

Daily Economic News Summary: 29 June 2017

1. RCEP pact: 700 officials from 16 nations to meet in Hyderabad

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

About 700 officials from 16 countries including India, China and Australia would gather in Hyderabad next month to negotiate the proposed mega trade deal - RCEP. This would be the 19th round of negotiations for Regional Comprehensive Economic Partnership (RCEP) agreement. The last meeting was held in the Philippines in May. The five-day negotiations will start from July 24 and it will be inaugurated by Commerce and Industry Minister Nirmala Sitharaman, an official said. RCEP aims at liberalising norms for trade in goods and services and boost investment among 16-member countries. This will be the key round of talks as the member countries have yet to finalise the maximum number of goods on which duties will be eliminated...The members comprises 10 ASEAN members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners -- India, China, Japan, South Korea, Australia and New Zealand. Several of the members want India to eliminate duties on about 90 per cent of traded goods as part of the ambitious RCEP pact. But, according to experts, it would be difficult for India to agree to this proposal as China is also part of this pact. Indian industry has already raised concerns over widening trade deficit and dumping of goods from China. The agreement aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

2. Modi-Trump meet: Indian nuclear reactor deal safe despite Westinghouse being bankrupt; Indian partner may build reactors

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

Although the contours of a project between the bankrupt Westinghouse Electric Company and National Power Corporation of India (NPCIL) to build six nuclear reactors could change, the venture is safe, according to sources familiar with the development. They added a “new business model” was being worked out under which Westinghouse would provide the design for the six reactors, which would then be built by the Indian partner. The deal, which is critical to India’s plans to ramp up nuclear capacity by three times over 10 years, is understood to have been discussed by officials of the US and Indian governments during Prime Minister Narendra Modi’s

recent visit to the US. The multi-billion dollar deal had been initiated by the Prime Minister and US President Barack Obama when the two had met in Washington in June 2016; the formalities were to have been completed by mid-2017. While the deadline may need to be extended, sources said, they believed the project was alive. The reactors are to be located in Andhra Pradesh and the total cost for the project is estimated at close to \$20 billion. The venture would be funded by the US Exim Bank. In March this year, Westinghouse filed for bankruptcy even as the company's parent Japan's Toshiba, grappled with losses resulting from Westinghouse's troubled nuclear projects in the south of America.

3. US junks Bilateral Investment Treaty talks

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

The US seems to have watered down India's decision to resume talks for a Bilateral Investment Treaty (BIT). It has also rejected the idea of going to domestic courts for matters related to international arbitration. "The US government has for now junked the idea of holding the BIT talks with India. We have already informed the government that this may impact investments coming from the US to India, especially from the SMEs while the big firms still have the wherewithal to hire lawyers and fight lawsuits," an official told. While the BIT was on Prime Minister Narendra Modi's agenda during his recent US visit, he was not able to revive the talks with US President Donald Trump. In fact, even at the delegation level the officials were not able to restart the stalled talks that are deadlocked since October 2016, when the last India-US Trade Policy Forum took place here. However, in 2015 when the Indian government released a model BIT text replacing the old 2003 model, the US had been upbeat about concluding the talks before the Obama government demitted office. The negotiations for a US-India BIT began in 2009. According to another official, involved in the talks between both countries, the US is "not ready" to discuss with India the BIT based on its present draft.

4. India only country with maximum opportunity to invest: GP Hinduja

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

India is the only country in the world which has maximum opportunity to invest, leading NRI entrepreneur GP Hinduja has said as he sought a tripartite cooperation among China, India and the UK for the investment. "Chinese have money, British have the expertise, competency and consultancy. There could be a tripartite concept which can work - China, UK and India," the Co-Chairman of the Hinduja Group told a Chinese delegation and representatives of the British government at a reception he hosted. Highlighting that India has excellent opportunities for Chinese companies to invest in infrastructure, he said in his view the only country in the world today which has maximum opportunities is India. "I hope the governments between themselves think of this and take things forward," he said. "Anything you would like to do with the Hinduja Group in India, UK, China or anywhere else, we will welcome you." The Chinese billionaires present at the event included Yan Bin, who made his money in Red Bull; husband and wife Chen Hongtian and Lily Yao Lini of Xiangqi, who are in real estate and mining; Xu Hang of Mindray Medical, who are in pharmaceuticals and now diversifying into real estate development; and Angel Wang Yunxiao. Xu Hang boldly predicted: "The GDP of our three countries (China, India and Britain) will account for more than 50 per cent of the world's GDP in future." The Indian billionaires who attended the event included Cyrus Poonawalla of Serum Institute and S P Lohia of Indorama, headquartered in Indonesia.

5. In World Bank meeting, India eyes top 25 ranking in ease of doing business

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

India has made a strong pitch to the World Bank seeking improvement in the country's ranking on the ease of doing business from a poor 185 to among top 25. The Centre on Wednesday made its first presentation before a World Bank team and showcased how its procedures, cost of construction and time taken in approvals have improved manifold. In the ease of doing business rankings for construction permits for 2017, announced last year by the World Bank, India was ranked 185 among the 190 countries surveyed. India had scored 36.88 marks on a scale of 100. The top spots were grabbed by New Zealand, Australia and Taiwan. India had scored the poorest in getting construction permits. Since then the PMO has been keeping a close watch on improving the rankings...The officials informed the team that steps for obtaining a construction permit in

Delhi have reduced to eight from 29 earlier, the time taken for all approvals has been brought down to 60 from 213 days last year and cost of the permit to Rs 1.91 lakh from Rs 13.6 lakh. Similar improvements have been made in case of Mumbai, officials said. The World Bank ranking is based on the average of scores for Delhi and Mumbai.

6. Policy interventions soon to revive private investment in infra: Amitabh Kant
Source: Financial Express ([Link](#))

The government is set to give private investment in infrastructure a big boost as steps such as a dedicated financial institution for big-ticket projects, fast-track dispute resolution and flexible structuring of public-private-partnership (PPP) projects are on the horizon. It is planning major policy interventions to revive private investment in the sector as state spending alone would be inadequate, Niti Aayog CEO Amitabh Kant told a gathering of industry leaders at The Economic Times India Infrastructure Roundtable on Wednesday. Kant promised prompt action. “We will discuss with finance ministry how to strengthen IIFCL (India Infrastructure Finance Company Ltd),” he said. He said infrastructure development was growing but more private capital was needed. “Today, there is acceleration in infrastructure sector because of public expenditure. There’s hardly any private participation. That needs to change,” he said...Kant said that the government is working towards fast-track arbitration and around 15-16 cases have already been cleared. He also said Prime Minister Narendra Modi is very serious about timelines of the infrastructure projects and is taking regular review meetings. “PM takes output based review meetings every six months. The last meeting he had continued for more than five hours and output targets were set for all major infrastructure departments,” he said.

7. Former Governor Bimal Jalan says inflation targeting cannot work in India
Source: Financial Express ([Link](#))

Former Reserve Bank of India (RBI) Governor Bimal Jalan today said that inflation targeting cannot work in India. He added that it is because prices depend on a range of factors like monsoon and oil prices over which neither the central bank nor the government has any control. In a report by PTI, Jalan said, “Inflation targeting is fine for countries like the US and the UK. But we (India) are dependent on rain, import of oil from Gulf countries. In India, there is no point in setting an inflation target.”... Speaking about the role of RBI in the process, he said, “What can the RBI do if food prices go up by 40 percent as a result of monsoon failure?” Under the new Monetary Policy

Framework, the RBI aims to contain inflation at 4 per cent with a band of (+/-) 2 percent...Meanwhile, Union Minister Venkaiah Naidu speaking on the rollout of GST on July 1 and its impact on prices said, "It will bring down inflation, prices, improve ease of doing business and strengthen the economy in the long run." PTI reported Naidu as saying, "There might be some hiccups but in the long-term, the GST regime will help consumers and traders as there will be no harassment, inspector-raj, discretion (discretionary powers) to the officers and no (inter-state) check posts."

GST Special:

8. Sharing details of PM's meeting on GST would affect India's economic interest: PMO Source: Financial Express ([Link](#))

The Prime Minister's Office (PMO) has refused to share information about a meeting chaired by Narendra Modi on the Goods and Services Tax, saying it would affect the country's "economic interests". It was asked, through an RTI application, to provide a copy of the minutes of the meeting held on June 5. The meeting was attended by secretaries of central government departments and other officers concerned. "Since the request of the applicant is related to the economic interest of the State, the same is exempted from disclosure under Section 8 (1) (a) of the RTI Act," the PMO said in reply...The section bars "information, disclosure of which would prejudicially affect the sovereignty and integrity of India, the security, strategic, scientific or economic interests of the State, relation with foreign State or lead to incitement of an offence". The GST, termed as the biggest tax reform, is to be rolled out from July 1. A PMO statement issued after the meeting had quoted Modi as saying: "The advent of the GST on July 1 marks a turning point in the country's history". He asked the secretaries to proactively prepare for this transformation to ensure a smooth transition, it had said". The prime minister said the world is looking at India differently today, and this is a unique opportunity which should not be missed. Let us build mechanisms to meet global expectations, he asked the secretaries," the statement had said.

9. Arun Jaitley: System geared up for GST from July 1

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

The government has notified the implementation of the central goods and services tax (C-GST) from July 1, making it clear that the roll out of the new indirect tax regime is on course. “I don’t see much of a problem. Small issues will always arise whenever you make a change of any kind. But I’m sure the system is fully geared up and the system will eventually smoothen itself out,” finance minister Arun Jaitley said. Asked about West Bengal chief minister Mamata Banerjee’s statement against the implementation of GST from July 1, Jaitley said the date had been decided by consensus by the GST Council, which meant by the Centre as well as all the states. “It [the date] has not been decided by the Centre. And more importantly, there is a constitutional mandate and that mandate is that on 16th of September, you will lose the right to collect existing taxes. So the alternate system has to come into place. Those who are talking in terms of deferring [GST] by six months and so on, that’s a constitutionally impermissible thing,” Jaitley said. “We have spent so much time in building consensus and fortunately, we were able to build consensus. Therefore that spirit of consensus should be maintained by all. Even the function we are organising symbolises that larger national consensus,” he said.

10. Sonia Gandhi and Manmohan Singh must help PM Narendra Modi in GST implementation

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

Even though the current GST is not an ideal one, this is what has emerged as the best bet for now. There is no reason for former Prime Minister Manmohan Singh and Congress president Sonia Gandhi to avoid sharing the GST launch moment with Prime Minister Narendra Modi in Parliament on July 1. Reforms like the goods and services tax (GST) can’t be introduced and run successfully without a larger support of the political system. There is no reason why it should not be there on July 1 when the tax system comes to force, especially when it was initiated by the Congress party led UPA government and is being implemented by the Bharatiya Janata Party (BJP) led NDA government. While it is the persistence of prime minister Narendra Modi which is responsible for the success in clearing the parliamentary bottlenecks for implementing GST — he would not have succeeded in this exercise without the support of the opposition parties — even though that has meant the current GST remains short of an ideal GST

with high and multiple rates, besides items like alcohol for human consumption and petroleum products remaining out of its ambit.

11. GST rollout: Parliament to be lit up for midnight event like on Independence Day, Republic Day, for launch of sweeping tax reform

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

The landmark tax reform measure – Goods and Services Tax (GST) – will roll out from July 1. It will unify the \$2 trillion Indian economy and 1.3 billion people into a single market for the first time ever. According to the government, GST embodies the principle of “one nation, one tax, one market” concept. To celebrate the government’s move and to make GST launch a memorable event Parliament, which is lit up only on special occasions like Independence Day and Republic Day, has been decked out with bulbs for the big day ahead. The historic Central Hall of Parliament will host a midnight function on June 30 to launch the sweeping tax reform measure. Perhaps for the first time, the government will use the circular-shaped Central Hall, to launch a new taxation system that is set to dramatically re-shape the economy.