

## Daily Economic News Summary: 2 June 2017

### **1. Modi invites Russian firms to invest in defence, other sectors**

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

Prime Minister Narendra Modi on Thursday invited Russian companies to partner Indian firms in setting up manufacturing facilities to make high-tech defence equipment in India. Addressing chief executives of the two countries after an annual bilateral summit in Russia, Modi said India had last month approved a policy to allow local private companies to work with foreign players to manufacture defence equipment to cut reliance on imports. "India is sixth biggest manufacturer in the world and we want to raise the share of manufacturing in GDP (gross domestic product) to 25 per cent from 16 per cent," he said. The policy allows the entry of private companies into the manufacture of submarines, fighter aircraft and armoured vehicles through foreign partnerships. Modi, who wants to reverse India's dependence on imports by building a local manufacturing industry, asked Russian firms to "come work with Indian companies" in defence..."Relations have broadened and stood the test of time," he said adding Russia has stood by India at international forums.

### **2. Donald Trump pulls out of Paris climate deal, says it favours India, China more**

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

President Donald Trump today announced his decision to withdraw the US from the Paris Agreement on climate change and renegotiate the deal that was agreed upon by over 190 countries during the previous Obama administration. Arguing that countries like China and India are benefiting the most from the Paris Agreement, Trump said that the agreement on climate change was unfair to the United States, as it badly hit its businesses and jobs. He said that New Delhi would get billions of dollars for meeting its commitment under the Paris Agreement and it along with Beijing would double its coal-fired power plants in the years to come, gaining a financial advantage over the United States..."India makes its participation contingent on receiving billions and billions and billions of dollars in foreign aid from developed countries. There are many other examples. But the bottom line is that the Paris Accord is very unfair at the highest level to the United States," he said.

**3. For 8% GDP growth, manufacturing needs to grow 12-14%: NITI Aayog member**  
**Source: Business Standard ([Link](#))**

India's manufacturing sector needs to grow at 12-14 per cent for the country's overall growth rate to touch 8 per cent, NITI Aayog member V K Saraswat said on Thursday. Speaking at a seminar on modernisation of Indian Navy, the former DRDO chief said the country's current share of Gross domestic product (GDP) expenditure for research in the defence sector was inadequate. "If we have to touch the overall GDP growth of eight per cent, we need to have manufacturing growth at almost 12-14 per cent compound annual growth rate (CAGR)," he said. As per official data released yesterday, India's economic growth dipped in the January-March quarter to 6.1 per cent. The growth of manufacturing sector was recorded at 7.9 per cent in 2016-17. Saraswat said India intended to achieve a 25 per cent contribution by the manufacturing sector to its GDP by 2022... Citing the cutting-edge developments in defence sector globally, Saraswat said India could not omit the defence and aerospace sectors if it intended to inject a higher level of input from the manufacturing sector to its economy. He said there were opportunities galore, especially in Micro, Small and Medium Enterprises (MSMEs), to innovate, saying the 'Make in India' initiative was aimed at increasing indigenous defence manufacturing and becoming self-reliant.

**4. Several factors responsible for decline in GDP growth: Arun Jaitley**  
**Source: The Economic Times ([Link](#))**

Several factors including the global situation were responsible for decline in GDP growth to 6.1 per cent in the fourth quarter of 2016-17, Finance Minister Arun Jaitley said today, dismissing suggestions that it was on account of demonetisation. The minister further said some slowdown was visible even prior to demonetisation of Rs 500/1000 currency notes announced by the government on November 8 last year. "Seven-eight per cent growth is a fairly reasonable level of growth and very good by global standard and reasonable by Indian standard," Jaitley said while addressing media on completion of three years of the Modi government. According to GDP data released yesterday, growth rate slipped to 6.1 per cent in the January-March quarter and 7.1 per cent, the lowest in the three years, during 2016-17.

**5. Note ban move was ‘extraordinarily foolish’, took economy down: Chidambaram**

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

The Congress slammed Prime Minister Narendra Modi’s controversial demonetisation move, saying it was an “extraordinarily foolish” measure that had set the economy further back. Reacting to the Central Statistics Office (CSO) data which showed gross domestic product (GDP) declined by 1.3 per cent from 7.9 per cent in 2015-16 to 6.6 per cent in 2016-17, former finance minister P Chidambaram said what the Congress and the other Opposition parties had been saying all along had turned out to be true. Noting he had predicted a decline in GDP by one to 1.5 per cent after demonetisation on November 8, 2016, Chidambaram said the economy was slowing down in 2016 but instead of taking corrective measures, the government came up with the “extraordinarily foolish” measure that has further set the economy back. This, he said, plunged millions into misery. According to the former finance minister, the government had failed on all three key indicators of vibrant economic growth like investment-to-GDP ratio, credit growth and job creation. The CSO data, he said, had proved the Congress right and the government wrong. Saying he did not know how the government will go forward, Chidambaram wondered for how long the Centre will keep fooling itself and the people of India by saying that “all is well and the country is on the right course.”

**6. Government looks to tweak financing model for skilling in favour of private companies**

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

The government is looking to tweak its current financing model for skilling in favour of private players, who will be encouraged to take up in-house training — as is done globally — and reimbursed the cost from a central fund. Currently, skills training in India is largely government-driven with only 36% of companies conducting in-house enterprise-based training. In contrast, as many as 86% firms in Germany, 85% in China, 52% in Russia and 51% in Brazil and Mexico skill workers themselves. A revamp has become urgent as under the current government alone financing, the programme has not produced adequate number of trained youth. Also, the quality of training is often poor and does not match the skilling needs of industry. A senior government official told ET that the financing model being considered by the skill development ministry is the "reimbursable industry contribution" (RIC) model, which is successfully running in 62 countries. Under this model, companies that use dedicated funds for vocational education and training (VET) can be reimbursed the cost based on the training done, which can either be in-house

or purchased from accredited vocational training partners. According to the official, RIC would be applicable to any registered private or public enterprise employing at least 10 people.

**7. India smart cities can become lighthouses for the world, says London School of Economics**  
Source: **The Economic Times** ([Link](#))

The Centre's flagship initiative Smart City Mission has got its first international affirmation, as a London School of Economics study has praised the government's effort, saying Indian smart cities could become lighthouses for other cities around the world. Two years after the Narendra Modi-led government launched the mission to smarten up 98 cities by promoting economic growth and improved governance, the study has commended the programme. The London School of Economics study was conducted after the first set of 20 cities were chosen in January 2016 through a competitive process to initiate the mission. The research examined the proposals of each city and conducted stakeholder interviews to gauge the selection process and the quality of the mission. The Smart Cities Challenge, which was the first time India used an open national competitive framework to distribute funding to local governments for urban development, has been termed as "the most innovative aspect of the Mission". The study praises the innovative and transparent manner in which the challenge was conducted, stating the process encouraged new thinking amongst local leaders and encouraged them to "perform well under pressure" and "work across departments".

**8. Indian export to China rises sharply in the first four months**  
Source: **The Economic Times** ([Link](#))

After years of decline, Indian exports to China rose sharply in the first four months of this year registering a 20 per cent increase to USD 5.57 billion, though the trade deficit continued to persist. Indian exports received a major boost mainly due to China increasing the steel consumption by importing big quantity of iron ore as well as gems and diamonds besides cotton materials. The India-China trade grew by six per cent to USD 26.02 billion from January to April this year, according to the data of China's customs accessed by PTI here. As per the data, the Indian exports have gone up to USD 5.57 billion, registering a 20 per cent increase. China's exports to India too amounted to USD 20.45 billion, a 14 per cent raise... Indian diamond, gems and precious stones exports also contributed to the rise... Chinese exports to India also rose by 14 per cent during

this period and the bilateral trade grew by six percent. Indian business and trade circles associated with the bilateral trade, however, advised caution saying that base of Indian exports continued to be small and it is to be seen whether the increase is sustainable in the long run...India has been pressing China to open up its pharmaceutical and IT software sectors to expand the base of Indian exports. So far, no major breakthrough have been made in both the areas, despite promises by China.