Daily Economic News Summary: 16 March 2018

1. India's GDP Could Reach $5 Trillion, Says Union Minister Suresh Prabhu
Source: Financial Express (Link)

India's GDP could reach $5 trillion provided there is consistent growth in manufacturing, services and agricultural sectors, Commerce and Industry Minister Suresh Prabhu said on March 15. The minister underlined key role of the private sector to create new business models and strategies and leverage new technologies in order to fuel growth in the Indian economy. The government will act as the facilitator in this process, Prabhu said at a meeting of a working group on making India a $5 trillion economy in seven years. The meeting was attended by heads of CII, FICCI, IFC, NASSCOM, NitiAayog and senior officials from the Departments of Commerce and DIPP. The participants underlined the need to factor in technological disruptions, challenges due to climate change, positive use of India's demographic dividend, conscious effort to make manufacturing sector a part of global value chain.

2. Multiple Rates: India's GST Complex, Says World Bank
Source: Financial Express (Link)

The goods and services tax (GST) regime in India, which was rolled out in July last year, is relatively more complex compared with similar taxes on value added across other countries, the World Bank has observed. The complexity of India's GST, it said in a report, was due to "higher tax rates and large number of tax slabs" compared with similar systems in other countries. GST has multiple tax rates of 0, 5, 12, 18, and 28% while several items are exempted and exports are zero-rated (exporters can claim refunds for taxes paid on inputs that go into production process). This, however, compares unfavourably with other regimes across the world as most countries have a single rate of GST. For example, the report said, India's highest slab of 28% is the second-highest among 115 sampled countries and the highest in Asia. The report said that 49 countries use a single rate, 28 use two rates, and only five including India use four rates. The countries that use four or more rates of GST include Italy, Luxembourg, Pakistan and Ghana. Thus, India has among the highest number of different GST rates in the world.

3. WTO Ruling Continues to Haunt Solar Industry
Source: Financial Express (Link)

The removal of domestic content requirement (DCR) after a World Trade Organization (WTO) ruling, triggered by a petition filed by the US, continues to hound the Indian solar industry. Renewable consultancy firm Bridge to India noted that of 718 MW solar tenders cancelled in Q3FY18, most were engineering, procurement and construction (EPC) tenders with DCR stipulation. It said 70 MW of DCR projects are pending commissioning, but their fate is not clear because of the WTO ruling. Through DCR, the government of India had mandated that a certain portion of solar capacity addition would be reserved for domestically sourced modules. NTPC's 250 MW project under DCR category, awarded to Azure Power (at `3.14/unit), had to be cancelled because of the WTO ruling. Even as the country is ramping up the solar power capacity to meet the target of having 100 GW of solar capacity by 2022, domestic solar manufacturers are already under a lot of pressure as about 88% of all module requirement in India is met through imports. The current solar module-making capacity in the country is about 8.5 GW.

4. TRAI Planning a UPI-Like System for Public Wi-Fi Hot Spots
Source: Livemint (Link)

The Telecom Regulatory Authority of India (Trai) aims to develop a framework similar to the Unified Payments Interface (UPI) to aid the rollout of public Wi-Fi hot spots in the country. The regulator will send a report to the department of telecommunications (DoT) by March end, based on the results of its pilot projects, TRAI Chairman R.S. Sharma said in an interview. "We have been conducting pilots (for Wi-Fi hot spots). A report based on the results of the pilots will be ready soon. We are writing that report. It will be submitted to the DoT by the end of March," he said. The pilots were conducted in Noida and Bengaluru. Launched in 2016, UPI is a system that powers multiple bank accounts into a single mobile app (of any participating bank), merging several banking features, seamless fund routing and merchant payments under one hood. Under the framework, an entity setting up a Wi-Fi hot spot need not be responsible for its marketing, customer acquisition, payments and settlements. "Unbundling creates efficiencies and customer convenience. There can be multiple payment mechanisms, multiple authentication mechanisms, but the idea is there should be a single-click on-boarding on the Wi-Fi hot spot," Sharma said.

5. UPI Emerges as Top Pick for Bitcoin Exchanges in India
Source: Livemint (Link)

The increasing popularity of Unified Payments Interface (UPI) has prompted bitcoin exchanges to adopt and promote this payment option for buying and selling cryptocurrencies. Bitcoin exchange Zebpay on March 15 informed its customers in an email that the UPI option is now open on its platform. "We have now started INR deposits via UPI. You can send money to our registered banks using any of the UPI supported apps like BHIM, GoogleTez, PayTM and PhonePe," the email said. Though UPI was always available, it wasn't promoted on bitcoin exchanges on the assumption that it wouldn't pick up. "We didn't really think that UPI would become big... We didn't promote NEFT and similarly, we didn't promote UPI. UPI is an option provided by default by your bank or the UPI-enabled app. Whether it is Paytm or GoogleTez, it provides the UPI outgoing transaction option and, hence, you can send it to any bank account and buy anything you want," said Sathvik Vishwanath, chief executive and co-founder, Unocoin, a cryptocurrency exchange.

6. New Delhi to Seek 8 Years to Phase Out Export Subsidies at WTO
Source: The Hindu, Business Line (Link)

India will make a case for an eight-year transition period to phase out its export subsidies at the consultations sought by the US at the World Trade Organisation questioning the validity of the country's export promotion schemes. "We are clear that an eight-year transition is needed for developing countries to change their export subsidy regime," Commerce Secretary Rita Teaotia said at a press conference indicating India's response to the US move. Washington dragged India to the WTO on March 14 stating that a number of export subsidy schemes in India seemed to be in violation of the Agreement on Subsidies and Countervailing Measures as its gross national income (GNI) per capita had reached $1,000 per annum and it no longer qualified for exemptions which allowed it to extend such subsidies. The schemes that the US has identified as being WTO non-compliant include extremely popular ones such as the Merchandise Export from India Scheme (MEIS), the Export Promotion Capital Goods Scheme and the Special Economic Zone concessions. India has to respond to the consultations request within 60 days and if Washington is not happy with the discussions, it could open up a full-blown dispute by asking the WTO to set up a dispute settlement panel.

7. Export Sector on Edge as US Locks Horn with India on Subsidies
Source: The Hindu, Business Line (Link)

The US' decision to challenge Indian export subsidy schemes at World Trade Organisation (WTO) is an area of grave concern for domestic traders and the government should phase out these incentives, FIEO on March 15 said. US Trade Representative (USTR) Robert Lighthizer has announced that America has requested dispute settlement consultations with India at WTO challenging Indian export subsidy programmes. "It is a huge concern for export sector and the industry feels that the so called export subsidies should be eliminated gradually," Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai told *PTI*. He said the US is a According to the US, Indian subsidy programmes harm American workers by creating an "uneven" playing field.These programmes are: Merchandise Exports from India Scheme, Export Oriented Units Scheme and sector specific schemes, including Electronics Hardware Technology Parks Scheme, Special Economic Zones, Export Promotion Capital Goods Scheme and Duty Free Imports for Exporters Programme.major market for domestic exporters as it accounts for about 14 per cent of India's total exports.

8. Firms Eye Opportunities as Sitharaman Talks up Defence Industrial Corridor
Source: Business Standard (Link)

With the Budget announcing a Chennai-Bengaluru defence industrial corridor, firms in the Coimbatore industrial hub are gearing up for potentially lucrative opportunities in the defence manufacturing sector. On March 12, in New Delhi, Defence Minister Nirmala Sitharaman pledged her ministry's support to the "defence production corridor". She said the stretch from Chennai to Bengaluru, passing through Trichy, Coimbatore, Salem and Hosur, housed a sprawl of ordnance factories and defence public sector units, ready buyers for what small and medium industries in the corridor would produce. Hoping to benefit are engineering firms such as the Coimbatore-based Shanthi Gears from the low-profile Murugappa Group, a Rs 300 billion group that employs 35,000 workers in 28 companies with 55 manufacturing locations worldwide. Shanthi Gears, a subsidiary of Tube Investments of India (TII), is currently a high-tech supplier of gearing to the automobile industry. It hopes the new corridor would lead to greater participation. With an eye on the future, and on proposed projects such as the indigenous development of a main battle tank called the Future Ready Combat Vehicle, Shanthi Gears has entered a partnership with the UK-based gearbox firm, David Brown.And in recognition of its technological expertise, Shanthi Gears is poised to contribute to a prestigious marine indigenous development project.

9. Great News for Govt Employees: Tax-Free Gratuity Cap Set to be Doubled
Source: Business Standard (Link)

The Lok Sabha on March 15 passed the Payment of Gratuity (Amendment) bill which seeks to empower the government to fix period of maternity leave and tax-free gratuity amount with an executive order. After the passage of the Payment of Gratuity (Amendment) Bill in the Rajya Sabha, the government would be able to enhance the ceiling of tax-free gratuity to Rs 2 million from existing Rs 1 million for employee under the Payment of Gratuity Act. After implementation of the seventh Central Pay Commission, the ceiling of gratuity amount for central government employees was increased from Rs 1 million to Rs 2 million. The unions are demanding for inclusion of the change into the Act. At present, formal sector workers with five or more years of service are eligible for Rs 10 lakh tax-free gratuity after leaving job or at time of superannuation. The Payment of Gratuity Act, 1972, was enacted to provide for gratuity payment to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops or other establishments.

10. India Says Iran is Free to Choose Its Partner in the Chabahar Project
Source: Scroll (Link)

India on March 14 said the Iranian government was free to choose its partners for the development of the Chabahar seaport project. “It is the prerogative of the government of the Islamic Republic of Iran to choose its partners for the development of infrastructure facilities there,” External Affairs Ministry spokesperson Raveesh Kumar said at a media briefing. Kumar’s comments come soon after Iran invited Pakistan to join the project. Kumar, however, said India was supporting the development of Chabahar Port as a robust and alternate access route to and for Afghanistan and

Central Asia. It is seen as a trade route that will bypass Pakistan completely. The Chabahar project is also seen as a counter step to the Gwadar Port that Pakistan is developing with investment from China. Zarif had also recommended linking the two projects. He had said that both the Chabahar project and the Gwadar port – which is an important link in the China-Pakistan Economic Corridor project – are crucial for the development of Eastern and South Eastern Iran, and South Western Pakistan. "We are taking measures to do that and there is an open invitation to Pakistan to participate in that," Zarif had said.