Daily Economic News Summary: 7 June 2017

1. 'GST will help India achieve 9% growth'
Source: The Hindu: Business Line (Link)

GST will help India achieve 9 per cent growth rate, NITI Aayog CEO Amitabh Kant said on Tuesday at an event to launch Bizguru, a one-stop plug-and-play solution for "seamless transition" to the GST regime. The solution, launched by the Confederation of All India Traders (CAIT), is powered by Acer. It has a pre-installed ERP solution from accounting software company Tally. BizGuru is designed for the non-corporate sector and allied verticals, a CAIT release said. "Traders are an important element of the successful rollout of GST, and hence it is essential that they have affordable and integrated access to a combination of hardware and software," said Kant. "Traders will have to merely switch on the solution and they can get up and running with accounting and GST compliance," said Praveen Khandelwal, Secretary General of CAIT.

2. Iran hits back at India, inks gas field deal with Russia firm
Source: The Economic Times (Link)

Iran has signed a basic agreement with Russian energy giant Gazprom for development of Farzad B gas field, discovered by a consortium of Indian state-run companies, in an apparent retaliation against India's bid to pressure Tehran for a formal deal by cutting purchase of Iranian oil. This is likely to strain ties between the two countries as it can potentially hit India's ongoing participation and investment in development of oil and gas sector in Iran. The agreement with Russia comes on the back of India's failure to finalise a commercial contract for Farzab B with Iran despite the optimism expressed by PM Narendra Modi and President Hassan Rouhani for the same when they met in Tehran last year. Iran's oil minister Bijan Zanganeh recently told Argus, the top global energy market information provider, that Farzad-B field was among three such agreements signed with Gazprom. The other two fields are North Pars and Kish gas fields…Government officials here downplayed Iran's preliminary deal with Gazprom and said they were positive about a formal deal.

3. India infrastructure market to overtake Japan by 2023: BMI Research
Source: Financial Express (Link)

With large residential and non- residential projects in the pipeline, the Indian infrastructure market is forecast to overtake Japan's in next five years, says a report. "India's infrastructure market is the third-largest in Asia, and is forecast to overtake Japan's in nominal value terms by 2023," the report by BMI Research said. Although demonetisation had a negative impact on construction activity in 2016 as most construction workers' wages were paid in cash, the Fitch group company said that it believes that "robust growth will return in 2017 as work resumes on the large pipeline of infrastructure, residential and non-residential projects in the country". At the same time, the operating environment of India's construction industry remains immensely challenging, with major infrastructure projects commonly incurring delays and cost overruns, it said. "The Modi government has made some progress in addressing underlying issues in the sector, such as streamlining the land-acquisition process in some states, though the slow pace of reform means that the market remains relatively risky," it added. Industrialisation and urbanisation trends are making India's infrastructure deficit more apparent and increasing demand for investment in roads, railways, ports, power transmission and water utilities, the report said.

4. Nearly half of pharma industry may come under price control
Source: Business Standard (Link)

Fixed-dose combinations (FDCs), drugs that include two or more therapeutic ingredients, comprise nearly 40 per cent of Indian drug market, say industry bodies that fear the move of National Pharmaceutical Pricing Authority (NPPA) putting them under price control. The drug pricing authority last month proposed to include FDCs under the Drug Price Control Order (DPCO) 2013. The proposal has been made to the Department of Pharmaceuticals (DoP). DPCO 2013 that lists drugs under price control already includes 18 per cent drugs sold in domestic market, as per the industry bodies. It now fears that bringing FDCs in DPCO will put over half of Indian pharma industry under price control. "FDCs were made so that a doctor can prescribe one drug instead of three different drugs," says S V Veerramani, the past-president of the Indian Drug Manufacturers Association (IDMA). "This helps the consumer save considerable amount of money. However, if they are also brought under price control, companies will not be able to sustain. Companies will have to withdraw these drugs," he says. Apparently the government's move to put FDCs under price control is also to make them affordable for patients. It is not for the first time that FDCs have come under regulatory stress.

5. Ministries to get 60 days to decide on FDI plans
Source: Business Standard (Link)

With the abolition of the Foreign Investment and Promotion Board (FIPB), the ministries tasked with clearing foreign direct investment proposals in the 12 sectors that need government nod would have to take a decision within 60 days, the finance ministry said. The Cabinet had last month approved the abolition of FIPB, which was the authority clearing foreign direct investment (FDI) proposals for 25 years. In a memorandum on Tuesday, the finance ministry said the Department of Industrial Policy and Promotion, in consultation with the administrative ministries, would come out with standard operating procedures to process FDI proposals and ensure “consistency of treatment and uniformity of approach”. A panel led by the secretaries of the department of economic affairs (DEA) and the department of industrial policy and promotion (DIPP) would conduct a quarterly review on the pending proposals. "Ordinary FDI applications, including those related to non-resident Indian (NRI)/export-oriented unit (EOU), food processing, single-brand retail trading and multi-brand retail trading proposals, should be decided in 60 days," the memorandum said. "FDI proposals by NRIs/EoUs requiring approval of the government will be dealt with by the DIPP and the DIPP will continue to be the administrative ministry for this purpose."

6. India, Lanka sign pact for $ 38 million line of credit
Source: The Hindu: Business Line (Link)

India today signed an agreement with Sri Lanka to provide USD 318 million as line of credit to develop the island nation’s railway sector, officials said. The agreement was signed by RHS Samaratunga, Secretary, Ministry of Finance and Mass media, and David Rasquinha, Managing Director of India’s Export0Import Bank in Colombo. During his first visit to Sri Lanka as prime minister in 2015, Narendra Modi had declared a line of credit of USD 318 million for the development of Sri Lanka’s railway sector. That visit, the first standalone bilateral visit by an Indian prime minister since 1987, had come in the backdrop of increasing Chinese presence in the Indian Ocean nation. China has been investing heavily in Sri Lanka, developing mainly ports that could potentially be used as a base for its navy, though Beijing says the investments are part of its Belt and Road Initiative that aims to link it with Europe and Africa via the Indian Ocean. India has provided four lines of credit to Sri Lanka to develop its railway sector, amounting to USD 966 million. These credit facilities have been utilised to improve the southern and northern railway lines and for the procurement of rolling stocks for the Sri Lanka Railways. Sri Lanka's Ministry of Transport has said improving passenger transportation facilities is urgently required to attract passengers towards railways which is cost-effective.

7. Jaitley embarks on 4 day visit to Paris, to sign OECD tax pact
Source: The Hindu: Business Line (Link)

Finance Minister Arun Jaitley today embarked on a four-day visit to Paris during which he will address foreign investors and sign the OECD pact that aims to check cross border tax evasion by MNCs. Jaitley will deliver the keynote address at the OECD meeting tomorrow and participate in a panel discussion on 'Stocktaking on Globalisation' Other participants in the panel discussion include OECD Secretary General Angel Gurria and Denmark Minister of Foreign Affairs Anders Samuelsen. He will also participate in discussion sessions on 'The Challenges of Globalisation and the OECD' and 'Cashless Society and Fintech' He will also hold a bilateral meeting with Gurria, as well as Denmark Foreign Minister Anders Samuelsen and Finland Minister of Foreign Trade and Development Kai Mykkanen. "Thereafter, the Finance Minister will participate in the Signing Ceremony for BEPS Convention and will make a statement on the occasion of the Signing Ceremony," a statement by the Finance Ministry said. The Union Cabinet had last month approved signing of the multilateral convention of the Organisation for Economic Cooperation and Development (OECD).

8. 3% GST opens room for cheap import of gold jewellery from FTA countries
Source: Business Standard (Link)

Goods and services tax (GST) of 3 per cent on gold will open a window for cheap jewellery imports from Indonesia and South Korea from July 1. Now, a 12.5 per cent countervailing duty is charged on imports of such jewellery from countries with which India has free trade agreements (FTAs). As excise duty of 12.5 per cent will be replaced with 3 per cent GST from July, the countervailing duty would also come down. There would be no import duty on such goods from

FTA nations. According to a veteran bullion market player, "Instead of a normal duty of 15 per cent on import of gold jewellery, imposing a 3 per cent tax will make it lucrative for importers to flood the Indian market with cheap jewellery." In February 2016, the government had proposed 12.5 per cent excise duty on gold jewellery. But jewellers were given input credit, making the effective excise rate 1 per cent. Countervailing duty was fixed at 12.5 per cent. As the government went on increasing import duty — from nearly 1 per cent in 2011 to 10 per cent in 2013 — to restrict import of gold to control a ballooning current account deficit, some found a loophole in the notification regarding import from FTA countries. This allowed import of gold jewellery at 1 per cent…However, GST of 3 per cent on gold has again opened a window of low import duty of jewellery from Indonesia and South Korea. Sudheesh Nambiath, lead analyst, South Asia, at GFMS Thomson Reuters, said: "To stop such imports, a cess on imports equivalent to basic Customs duty may be helpful."

9. Saudi-Qatar's true battleground is 5,500 kilometers east in India, China and Southeast Asia
Source: Financial Express (Link)

Forget the Strait of Hormuz. The real place to watch the simmering diplomatic battle between Saudi Arabia and Qatar is 5,500 kilometers to the southeast, in the Strait of Malacca between Malaysia and Indonesia. That's because the petroleum market's center of gravity, along with that of the global economy, is in Asia these days. As recently as the 2003 Iraq War, the U.S. and Europe accounted for more than half of the world's oil imports. The share has now fallen to barely more than a third, as imports by the north Atlantic countries have stood still while those by China, India, South Korea and the Philippines have surged. That makes the stance of Qatar's major Asian trading partners — Japan, South Korea, India and Taiwan — a crucial factor in how the embargo will play out. More than half of the Emirate's liquefied natural gas exports go to those four countries, or about two-thirds if you add China and Thailand…Japan is unusual in Asia for the diversity of its LNG supply. Taiwan and India each depend on Qatar for about half of their gas imports, while South Korea isn't far behind on 36 percent. India and China, meanwhile, are major buyers of Iranian oil, which makes it unlikely they'll be willing to pick sides in what is ultimately a proxy for the deeper dispute between Riyadh and Tehran. The forces on both sides are finely balanced. Any player who wants to upset the board by using the present crisis to press home an advantage should think carefully before making their move.

10. Asia can unlock $5 trillion, 230 million jobs via key development goals
Source: The Economic Times (Link)

Businesses in Asia could unlock at least $5 trillion in market opportunities and create 230 million jobs by 2030 by implementing a few key development goals, global business and finance leaders said. Asia's unprecedented economic growth has helped to reduce poverty, but future growth, prosperity and stability "are all under threat from the impact of a swelling list of environmental and social burdens," according to a report released Monday by the Business and Sustainable Development Commission. "There is the opportunity to shape a safer, more prosperous world," the report said. Asia, home to two-thirds of the world's population, is extremely vulnerable to weather-related disasters, whose frequency and intensity could worsen as a result of climate change. Meanwhile, more than 80 percent of the region's population live in countries where inequality has risen over the past 20 years, according to the Asian Development Bank…Of the $5 trillion in business opportunities in Asia, around $2.3 trillion could be found in China alone, $1.1 trillion in India, and $1.1 trillion in developing and emerging countries, the report said. The rest are in developed countries such as Australia, New Zealand, Japan, and South Korea.

11. RBI not doing enough to boost growth, feels government
Source: The Economic Times (Link)

The government's honeymoon with Reserve Bank of India governor Urjit Patel seems to be over within a year of his appointment. It had expected him to aid in the effort to accelerate growth through steps such as lowering of interest rates and other revival measures, but he has not obliged. Beyond a 25-basis point reduction soon after he took charge last September, Patel has held rates. Unlike his predecessors, Patel is not solely responsible for deciding interest rates; that responsibility now rests with the Monetary Policy Committee, headed by the RBI governor. It has two other RBI representatives, and three government nominees. Nevertheless, an influential section within the government believes the RBI has been unsympathetic to its concern over persisting high interest rates and reluctant to take advantage of the room afforded by a comfortable fiscal situation and inflation, which is within the central bank's comfort zone of 2-6%. The government has not concealed its disappointment over the functioning of the MPC, including that of its own three nominees. A mail sent to RBI on Monday seeking its response went unanswered by last reports.