

## Daily Economic News Summary: 31 May 2017

### **1. India waiting with open arms for Germans investments: Modi**

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

Prime Minister Narendra Modi today called on “more and more German companies” to invest in India even as the speedy conclusion of an India-EU free trade agreement (FTA) was the focus on the German side. Highlighting the huge potential that remains untapped in the economic partnership during his inaugural address at the Indo-German Business Summit here, Modi said India will welcome German companies with open arms. “There are 600 Indo-German joint ventures operating in India, employing 200,000 people. But there is huge potential as Indo-German economic cooperation is below its full potential and to enhance this, we in India are waiting with open arms because we value German partnership a lot,” Modi said. The deadlock over FTA between India and the European Union (EU) was also highlighted at the summit, with German Chancellor Angela Merkel and senior business leaders urging the Prime Minister for a speedy conclusion to the FTA. “There are growing protectionist trends around the world but Germany believes the value chains are so deeply interconnected that we will continue to create fair trading conditions. Within this context, it is important that the FTA makes progress,” Merkel said.

### **2. PM seeks ‘quantum jump’ in ties with Germany, 8 pacts signed**

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

Prime Minister Narendra Modi today sought “outcome-oriented” momentum in Indo-German ties and a “quantum jump” in economic relations, as he held wide-ranging talks with German Chancellor Angela Merkel on key issues such as trade, skill development, cyber security and terrorism. “Pace of development of our relations is fast, direction positive and destination clear. Germany will always find India as powerful, prepared and capable partner,” Modi said at a joint press interaction after holding talks with Merkel. Following their talks, the two sides also signed a joint declaration of intent on cyber politics, development initiatives, sustainable urban development, continued development of cluster managers and skill development, cooperation in the field of digitalisation, cooperation in the field of railway security, promoting vocational training and continued cooperation on an Indo-German centre for sustainability. Modi, who along with Merkel held the fourth India-Germany Intergovernmental Consultations (IGC) to set a

roadmap for the bilateral strategic ties, said they conducted a comprehensive review of bilateral relations.

### **3. FTA talks between Russia-led EEAU, India to begin soon**

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

Prime Minister Narendra Modi and Russian President Vladimir Putin are expected to come out with a joint statement, announcing the launch of the India-Eurasian Economic Union (EEAU) talks at a summit-level meeting to be held in St Petersburg on June 1, a senior commerce ministry official said. EEAU comprises five countries — Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan. Earlier, a feasibility study predicted that an operational FTA between India and EEAU member countries would help increase India's exports to EEAU by \$14-24 billion from the 2016 level of \$1.7 billion. India's exports of processed food, tea, pharmaceuticals, textiles, chemicals, fertilisers, electrical equipment and machinery etc to the EEAU countries is likely to significantly increase if the pact is signed. Both sides are keen to wrap up the FTA negotiations as early as possible, the official said. Several initiatives were undertaken by India that are expected to ramp up bilateral trade between India and Russia, which in turn will have a positive bearing on India's trade with other central Asian countries too, the official said.

### **4. Multilateral tax pact to open doors for India to enter into bilateral APAs, say tax expert**

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

India's decision to sign the multilateral convention on tax treaty related measures under the OECD-G20 BEPS project should spell music for several taxpayers faced with economic double taxation or transfer pricing issues. This is because the signing of the multilateral instrument (MLI) at Paris on June 7 could open the doors for India to entertain bilateral advance pricing agreements (APAs) or mutual agreement procedures (MAP) with several countries for resolving transfer pricing issues, say tax experts. Finance Minister Arun Jaitley is slated to travel to Paris for signing this MLI besides attending the OECD Ministerial Council meeting. In the absence of a specific article (Article 9(2) for corresponding adjustments between jurisdictions on transfer pricing matters) in several tax treaties that India had entered into earlier, bilateral APAs or MAP on transfer pricing issues was hitherto not possible. However, this situation will be covered when

India on June 7 signs the multilateral instrument, which is an outcome of the OECD/G20 BEPS project to tackle base erosion and profit shifting, they said. “In one stroke, this could open up the option of bilateral resolution of transfer pricing matters (both MAP and APAs) with several countries, which is currently not feasible due to lack of paragraph 2 to Article 9 in double tax treaties with those countries”, Kunj Vaidya, Leader-Transfer Pricing, Price Waterhouse & Co LLP told Business Line here. A Bilateral APA is an APA that involves the tax payer, associated enterprise (AE) of the tax payer in the foreign country, tax authority of the country where the taxpayer is located and the foreign tax authority. An APA is an agreement between a taxpayer and tax authority determining the transfer pricing methodology for pricing the tax payer’s international transactions for future years.

## **5. At both WTO and G20, China is pushing for Investments Facilitation Rules**

**Source: The Wire ([Link](#))**

In an attempt to initiate discussions on a WTO instrument on investment facilitation, five proposals have been recently submitted to the General Council – the highest decision-making body of the WTO – by a group of countries led by China, Brazil, Russia and Argentina. The discussions at the General Council are aimed at initiating negotiations on a WTO instrument on investment facilitation in the near future. India, South Africa, Uganda and Bolivia have opposed these proposals on the grounds that the investment facilitation rules are beyond the WTO’s current mandate. The momentum for a possible agreement on investment facilitation gathered pace at the WTO after the Trade Facilitation Agreement (TFA) entered into force on February 2017. The aim of TFA is to simplify customs procedures and rules thereby easing the flow of goods across borders with fewer procedural delays and lower transaction costs... Two points are worth highlighting here. First, the procedures and institutions in the realm of investment are substantially different from those related to trade. By and large, trade facilitation measures deal with border-related procedures whereas investment measures fall under the competence of different authorities – for instance, municipalities, state government, central government and independent regulatory bodies in India’s case – and therefore entail an inevitable element of administrative complexity that are beyond the capacity of any one nodal department or ministry. Second, foreign investment is a far more politically sensitive issue than trade, since it essentially means foreigners exercising control over ownership of national assets and resources. Large-scale foreign investments, particularly in

strategic, high technology and natural resource sectors, often raise concerns of erosion of economic sovereignty. That's why previous attempts to establish comprehensive multilateral rules on international investments through OECD and other fora have failed miserably.

#### **6. GST rollout as scheduled, says Adhia**

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

The GST roll out will not be postponed and both the States as well as the Centre will stick to the July 1 date, Revenue Secretary Hasmukh Adhia said on Tuesday. Addressing a 'Town Hall' meeting on GST, Adhia said, "We are anxious for a speedy rollout. There is no compromise on the date. Most of the work required for implementation of GST from July 1 has been completed." "Once rolled out, trade and industry will have a much lower compliance burden compared with the current regime in which they have to file different returns with different authorities for different taxes," he added. The Revenue Secretary said the GST when rolled out is expected to push up country's GDP by more than 4 per cent. "This is due to the simplicity, uniformity and predictability of the new indirect tax regime, which will encourage people to be more tax compliant," he said. Adhia said he was not predicting the 4 per cent jump in GDP, but it was an opinion of US Federal Reserve's economists in their paper on India. He said, "Once we are there, then there will be scope for rationalisation of tax rates fixed on various goods and services. For at present only 19 items are under 28 per cent bracket and about 44 items under 18 per cent bracket." Various industries and businesses, including traders, FMCG and automobiles have been petitioning the Centre for revising rates. At the Town Hall meet, he announced that he did not rule out the scope for rationalisation of tax rates fixed on various goods and services.

#### **7. NITI Aayog proposes total privatization of Air India**

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

The government may look at exiting Air India completely, as the Niti Aayog has proposed total privatisation of the national carrier in a report to the Prime Minister's Office. To stress its point, the Aayog has cited various international examples of governments selling their entire stakes in airlines and not retaining any shareholding to make them viable. These include British Airways, Japan Airlines and Austrian Air. Aviation minister Ashok Gajapathi Raju said the government is examining the suggestions made by the think tank. "Niti Aayog has made suggestions to make Air

India a strong and viable airline. All course of action is being examined by us. We have not closed any option,” he told reporters at a conference held here on the third anniversary of the BJP-led government...Jaitley told state-owned TV news channel Doordarshan that the government is exploring all options with regard to Air India, including bringing in a strategic investor. Sources in the aviation ministry said the government expects to make a decision on the future of Air India within three months. The Narendra Modi government has already started discussions on a plan to divest stake in the carrier, which is surviving on Rs 30,231-crore nine-year bailout programme originally approved by the previous Manmohan Singh government in 2012.

**8. How Modi government will use GeM to cut corruption in India and its online marketplaces**  
**Source: Financial Express ([Link](#))**

GeM is the Modi government’s mandatory e-marketplace to source goods and services, and it applies to all departments and ministries. Government e-marketplace is a move aimed at bringing in more transparency and streamlining the government procurement. Meanwhile, e-commerce giants Flipkart and Amazon are in the fray to manage the GeM portal, according to an ET report. The Commerce Ministry last year launched the government e-marketplace (GeM) for online purchase of goods and services by various central government ministries and departments. The Finance Ministry had amended the General Financial Rules (GFRs) as per which it is now compulsory to procure items and services from this portal, an official had said. With increased transparency and ease of buying, Modi government’s initiative clearly aims to curb corruption in procurement services in India. The government has also introduced the requirement of registering on the portal with Aadhar card, PAN card and other identification systems to ensure further security. The system is basically designed to leave a digital trail, which has the capability to bring more openness in India, which is globally ranked 76th on Transparency International’s corruption index. E-commerce is a fast-growing industry in the country, and it lies at the centre of Modi’s Digital India reform campaign. The GeM portal could support trades worth 20 percent of India’s GDP if all kind of services goes online, according to Vishal Singh, additional director at the National e-governance division, that had set up the platform. After the announcements of the demonetisation move by PM Modi, the government has a lot riding on online markets. According to several studies, e-commerce market is likely to grow 10-fold in next five years to reach \$100 billion on the back of increasing penetration of Internet, smartphones and spread of digital network

in rural areas...PM Modi has said, "The government is committed to curbing corruption. One of the key aspects of this objective is to minimise government's human transactional interface."

**9. New pink-green Re 1 notes to be circulated soon: Here are the details**

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

New one rupee notes with a multicoloured look will soon be put in circulation by the Reserve Bank of India, the RBI announced on Tuesday. "The Reserve Bank of India will soon put into circulation currency notes in one rupee denomination," an RBI release here said. "The notes have been printed by the Government of India. The existing currency notes in this denomination in circulation will also continue to be legal tender," it said. "The colour of One Rupee currency note shall be predominantly pink green on obverse and reverse in combination with others," it added. Elaborating on the design of the note, the central bank said it will bear the signature of Economic Affairs Secretary Shaktikanta Das. "The numbering shall be in black at right hand bottom portion of the note," it said. On the reverse side, the year '2017' is mentioned.