

Daily Economic News Summary: 29 May 2017

1. India's cheap labour a 'myth', says Assocham President

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

It is a 'myth' that India's labour is cheap and there is a need for lowering interest rates and logistics cost to make the domestic industry competitive, Assocham President Sandeep Jajodia has said. He said poor infrastructure, "extremely high" cost of power in addition to high interest rates are eroding the competitiveness of Indian industry. "We talk about cheap labour. I don't think that is true. I don't think we have cheap labour because the productivity of our labour is so low that where you require one person to do a job abroad, you probably have many people to do the same job. "I don't think India has any advantage. In fact, it has a lot of disadvantages in terms of the ease of doing business, in terms of interest rates, infrastructure is a very big problem. Our infrastructure cost, our logistics cost is many times of what my competitor faces," Jajodia told PTI in an interview.

2. India quietly boosts Asean ties as OBOR looms large

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

While just a week ago, several countries in Asia and South East Asia region were swept into the massive One Belt One Road (OBOR) initiative of China, India, in a quiet and unobtrusive manner, reached out to the \$2.6 trillion regional economy of ASEAN, under its Act East policy. Participating in the 25th year celebrations of India-ASEAN partnership, a delegation of innovators and start-ups to the ASEAN-India Biztech Expo and Conference, organised by AIBC (ASEAN-India Business Council), with the belief that the leap to the next growth phase will ride on the huge potential for SMEs and private sectors. Didar Singh, FICCI secretary general, is clear India has a definite and different approach to push trade between the two steadily growing economies despite China's aggressive forays in infrastructure involving all SE Asian countries. He said, "India and ASEAN both have similar development scenarios and challenges, whether it is Indonesia or Thailand, besides having physical and historical linkages. Moreover, India is quickly moving its start-up ecosystem from disruption to innovation and this is where I think the return on investment will be huge. Private partnerships will be main driver." On the other hand, China's government-driven, huge investments seems an attractive reality for countries like Malaysia, as was evident

from the view of Datuk J Jayasiri, secretary general of international trade and industry ministry (MITI). Expressing excitement at the OBOR initiative, he said, “This harks back to the time when Melaka port was the most significant trade post and now this route will bring prosperity again.”

3. India, Russia plan Free Trade Agreement in Eurasia region

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

India and Russia, both looking to undertake joint economic projects in the resource-rich Eurasian region, are expected to launch a process to create a free trade zone under the Eurasian Economic Union (EAEU) during Prime Minister Narendra Modi's visit to St Petersburg on June 1-2. India will soon formalise the FTA with EAEU and the announcement of it is likely to be made following the annual summit between Modi and Russian President Vladimir Putin on June 1, officials said. Both sides have accepted a report prepared by the Joint Feasibility Study Group on India-EAEU FTA and the formal negotiations would begin by July, they said. EAEU comprises Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan. India's FTA with EAEU is expected to open up a huge market with a trade potential of \$37-62 billion. The current trade between India and the five Eurasian countries is \$11 billion. The FTA with the Eurasian countries was dictated by India's need to diversify into new markets. India has a targeted trade of \$30 billion with the five EAEU countries by 2025 and \$15 billion annual investment, according to one of the officials.

4. PM Narendra Modi begins four-nation tour to Germany, Spain, Russia and France today; here's his schedule and 4-point guide

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

Prime Minister Narendra Modi will begin his four-nation visit to Germany, Spain, Russia and France today. During the visit the Prime Minister will join several programmes. PM Modi wants to utilize the six-day long visit to boost India's economic engagement with these countries and invite more investment...PM Modi said that his visits to these nations are aimed at boosting India's economic engagement with them and to invite more investment to India. *In Germany*, the Prime Minister will hold talks with Chancellor Angela Merkel under the framework of India-Germany Intergovernmental Consultations (IGC). PM Modi is also scheduled to call on newly elected German President Frank-Walter Steinmeier. PM Modi said he and Merkel will “chart out a future roadmap of cooperation with a focus on trade and investment, security and counter-terrorism, innovation and science and technology, skill development, urban infrastructure, railways and civil

aviation, clean energy, development cooperation, health and alternative medicine.”... *In Spain*, he will call on King Felipe VI and hold talks with President Mariano Rajoy. “We will discuss ways to enhance bilateral engagement, especially in the economic sphere, and cooperation on international issues of common concern, particularly in combating terrorism,” he said. The prime minister said there is significant potential for deepening bilateral trade and investment ties... The prime minister will travel to St. Petersburg in Russia from May 31 to June 2 for the 18th India-Russia Annual Summit...Modi and Putin will address the St. Petersburg International Economic Forum (SPIEF) where India is the ‘guest country’. An official meeting with the newly-elected French President Emmanuel Macron. “France is one of our most important Strategic Partners. I look forward to meeting President Macron and have discussions on issues of mutual interest,” Modi said...Notably, France is India’s 9th largest investment partner and a key partner in its development initiatives in the area of defence, space, nuclear and renewable energy, urban development and railways.

5. India is second most complex tax jurisdiction: Deloitte

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

Indian tax laws are perceived to be second most complex in the Asia-Pacific region, becoming even less predictable over the last three years, a Deloitte survey has said. India ranks only after China in having most complex jurisdiction for taxation and most complicated requirements of tax, the Asia Pacific Tax Complexity Survey conducted by Deloitte said. Japan, Australia, Indonesia and South Korea trail India in the complexity index. “In these two jurisdictions (China and India), well over half of the respondents believe complexity in the regime has increased in the last 3 years,” it said. By ‘complexity’, it meant the perceived level of difficulty in interpreting the tax law and rules in the relevant jurisdictions. “An overwhelming majority of over 90 per cent respondents said that they would like to see tax reform in India along with China and Indonesia. Specifically for India, the survey respondents suggest that they look forward to reform taking place in timeliness and quality of audits and adoption of BEPS recommendations,” Deloitte said. With regard to consistency in tax policies, a majority of the respondents felt that India has become less consistent over the last three years. Consistency refers to the perceived uniformity and transparency of enforcement of prevailing tax laws. The report surveyed over 300 financial and tax executives on their views of the current and anticipated tax environment of 20 jurisdictions

across Asia Pacific. Of the respondents, 147 had business operations in India. While developed markets have the most consistent tax regime, in India, China and Indonesia, it has become less predictable, the survey said.

6. PMO to take a call on imposing customs duty on mobile phones

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

The Prime Minister's Office will take a final call on imposition of import duties on mobile phones after weighing the pros and cons of taking such a decision, a government official has said. While, on one hand, levying of basic customs duties on mobile phones could ensure a competitive edge for domestic manufacturing as imports will remain more expensive in the goods & services tax (GST) regime, it could also spell trouble at the World Trade Organisation, where several countries are already accusing India of trying to breach the global Information Technology Agreement (ITA-1). The PMO has been presented with all possible scenarios and its call will be final on the matter," a Commerce Ministry official told BusinessLine... "Mobile phone exporting countries such as Japan, South Korea, the US and the EU have trashed India's justification and said that no matter however evolved, mobile phones remain mobile phones, and hence, imposition of customs duty on them would be in breach of the ITA," the official said.

7. London airports mayhem: British Airways blames Indian IT services

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

British Airways GMB union has blamed the airline's 2016 decision of outsourcing information technology (IT) jobs to India as the reason behind cancelling all Saturday flights from London's two biggest airports. The GMB union said the airline's decision to outsource hundreds of IT jobs to India last year was behind the problems, the *Guardian* reported. The GMB union said BA laid off hundreds of IT staff last year and outsourced the work to India and blamed cost cutting for the travel chaos. "This could have all been avoided," said Mick Rix, national officer for aviation at the GMB union. According to the GMB website, the union had on February on February 29, 2016 warned against BA outsourcing IT jobs. British Airways has cancelled all flights from Heathrow and Gatwick on Saturday due to a major IT failure causing severe disruption to its global operations that is expected to run into Sunday...Initially the major IT failure was being speculated as that BA's IT systems had been hacked as recently WannaCry ransomware attack

affected 150 countries. But Chief executive Alex Cruz said "we believe the root cause was a power-supply issue and we have no evidence of any cyber-attack.