

Daily Economic News Summary: 8 June 2017

1. India is all set for SCO membership; eye NSG, too

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

India is going to officially become a full member of the Shanghai Cooperation Organisation (SCO) on June 9, even as Prime Minister Narendra Modi will hold a meeting with Chinese President Xi Jinping on the issue of India's membership to the Nuclear Suppliers Group (NSG). On Wednesday, Modi left for the 17th SCO Summit, taking place in Astana on June 8-9. "This is a region full of resources, which is historically connected to India. It was politically very satisfying to become a member of this organisation. As for gains, the SCO has two legs — trade and economics — connectivity, transport, energy, banking and secondly fight against terrorism," said GV Srinivas, Joint Secretary (ERS), Ministry of External Affairs (MEA). India had been an observer of SCO since 2005. The grouping started taking new members from 2014, when India applied for membership. In 2015, during the SCO summit in Ufa, Russia, India was informed that it will be granted membership. Thereafter, in 2016, in Tashkent, the country was apprised of the process leading up to its membership. "At this meeting, on completion of the process, India will become a full member, upon which SCO will represent over 40 per cent of humanity and nearly 20 per cent of global GDP. "I look forward to deepening India's association with the SCO, which will help us in economic, connectivity and counter-terrorism cooperation, among other things," Modi said before leaving for Kazakhstan. The SCO was created in June 15, 2001 in Shanghai, comprising China, Kazakhstan, Kyrgyz Republic, Russian, Tajikistan and Uzbekistan.

2. PM Modi points to FDI jump, says India a bright spot in global economy

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

Foreign direct investment (FDI) has seen a huge jump from \$34.487 billion to \$61.724 billion since 2013, Prime Minister Narendra Modi said on Wednesday. Giving an overview of his three-year-old government, he said India is today seen as a bright spot in the global economy, doing business here has been made easier and the tax regime is more predictable and stable. GST is also going to have long-standing benefits for the nation, he said in a write-up on LinkedIn. "When we assumed office in May 2014, the country was going through a challenging phase. To begin with,

the element of trust in government, in institutions had disappeared. “There was little potential and no incentive to invest in India. Corruption, nepotism and high-handedness of authorities had demoralised industry,” Modi said...“Today, I am proud to share India is getting record foreign investment,” the prime minister said, giving the figures of 2016 in comparison to 2013.

3. India among top FDI destinations, but tax concerns remain

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

India continues to be a favourite FDI destination though tax-related concerns remain a deterrent for some foreign investors, an UNCTAD report said today. It also said that foreign direct investment (FDI) inflows to developing Asia shrank by 15 per cent to USD 443 billion in 2016, the first decline since 2012. This affected three sub- regions, with only South Asia spared. However, UNCTAD’s World Investment Report 2017 said an improved economic outlook in major economies, such as ASEAN, China and India, will likely to boost investors’ confidence, propping up the region’s FDI prospects for 2017. “The favourite FDI destinations remain the US, China and India,” UNCTAD said, adding “Although new liberalisation efforts continue to improve the investment climate in India, tax-related concerns remain a deterrent for some foreign investors”. In South Asia, FDI inflows increased by 6 per cent to USD 54 billion. Flows to India were stagnant at USD 44 billion. FDI inflows to developing Asia are expected to increase by 15 per cent in 2017 to USD 515 billion, as an improved economic outlook in major Asian economies is likely to boost investor confidence. In major recipients such as China, India and Indonesia, renewed policy efforts to attract FDI could contribute to an increase of inflows in 2017, it said...Foreign multinational enterprises (MNEs) are increasingly relying on cross-border M&As to penetrate the rapidly growing Indian market. Pakistan’s inflows increased by 56 per cent due to significant investment in infrastructure from China in support of the One Belt One Road initiative.

4. India signs OECD pact to check tax evasion by MNCs

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

India today signed the OECD multilateral convention that aims to check cross-border tax evasion by multinational companies. Union Finance Minister Arun Jaitley signed the multilateral convention in Paris to implement tax treaty- related measures to prevent base erosion and profit shifting. More than 65 countries, including India, signed the convention. More countries are

expected to sign the convention in coming days, a finance ministry statement said. “The Convention will modify India’s treaties in order to curb revenue loss through treaty abuse and base erosion and profit shifting strategies by ensuring that profits are taxed where substantive economic activities generating the profits are carried out and where value is created,” the statement added. The Multilateral Convention is an outcome of the OECD/G20 Project to tackle Base Erosion and Profit Shifting (BEPS) which is resorted to by MNCs through tax planning strategies by exploiting gaps and mismatches in tax rules. It helps them artificially shift profits to low or no-tax locations, resulting in little or no overall corporate tax being paid. The BEPS Project identified 15 actions to address BEPS in a comprehensive manner, the statement said. India was part of the Ad Hoc Group of more than 100 countries and jurisdictions from G20, OECD, BEPS associates and other interested countries, which worked on an equal footing on the finalisation of the text of the Multilateral Convention, starting May, 2015.

5. India signs Multilateral Agreements at Paris, now common tax agreement for all investors
Source: The Economic Times ([Link](#))

The government on Wednesday adopted a common tax agreement which could lead to uniform tax regulations for all investors, irrespective of which destination they come from. This multilateral agreement under the base erosion and profit sharing (BEPS) framework, could solve a lot of confusion around tax treaties and tax arbitrage issues for India, people in the know have said. On Wednesday more than 100 countries including India, signed the OECD multilateral convention in Paris that aims to check cross border tax evasion by multinational companies. Further it will open up doors of expediting dispute resolutions in areas like international tax and transfer pricing where countries will not be required to amend individual treaties after agreeing to the broad terms in the multilateral instrument...Experts say that one common tax treaty for all investors could create transparency for both foreign portfolio investors investing in capital markets and private equity investors investing in Indian companies through offshore destinations.

6. EXIM Bank to sign \$9-b export credit pact with South Korean counterpart

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

The Union Cabinet has approved the proposed MoU between Export-Import Bank of India (EXIM Bank) and Export-Import Bank of Korea (KEXIM) for export credit of \$9 billion for infrastructural development in India and for the supply of goods and services as part of projects in third countries. The MoU is proposed to be signed between the two Exim Banks during the forthcoming visit of Finance Minister Arun Jaitley to Seoul on June 14-15 for the Annual Financial Bilateral Dialogue. The decision is expected to promote the country's exports, and deepen political and financial ties between India and Korea, an official release said. The export credit will be utilised through lending by EXIM Bank for promoting projects for priority sectors, including smart cities, railways, power generation and transmission etc... Under the implementation strategy, the parties to the MoU will hold mutual consultations to structure the financial assistance, review the existing arrangements and related procedures. EXIM Bank will identify viable projects in India. For projects in third countries, both parties will jointly identify viable projects.

7. 83% currency remonetised so far: RBI deputy governor BP Kanungo

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

The Reserve Bank of India (RBI) on Wednesday brushed aside concerns over the pace of remonetisation in the economy, saying 82.6% of the currency in circulation before the withdrawal of high-value currency notes on November 8 has already been put back into circulation. At a post-policy press conference, RBI deputy governor BP Kanungo said, "If you look at the data, 82.6% of pre-December and November NIC (notes in circulation) has been remonetised, which is a large number. If you look at the volume, it is 108% of the figure as on that day (November 8). So, it would not be true to say that there is shortage of economy (currency)." Kanungo admitted that there could be shortage in some areas, but said the RBI is monitoring the situation on a regular basis and has made enough arrangements to replenish cash. "Yes, there could be shortage of currency in some pockets but whenever such things come to our notice, we respond immediately through various measures including inter-chest remittances. "I won't agree to the view that there is cash shortage on a longer term basis or persistent basis at any place," he said.

8. India to set up four think tanks to get help on trade talks

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

India is setting up dedicated think tanks for global trade and investment issues, a model effectively adopted in the developed world that is expected to be helpful especially because the country lacks a permanent negotiating team at international fora. The Department of Commerce under the commerce and industry ministry is setting up four centres — for trade and investment law, trade promotion, regional trade and capacity building — to conduct quality research as well as to influence international discourse on issues of India's concern. "These centres will help the government with more research and institutional memory," said an official. Unlike other countries, where trade negotiators remain on the job for 20 years, the trade negotiating team in India is not permanent. This is because trade negotiators are pulled from government services such as the Indian Administrative Service, Revenue Service and Economic Service, and their continuation in a position is governed by the usual transfer posting rules, making it difficult for them to continue for long durations...The ministry has already appointed the head for Centre for Regional Trade, which will conduct independent research and advise the ministry on trade and investment relevant to specific regions including Africa, ASEAN, China, EU, Japan and Korea, among others.

9. Targeted interventions, not rate cuts, to help economy growth: RBI

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

The Reserve Bank today said targeted interventions like reducing standard asset provisions for home loans which will make them cheaper, will help revive the sagging growth rather than rate cuts. "What is likely to work better than interest rate policy in responding to growth challenges is the targeted intervention to create greater lending capacity for the healthier sectors of the economy that have recently slowed down," Deputy Governor Viral Acharya told reporters. It can be noted that the GDP growth slipped to 6.1 per cent for the January-March 2017 period, as against widespread wishes to take it above 7 per cent. Acharya was speaking after the announcement of the second bi-monthly policy, wherein the RBI lowered its FY18 growth estimate by 0.10 per cent to 7.3 per cent on a GVA basis...The standard asset provisions, or the amount of money to be set aside for every loan made, has been lowered to 0.25 per cent from the earlier 0.40 per cent, which will help reduce the interest rates on home loans. It also eased the risk weights for certain

categories of loans, which will help banks on the capital adequacy front, and enable them to make more loans.

10. Entertainment & Media sector to grow 10.5% in four years: PwC

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

India's entertainment and media sector is expected to grow steadily over the next four years, according to PwC's Global Entertainment and Media Outlook 2017-21. The industry is expected to exceed ₹291,000 crore by 2021, growing at a CAGR of 10.5 per cent. Frank D'Souza, Partner & Leader - Entertainment & Media, PwC India, commented: "Unlike the global economy, which will see a shrinking contribution from the entertainment and media sector over the outlook period, in India, the sector's growth rate will outpace the overall GDP growth rate. Being a relatively under-developed market in terms of per capita spend on entertainment and media will allow India to grow at 10.57 per cent over the next five years to an overall size of ₹290,539 crore. Also, being the least digitised market will allow the traditional media to grow without being disrupted by digital competition." The report said that TV subscription revenues are expected to grow from ₹52,755 crore in 2016 to ₹90,713 crore in 2021 at a CAGR of 11.6 per cent. Though subscriber numbers are still growing, explosive growth levels of the recent past will not be replicated in the future...The report said India's cinema sector is expected to experience strong growth throughout the forecast period. Box office revenue will rise from ₹10,957 crore in 2016 to ₹18,047 crore in 2021.

11. US launches incubator programme to mentor Indian start-ups

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

The US government is looking to mentor Indian start-ups, hoping that some of them would scale up their operations and set up shop in that country. The US State Department has begun a start-up incubator programme, Nexus, in association with the IC² Institute of The University of Texas at Austin, in India. Nexus plans to mentor around 60 start-ups by the end of this year and help 12 of them raise funds to build their business. While Nexus has started functioning in Delhi, it would expand to get the participation of start-ups from other parts of the country. Experts would provide mentorship to entrepreneurs, help them plug technical challenges and aid them in securing funds. The incubator might also facilitate some of the best start-ups to set up a base in the US. The initiative from the US comes even as there is growing rhetoric from President Donald Trump to

protect local jobs and shift issuance of work visas to more qualified professionals. Asked if such initiatives were a futile exercise in the era of protectionism, he said if a product was useful in one market, it would probably be useful in other markets as well. “Entrepreneurship is never futile. It transcends any policy or politics,” said Zintgraff.