35 economists showed India's economy is expected to expand 7.3 percent in the fiscal year ending March 2018, after slowing sharply at the start of 2017 following last year's government move to scrap high-value banknotes. While that is a downgrade from the previous poll's forecast of 7.5 percent, it is better than the International Monetary Fund's projection of 7.2 percent. It is also stronger than a similar Reuters poll of economists predicting China will grow by 6.6 percent in calendar year 2017.

5. Civil society group flag concerns on impact of regional trade pact with APAC
Source: The Economic Times (Link)

Experts, academics and researchers have flagged concerns on India's participation in a regional trade agreement with 15 countries in the Asia Pacific region. Apart from India not gaining much in export of goods and services from the Regional Comprehensive Economic Partnership (RCEP) agreement, they highlighted inclusion of new issues like e-commerce and investment as being detrimental to the country. Agreeing to RCEP's drastic cuts in import duties will not only impact livelihoods, but also deprive the government of crucial revenues for the provision of public services, they said. "There is singular focus on market access. India should not take a backseat while others set the agenda for the talks," said Biswajit Dhar, professor at JNU at a conference here…Another concern with respect to RCEP is the insertion of 'new' content like that on investment and e-commerce in the negotiations.

6. Indian policies discriminating US export, investments to boost its economy: US Congressional committee
Source: Financial Express (Link)

Several policies adopted by India to boost its economy, manufacturing in particular, discriminate against US exports and investment, an influential Congressional committee has said. "India, while striving to improve its economic growth, has been enacting a series of policies to increase domestic manufacturing and protect domestic industries and agricultural production that discriminate against US exports and investment," the House Appropriations Committee said in its report accompanying the annual Appropriations Bill 2018. The report was prepared by the Commerce, Justice, Science, and Related Agencies Appropriations Subcommittee that has jurisdiction over a diverse group of agencies responsible for combating gangs, violent crime, drug trafficking, financial fraud, terrorism, espionage, and cybercrime; enforcing trade laws; conducting periodic censuses; forecasting the weather; managing fisheries; exploring space; and advancing science.

7. Govt sweetens deal for pvt aiport developers with new investment rules
Source: Business Standard (Link)

To attract more private players towards operating Indian airport projects, the government has made a policy change that will allow the private party to not have to make any capital investment in the project. Instead, the government–owned airport operator, the Airport Authority of India (AAI), will make the investment and the private player will share the revenue with AAI. "AAI has informed that the matter has been re-examined with special reference to project financials of these projects. It has stated that for these projects the successful bidder will not be required to make capital investment and all the capital investments will be made by AAI," said a document reviewed by Business Standard…When asked about it, AAI Chairman Guruprasad Mahapatra said that the model will be followed in case of future airports, which will be given to private players for operation and maintenance. "We will invite global tender for O&M of few more airports, we will follow the same model there too," he said…The government is trying to attract foreign players to build airports as it attempts to build almost 200 airports in the next 10 to 15 years. "We need almost Rs 2-3 lakh crore to build new airports and most of the investment is going to come from private players," minister of state for civil aviation Jayant Sinha had said recently.

8. Rs 12,000 cr sanction for development of beaches, rivers as tourist spots: Government
Source: The Economic Times (Link)

The government has sanctioned more than Rs 1,200 crore for the development of beaches and rivers as tourists spots, the Rajya Sabha was informed today…Union Tourism Minister Mahesh Sharma said that 11 projects, worth Rs 896.66 crore, have been sanctioned under the coastal circuit of the 'Swadesh Darshan Scheme' and four projects, costing Rs 119.27 crore, have been earmarked under the Pilgrimage Rejuvenation and Spirituality Augmentation Drive (PRASAD) to harness the potential of beaches as a tourist attraction. Goa is set to receive the highest payout of around Rs 200 crore during financial years 2016-17 and 2017-18 to develop its beaches while Andhra Pradesh has been sanctioned Rs 130 crore in FY 2014-2015 for its coastlines. "The long coastline of India offers great potential for developing beach tourism. Coastal circuit which includes development of beach destinations is one of the 13 thematic circuits under the Swadesh Darshan scheme," Sharma said. Rivers too, have found funds to make them attractive for tourists. The culture ministry has sanctioned Rs 194.41 crore to five states - Odisha, Andhra Pradesh, Gujarat, Tamil Nadu and West Bengal - to develop their river fronts under the PRASAD Scheme.

GST Focus:

9. Arun Jaitley describes GST a win-win deal for all; says it will expand tax net, end inspector raj and also bring down prices
Source: Financial Express (Link)

Finance Minister Arun Jaitley described it as a “win- win” deal for all. He said it will expand the tax net, end “inspector raj” and bring down prices of goods. Pitching the GST as a measure beneficial for the country at a meeting of the BJP parliamentary party attended by Prime Minister Narendra Modi, senior leaders and party MPs, Jaitley said prices of goods has come down between four to eight per cent since its roll-out on July 1…The GST was in the interest of people and states as well as the latter will get 80 per cent of the revenue leading to more development, Jaitley said. There was no longer tax on tax and the transport of goods across the country was going unhindered now, he said. More than one crore firms will be migrating to the new tax regime against around 80 lakh companies earlier, he said

10. GST on international freight to make air cargo non-competitive
Source: Financial Express (Link)

Levying GST on international freight is likely to make air cargo “non-competitive”, an industry body said today. Freighters were not liable to pay any tax under the service tax regime, while now they have to pay 18 per cent GST. “Subjecting international freight at 18 per cent GST is totally unfair as it will stifle the growth of air cargo. “Why would the Government of India want Indian exporters to pay extra 18 per cent GST on freight and make our goods non-competitive in the international market,” PHD Chamber of Commerce and Industry said in a release.

11. GST: Revenue from imports up 11% at Rs 12,673 cr in 15 days, says CBEC
Source: Business Standard (Link)

Though the complete revenue flows from the GST cannot be guaged before October when the new indirect tax regime completes its first quarter, the revenue collection from imports under the Goods and Services Tax has seen an 11 per cent month-on-month increase in the first 15 days, the CBEC has said. The total revenue flow from imports stands at Rs 12,673 crore from July 1-15 as compared to Rs 11,405 crore in the corresponding period in June, the Central Board of Excise and Customs said.

The import of goods has been defined in the Integrated GST Act, 2017, as inter-state supplies, which call for a levy of IGST in addition to the Basic Custom Duty (BCD). Countervailing Duty (CVD) and Special Additional Duty (SAD) on imports have been subsumed in the GST, but not the BCD. The total revenue figure from July 1-15 includes BCD, IGST, compensation cess, and CVD and SAD on the GST-exempted goods like petroleum products. Under the GST regime, the supply of goods and services into the territory of India is deemed in the course of inter-state trade for levy of integrated tax. So, import of goods and services is treated as deemed inter-state supplies and is subject to integrated tax.

12. Tax departments to keep close watch on prices post GST rollout
Source: The Economic Times (Link)

Tax departments across the country are keeping a close watch on prices following the July 1 rollout of the goods and services tax (GST). Makers of consumer goods and handsets, as well as some restaurant chains, have all got calls from local tax authorities seeking details of invoices before and after GST as part of the exercise. In order to study prices under the GST, you are requested to send selling price of your top commodity... in the relevant format," read a notice sent to a company by local tax authorities in Tamil Nadu…The government is keen to prevent any spike in inflation due to GST as happened in some countries that implemented the levy. India has opted for a two-pronged solution to make sure this doesn't happen — a multi-rate GST structure and a proposed anti-profiteering agency. The GST Council has tried to ensure that items are placed in slabs that are closest to the rate at which they were taxed earlier. The levy has four tiers — 5 per cent, 12 per cent, 18 per cent and 28 per cent.