2017

Weekly E-Bulletin

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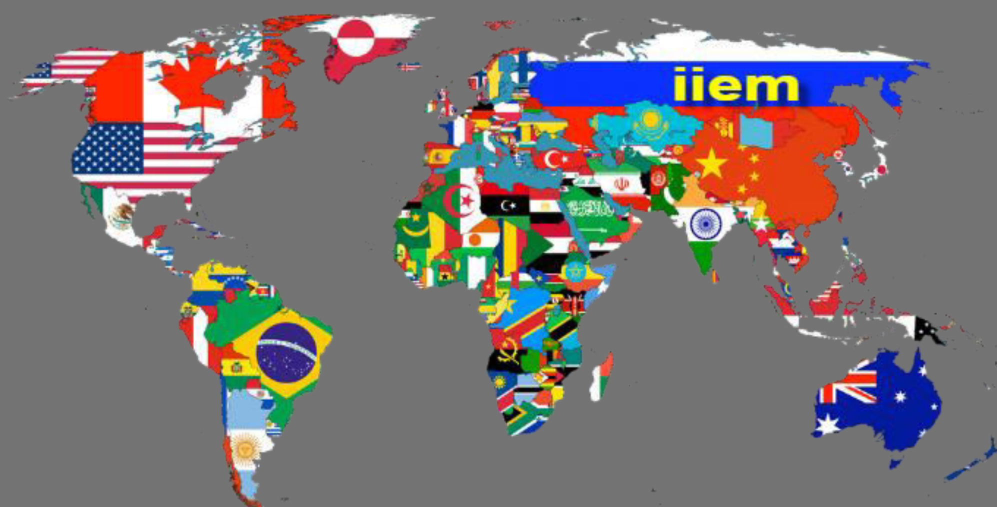
May 3rd week Newsletter



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Compiled By Mr. Sathish B R
Indian Institute of Export Management

AQUARIUM TRADE WILL BE WORTH RS. 1,200 CR IN A DECADE: EXPERT

The domestic aquarium market is expected to grow from Rs. 300 crore to Rs. 1,200 crore in the next 10 years, according to an expert.

Delivering a talk at a technical session on ornamental fishes at the biennial aquaculture event-Aqua Aquaria India 2017, organised by Marine Products Export Development Authority (MPEDA) in Mangalore on Monday, Atul Kumar Jain, Director of the Rajasthan-based Ornamental Fisheries Training and Research Institute, said the ornamental fish industry provides jobs to around 50,000 people through 5,000 aquarium retail outlets and an equal number of production units.

All these put together amount to a domestic aquarium trade of around Rs. 300 crore. This is at a time when 1.25 per cent of the 7.88 crore urban households in the Country has an aquarium at home or the workplace. **B/L-15/5/2017**

BOOSTING DOMESTIC OFFTAKE IS THE KEY: NEW CHIEF OF COFFEE BOARD

Boosting domestic consumption is crucial to protecting the interests of coffee growers, according to MS Boje Gowda, the newly-appointed coffee Board Chairman.

After 70 years, the Coffee Board has a grower as its chief in Boje Gowda, who is third generation planter. Till recently, bureaucrats headed the apex decision-making body for the coffee sector, under the Ministry of Commerce.

Gowda, of Krishnagiri Estate in Chikmagalur, takes over at a time when growers are grappling with volatile prices, fluctuating output that's largely being influenced by a changing climatic pattern on account of erratic rainfall, and pest

issues such as the white stem borer.
B/L-16/5/2017

MARINE FISH CATCH UP 6.6% IN VOLUME, 20% IN VALUE

India's marine fish catch increased 6.6 per cent in 2016, with Gujarat remaining at the top position for the fourth consecutive year.

The total marine fish landings was 3.63 million tonnes; the value of marine fish landings at the landing centre level was estimated at Rs. 48,381 crore, an increase of 20.67 per cent. At the retail level, the value was Rs. 73,289 crore, an increase of 12.44 per cent, according to data from the Central Marine Fisheries Research Institute.

However, sardine catch continued its declining trend since 2013. For the first time after 1998, sardine was not the top-ranked species in terms of catch. Tamil Nadu.West Bengal, Karnataka, Kerala, Maharashtra and Daman & Diu witnessed a surge in fish landings.According to A Gopalakrishnan, CMFRI Director, marine capture fisheries are under fishing pressure and there is a need to implement control measures to maintain the harvest at sustainable levels. "We have to explore the utilisation of untapped and unconventional resources to meet the demand," he said.Climate change, particularly the increase of sea surface temperature and mean sea level rise, is affecting marine fisheries, he said; CMFRI is carrying out research to develope frameworks to mitigate such challenges.

B/L-17/5/2017

MPEDA TO HOST AQUACULTURE EVENT IN MANGALURU

The Marine Products Export Development Authority (MPEDA) will organise the fourth edition of its biennial aquaculture event — Aqua Aquaria India (AAI) — in Mangalore from May 14-16.A press release said that 'AAI 2017' will showcase the latest strides in aquaculture and ornamental fish breeding and rearing technologies to encourage diversification and intensification in a sustainable manner.

It will also discuss current challenges, and come out with a roadmap for giving a fillip to the aquaculture sector.

Quoting MPEDA Chairman, A Jayathilak, it said 'AAI 2017' offers an excellent platform for aquaculture farmers and ornamental fish breeders to gain knowledge in farming practices. Around 3,000 delegates are expected to participate in the event. **B/L-18/5/2017**

BIG JUMP IN PLANT QUARANTINE FEE ON IMPORTED COTTON LEAVES TEXTILE MANUFACTURERS IN A TIZZY

A recent gazette notification from the Ministry of Agriculture and Farmers' Welfare revising the Plant Quarantine (PQ) fee on raw cotton imports has sent shock waves among textile industrialists here.

The Plant Quarantine (Regulation of Import into India) Order came into force in 2003.

This fee is payable at the PQ office at the time of clearance of the consignment from the port.

According to an industrialist (who preferred anonymity), "The PQ inspection fee has been revised from Rs. 2,500 for the first tonne of the consignment to Rs. 3,500, and from Rs. 75 to a whopping Rs. 2,000 for each additional tonne.

PQ supervision charges also have been revised to Rs. 1,500 per consignment from Rs. 1,000."The implication is huge, he said, explaining the working.

For instance, if 100 tonnes of raw cotton are imported, the total PQ fee payable as per the existing rate workout to Rs. 10,925 — that is, Rs. 2,500 x1 (tonne) + Rs. 75 x 99 (tonnes) + Rs. 1,000 (supervision fee).

But at the new rate, it would work out to Rs. 2.03 lakh — Rs. 3,500 x 1 (tonne) + Rs. 2,000 x 99 (tonnes) + Rs. 1,500. There is no justification for this," the mill owner said. **B/L-19/5/2017**

VEG OIL IMPORTS FALL 6 PER CENT IN SIX MONTHS

India's vegetable oil imports have fallen by 6 per cent for the period November 2016-April 2017 of the current oil year to 7.13 mt. Data compiled by the Solvent Extractors Association of India (SEA) reflected an increase in stocks at ports by 207,000 tonnes as on May 1, against the previous month.

However, vegetable oil imports in April 2017 were the highest at 1,339,489 tonnes, up 7 per cent as against the same month last year. Imports during the month consisted of 1,324,014 tonnes of edible oils and 15,475 tonnes of non-edible oils.

Notably, import of non-edible oils during the November 2016-April 2017 period is reported at 139,876 tonnes as compared to 62,480 tonnes during the year-ago period, showing an increase of 124 per cent on a year-on-year basis.

The major non-edible oils included Palm Fatty Acid Distillate, Palm Kernel Fatty Acid Distillate and Crude Palm Stearin.

Import of edible vegetable oils fell to 6,994,389 tonnes in the November-April period from 7,506,229 tonnes in the year-ago period, down 7 per cent.

Further the SEA noted that import of refined oils during the November 2016-April 2017 period continued to increase. **B/L-20/5/2017**

GST TO BOOST INDIA'S EXPORT GROWTH, SAYS SITHARAMAN

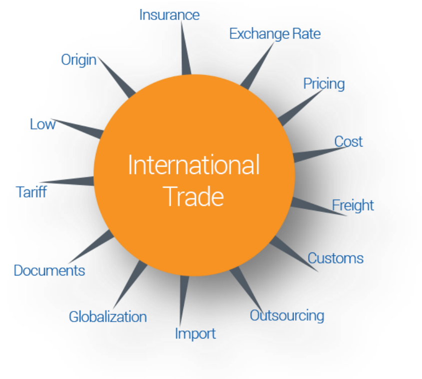
Commerce and Industry Minister Nirmala Sitharaman on Saturday said Goods and Services Tax (GST) will boost the country's export growth and that the GST regime has a fast-track process for refund of duties and taxes to exporters.

Significantly, she also said job creation is being prioritised with government policies and proposals before the Union Cabinet being analysed from an employment-generation perspective.

"The way in which fitment discussions have happened in the GST Council and the way commodities and services have been treated, the GST is only going to help in improving our exports and in making exports more competitive (in the global market)," Ms. Sitharaman told reporters.

"Also, the refund mechanism has been fast-tracked with the assurance that amounts will be refunded within seven days of the receipt of complete application in most cases, and that all cases of exporters will be addressed within three days. The medium-term review of the Foreign Trade Policy (FTP) is being carried out to align FTP with GST."

The Hindu



EXPORTS RISE 20% IN APRIL, BUT TRADE DEFICIT ZOOMS

India's exports in April grew by 19.77 per cent year-on-year in dollar terms, while imports grew by 49.07 per cent (in dollar terms) as compared to imports in April 2016. The spike in imports was mainly due to higher purchase of crude oil and petroleum products.

According to data released by the Ministry of Commerce, imports grew to $37,884.28 million during the period under consideration. In rupee terms, imports grew by 44.67 per cent as compared to April 2016 to 2,44,380.52 crore during April 2017. Gold imports surged 211.35 per cent to $3,853.10 million in April 2016 from $1,237.55 million in April 2017.

Imports of Coal, Coke and Briquettes, too doubled (94.92 per cent growth) to $1,865.13 million from $956.86 million.

Exports of petroleum products grew by 48.77 per cent to $2,945.04 million from $1,979.58 million.

Oil imports during April, 2017 were valued at $7,359.27 million, which was 30.12 per cent higher than imports worth $5,655.92 million in April 2016. The Ministry said,

"The global Brent prices have increased by 25.40 per cent in April 2017 vis-à-vis April 2016 as per World Bank commodity price data."

Non-oil imports too during April 2017 were estimated at $30,525.01 million which was 54.50 per cent higher than imports worth $19,757.80 million in April 2016.

According to the Commerce Ministry, exports during April 2017 were $24,635.09 million compared to $20,568.85 million during April 2016.

In rupee terms, exports were valued at Rs1,58,913.79 crore during April 2017 as compared with Rs1,36,720.11 crore during April 2016, registering a growth of 16.23 per cent.

The Commerce Ministry estimated trade deficit for April 2017 at $13,249.19 million, which was nearly double (173.47 per cent higher) the deficit of $4,844.87 million during April 2016. However, exporters are happy.

FIEO President said exports grew in 23 out of the 30 major product groups, and continued with its positive trend in April 2017 also.

Presient, FIEO said petroleum exports which has a major contribution in the exports basket has once again contributed with a robust growth of over 48 per cent. FIEO Chief said that the increasing imports is primarily on account of high imports of petroleum, crude & products, electronic goods, gold, pearls, precious and semiprecious stones which augured well for gems & jewellery exports during the first month of the fiscal.

The higher import of petroleum is also reflected in higher exports of petro products. "However, we need to analyse the reasons for increasing electronic imports," FIEO President added.

INDIA'S SERVICES EXPORT UP 3.4% TO OVER $160 BN IN FY'17

India's services export grew 3.4 per cent to $160.68 billion last fiscal, RBI data showed. The receipts from services export were $155.41 billion in the preceding fiscal 201516. Also, payments for services imported by India also increased to $95.47 billion for fiscal ended March 2017, up 11.4 per cent from $85.72 billion a year ago.

For March 2017, the services export grew 10 per cent to $14.18 billion from $12.90 billion in the corresponding month a year ago.

While payments done by India for services import in March 2017 increased to $8.27 billion, up 4.6 per cent from a year ago. India is one of the major economies contributing to world services export industry.

Services sector contributes to about 55 per cent in India's gross domestic product. The data for the latest month comes with a lag of 45 days.

The data published by Reserve Bank (RBI) is provisional initially and undergoes revision when the Balance of Payments (BOP) data is released on a quarterly basis.

EXPORTERS TO GET TAX REFUND UNDER GST WITHIN 7 DAYS: COMMERCE MINISTER

Commerce Minister assured exporters that they would get their refund tax claims within seven days under the new goods and services tax (GST) regime.

Minister also said that the GST Council has been fairly seized of the tax refund issue under the new indirect tax regime, to be rolled out from July 1.

"On the refund, Govt is very very clear that 90 per cent of the advanced paid money (by exporters in the GST regime) will be refunded within 6 to 10 days, post which an interest of about 6 per cent will be given for any delay by the government to exporters," Minister said.

Minister said this while speaking about the initiatives and achievements of the ministry in the last three years.

However, Commerce Minister added that the ministry has asked the GST Council to consider to formulate an alternative mechanism for small and medium exporters on the issue pf payment of taxes.

"Government’s request with the council was that for SMEs.

If Govt can think of giving an alternate to them rather than asking them to pay first and then get refund.

Govt is yet to hear from them (Council)," Minister said. Exporters have been demanding ab-initio exemption from payment of taxes under the GST regime arguing that delay in refunds often takes months.

Further, Minister said GST will help in improving exports as inputs are going to cost lesser for manufacturing exporters, as it would result in improving the product competitiveness in the global markets.

When asked about exporters' concern on rupee fluctuations, Minister said traders are fairly seized of this as "it is not a sudden fluctuation.

Currency fluctuation has become a new normal". "But, if there are extreme fluctuations, it is for the RBI to look at intervening just that much, so that, any extreme fluctuations are taken care of," Minister added.

On job creation, the minister informed that any proposal which goes to the Union Cabinet, "its (proposal's) implication on jobs is something which the Prime Minister is very keen and we all are providing expected impact on direct and indirect employment of every such proposal which goes to the Cabinet".

EXPORTS RISING DESPITE GLOBAL HEADWINDS: COMMERCE MINISTER

India's exports have been increasing despite global headwinds and efforts are being made to neutralize any impact on them due to implementation of GST, Commerce and Industry Minister said.

Minister also said that the government will come out with amendments to the foreign trade policy to align it with the Goods and Services Tax (GST), which is scheduled to be rolled out from July

1. Since September last year, exports are consistently going up and "India can see this as a clear indicator that Indian exporters are performing against all odds and showing their capacity to withstand any headwinds and the global situation," Minister said. "Govt does not think that global situation has improved drastically.

Even if there are green shoots that people are seeing and saying that there are prospects that world trade might improve, it is yet to be significantly felt by others," Minister added.

The minister said even in this type of environment, domestic exporters are doing good.

Minister also expressed hope that the country would achieve the 900 billion target of exports for goods and services by 2020.

Talking about the ongoing review of the foreign trade policy (FTP), Minister said the ministry is covering all aspects in this review, which was commenced in January. "Ministry shall not wait till September.

It should happen parallely (with GST) so that exports do not suffer on account of any doubts which have not been explained," Minister said.

Over concerns being expressed by exporters body Federation of Indian Export Organisations (FIEO) on impact of GST on exports, the minister said Minister has asked the commerce secretary and the duty drawback committee in the finance ministry to represent the case of exporters to the GST Council.

"Govt is trying to see how best other alternatives of dealing with revenue concerns as regards to exports can be handled without making it cumbersome for exporters," Commerce Minister said.

As there is no provision of ab-initio exemption in the GST, exporters would have to pay the duties and then seek the refund.

Exporters have raised certain concerns over refund of duties and according to FIEO; a certain portion of working capital would be blocked in the process with the government for about three months.

The five year FTP (201520) provides a framework for boosting exports of goods and services besides creation of employment and value addition.

In 201617, while India's merchandise shipments aggregated at USD 275 billion, services exports grew by 3.4 per cent to USD 160.68 billion.

EXPORT BENEFIT SCHEME TO BE GST COMPLIANT

The government is redesigning the export benefit scheme MEIS to make it GST compliant, a senior official said.

Additional Commissioner, GST Cell, Central Board of Excise and Customs (CBEC) also said that the issue of working capital requirements under the new tax regime is being deliberated upon by the government.

Under the Merchandise Exports from India Scheme (MEIS), the commerce ministry gives duty benefits to several products.

It provides duty benefits at 2 per cent, 3 per cent and 5 per cent depending upon the product and country.

Additional Commissioner said that the GST regime would help build competitive advantage by leveraging supply chain.

"While manufacturing and trading activities at present times have a strong taxation orientation and the cost of logistics is high visavis the mature markets, adoption of GST will reduce the cost of production and distribution," it added.

Additional Commissioner added that technology in logistics, such as the use of advanced telematics, real time vehicle tracking and route planning are likely to help manage and execute operations in an efficient and seamless manner.

RCEP TALKS: HEAT ON INDIA TO SCRAP IMPORT DUTY ON 90% OF GOODS

India is under pressure to agree to eliminate import duty on at least 90 per cent of its traded goods as part of the Regional Comprehensive Economic Partnership (RCEP) pact being negotiated by 16 countries, including China and ASEAN members.

Trade ministers from all member-countries, which include South Korea, Japan, Australia and New Zealand, will meet in Hanoi this week to push the negotiations forward.

"New Delhi is firm about not opening its market extensively to at least China and offer the country much lower concessions by working out country-specific deviations.

But what has made the negotiations tougher is the 'opt out and reciprocity' flexibility suggestion made by the Philippines," a government official said.

The 'opt out and reciprocity' principle proposes that if a country cannot agree to what the majority of members were ready for, it can opt out from that provision and wait for a time till it is ready to sign up.

In the previous negotiating round earlier this month, the Philippines reportedly told the Trade Negotiations Committee that 14 to 15 countries had agreed to slash 90 per cent of applied tariffs to zero once the RCEP comes into force, but if some countries were not ready, they could opt out and join later. "It is difficult for India to agree to eliminate duties on 90 per cent of items for all members," the official said.

"While it might still be considered for ASEAN countries, with which India already has an ambitious free trade agreement in place offering concessions on over 80 per cent items, it will be impossible to agree to such deep cuts for China, as there won't be an economic or a political mandate for it domestically."

It is also difficult to give such liberal market access to New Zealand and Australia, with which India is yet to sign bilateral free trade agreements, it added.

New Delhi seeks to protect its markets from China, New Zealand and Australia by seeking 'deviations', under which it would offer certain members smaller concessions than those offered to all countries.

This could mean a higher number of items protected from tariff cuts or a longer implementation period (more than the normal 15 years), but there is no agreement on the issue yet.

GOVERNMENT MAY SET UP AN EXPORT COUNCIL FOR RENEWABLE ENERGY GEAR

Prime Minister's call to boost domestic manufacturing of solar energy equipment is expected to see streamlined efforts. According to officials in the know, the Government is examining a proposal for setting up a Renewable Energy Export Council.

The need for such a council follows the ambitious National Solar Mission targeting an indigenous manufacturing capacity of 4-5 GW by 2020. According to data shared by the Ministry of New and Renewable Energy, India's installed solar cell manufacturing capacity stood at 2,953 MW till December 2016.

According to industry watchers, nearly half of all solar equipment manufactured in the country gets exported.

The reason for this export-oriented production is that solar power project developers prefer using equipment from China. China's incentives make solar panels cheaper.

The situation is different for wind energy as most of the equipment manufactured in India is used domestically.

Analysts say that most of the domestic solar gear manufacturers depend on the roof-top programme and the demand from smaller countries such as those in Africa, where the Chinese companies are not as focused.

The subsidy component and the requirement to use Indian modules in the solar programme provide some relief to domestic manufacturers. Associate Director - Consulting at clean energy advisory Bridge to India, said that the export promotion council can help the domestic industry compete with China.

“The export council may ask for key things such as to be competitive in terms of the cost of debt and the cost of electricity...

The government can also help through the Exim Bank to finance these clean energy projects,” it said.

REJECTION RATE OF INDIAN SEA FOOD EXPORTS BY THE EUROPEAN UNION DECLINES

European Union (EU) rejections on Indian seafood exports have gone down consistently in last five years. What is significant is that the rejection rate has refused to slip from its low plateau, despite EU raising its rejection benchmarks by as much as five times.

“After the recent revision in EU’s export quality bar, the rejections of seafood exports could have been as high as 50%, compared to the earlier standards that had effected 10% rejections.

“However, Indian seafood industry proved its mettle and managed to withstand the new restrictions, by maintaining a low rejection rate,” says chairman, MPEDA (Marine Products Export Development Authority).

The seafood export rejection rate has remained an average of five per year. MPEDA officials have been in talks with the EU Directorate in Brussels, planning to further tighten the quality norms in seafood exports in India. More rigorous standards are likely to be set on measures like pre-harvest testing in aqua farms.

INDIA'S PALM OIL IMPORT SPURTS 2.25% IN APRIL

Palm oil import rose 2.25 per cent to 7,52,632 tonnes in April on higher shipment of crude palm oil (CPO), industry body Solvent Extractors Association (SEA) said.

India, the world's leading vegetable oil buyer, had imported 7,36,036 tonnes palm oil in April 2016. The country's total vegetable oil import grew by 7 per cent to 13,39,489 tonnes in April this year, from 12,48,887 tonnes in the year-ago period.

Palm oils comprise 62 per cent of the total vegetable oil import. However, import of vegetable oils in the first six months of the ongoing 2016-17 oil year ending October has dropped to 43,02,135 tonnes, from 43,40,890 tonnes in the year ago.

According to SEA, the difference between the landed price of two palm oils -- RBD palmolein and CPO -- has narrowed, encouraging the shipment of CPO this month.

Also, strengthening of the rupee in the last three months supported the import of vegetable oils.

Among palm oil products, import of CPO went up to 5, 11,139 tonnes in April this year, from 3,98,606 tonnes in the year- ago period.
However, the shipment of RBD palmolein fell to 2,32,243 tonnes, from 3,25,902 tonnes, while that of import of crude palm kernel oil (CPKO) fell to 9,250 tonnes, from 11,528 tonnes in the said period, the SEA said in a statement.

Among soft oils, import of sunflower oil increased sharply to 2,34,516 tonnes in April this year, from 1,00,750 tonnes in the year earlier.

The shipment of soyabean oil, however, dropped to 3,04,942 tonnes from the earlier 3,48,195 tonnes while that of rapeseedmustard oil too declined to 31,924 tonnes, from 51,087 tonnes.

India imports palm oil, mainly from Indonesia and Malaysia, and a small quantity of crude soft oils, including soyabean oil from Latin America. Sunflower oil is imported from Ukraine and Russia.

EXPORT OF AGRI COMMODITIES DECLINES SHARPLY IN FY'17

Weak global prices have cast shadow over the export of major agri commodities from India.

Except for non-basmati, the volume of exports of major commodities such as basmati, wheat, pulses and other cereals have witnessed a significant decline in 2016- 17 as compared to 2015-16. The export of basmati dwindled by 4.90%.

The share of basmati in exports is around 20%. According to provisional data, in volume terms, basmati shipments were estimated at 40 lakh tonne against 40.46 lakh tonne in the previous year.

According to sources in Agricultural and Processed Food Products Export Development Authority (APEDA), the lower price of basmati in export market and reduced off take from Iran has not only resulted in lower realisation but also affected the volume. Officials said since Iran had imposed a minimum export price of $850 per tonne, many exporters were not keen to ship at that price, which resulted in decline in volume.

Similarly, other commodities have been affected by weak global prices. Though exports in value and volume terms have dwindled, the domestic prices of major agri commodities such as wheat and maize have remained higher than international market.

This has also restricted the prospects of Indian commodity exports in the international market.

THE INDIAN TRADE PORTAL HYPERLINKED FROM THE ICEGATE WEBSITE

The Indian Trade Portal – www.indiantradeportal.in, an initiative of the Department of Commerce and maintained by the Federation of Indian Export Organisations (FIEO) is now hyperlinked from the ICEGATE – www.icegate.gov.in.

Home page of ICEGATE The Indian Trade Portal – www.indiantradeportal.in,

Is a unique website covering wide range of information on international trade of 87 countries.

It is a tool for those engaged in international trade to plan their exports and imports.

It provides information right from identification of the ITC HS code of a product in the Indian context to its mapping with ITC-HS code of the product in the importing country to information on tariff, preferential tariff, import statistics of the top 25 products of a country, rules of origin, SPS and TBT measures of the product in the importing country, export and import policy of the product as per the Foreign Trade Policy to the export incentives offered by the Government of India.

The Indian missions abroad upload trade and tender queries received by them on the portal for the immediate attention of the Indian exporters.

The portal also has a very informative section on "Frequently Asked Questions (FAQ)" apart from sections on "How to Export" etc. The questions and answers are divided subject-wise like Banking, Policy etc.

for the easy understanding of the industry. An alert system is also run by the portal. Users need to subscribe on the portal to receive alerts on changes in policy matters, SPS and TBT measures, tariff etc. All services on the portal are free.

RBI GOVERNOR TO BRIEF PARLIAMENTARY PANEL ON DEMONETISATION ON JUNE 8 RBI

Governor's appearance before a parliamentary panel for a second briefing on demonetisation has been put off from May 25 to June 8, as work on framing the monetary policy would be underway at that time.

The Standing Committee on Finance, which had questioned RBI Governor on January 18 on the move to ban Rs 500 and Rs 1,000 denomination notes, allowed him to appear at the later date after he issued a request expressing his inability.

RBI Governor had been asked to appear on May 25 after former prime minister Manmohan Singh prevailed over the BJP MPs in the panel, who were opposed to summoning the RBI Governor again. Incidentally, it was Singh who had rescued RBI Governor from a tough grilling during the January meeting when he intervened to say that the central bank and the governor's position as an institution should be respected.

"RBI Governor was supposed to come on May 25 but it was postponed following his request expressing his unavailability on the day due to the monetary policy, which is scheduled for June 6-7," a member said.

Instead of RBI Governor, all secretaries from the Finance Ministry will be present on May 25 to update the panel, which is chaired by Congress leader M Veerappa Moily, about the digital economy, it said.

UNCHECKED MARKET BORROWINGS BY STATES COULD AFFECT FINANCIAL STABILITY: RBI REPORT

State governments' market borrowings may result in the accumulation of debt liabilities which, if unchecked, could pose major challenges for macroeconomic and financial stability, cautioned a Reserve Bank of India report.

The composition of States' outstanding liabilities indicates greater reliance on market borrowings over the years — they constituted 69.7 per cent of outstanding liabilities of States at end-March 2015 and are budgeted to reach 74.7 per cent by end-March 2017.

The share of National Small Savings Fund (NSSF) in outstanding liabilities and States' dependence on loans from the Centre, however, continued to decline.

State governments face severe resource constraints as their non-debt receipts are often insufficient for fulfilling their developmental obligations.

Over the years, market borrowings have been a dominant source of financing the gross fiscal deficit (GFD).

According to the report, 'State Finances: A Study of Budgets of 2016-17', "over a period of time, such borrowings may result in the accumulation of debt liabilities which, if unchecked, could pose major challenges for macroeconomic and financial stability."

"Special securities issued under FRPs are significantly larger in size; consequently, repayment pressure will be aggravated from 2018-19," warned the report.

According to RBI records, gross market borrowings of States at Rs3,81,980 crore in 2016-17 — comprising around 85 per cent of GFD — increased 29.7 per cent over the previous year.

In contrast, the contributions of NSSF, reserve funds, deposits and advances have reduced.

The report observed that the increasing reliance on market borrowing, along with the enabling conditions for additional borrowing by States as provided by the Fourteenth Finance Commission, poses challenges for the sustainability of State finances as higher State borrowings raise yields and the cost of borrowings.

The combined gross market borrowings of the Centre and the States increased by 7.1 per cent during 2016-17.

According to information available for 25 States, the RBI said the gross fiscal deficit to gross State domestic product (GFD-GSDP) ratio is budgeted at 2.6 per cent during 2017-18 compared with 3.4 per cent during 2016-17 (Revised Estimate).

"There are, however, several downside risks like implementation of recommendations of States' own pay commissions, farm loan waiver in some States, and revenue uncertainty on account of implementation of Goods and Services Tax (GST).

"On a comparable basis, the revised estimates of the GFD for 2016-17 were higher by 0.4 percentage points over the budgeted ratio — raising concerns about potential fiscal slippage," the report said.

GST TO LOWER INFLATION BY 2% AND MAKE ECONOMY MORE BUOYANT: REVENUE SECRETARY

With the implementation of GST, India's biggest ever tax overhaul, six weeks away, Revenue Secretary has said that inflation will come down by two percent after GST is implemented adding that the unified tax regime will create buoyancy in the economy through better compliance and ease of doing business.

Revenue Secretary is hopeful of a smooth transition to the GST regime and says it will help domestic firms to become more competitive apart from streamlining the taxation for all business activities.

"Unlike in other countries, the transition to the new tax regime would be smooth here because there are multiple points of taxation in the country.

Hence, the possibility of sudden spurt in inflation is remote," it added.

Revenue Secretary warned that the industry should not take undue advantage by creating arbitrage before GST rollout on July 1.

"Because Govt has taken care to ensure the average tax incidence on commodities does not go up. There may be some traders who will try to tell consumers that under the changed GST rates, they will have to pay more.

We have to educate them. We need a lot of consumer education for that," Revenue Secrtary said.

To safeguard consumer interest, the GST law provides for an anti-profiteering mechanism that will ensure industries that have got relief by way of lower taxes actually pass on the benefit to consumers.

The tax department may look into the balance sheets of companies if they have gained from GST and whether the benefits have been passed on to consumers.

The anti-profiteering provision was included in CGST law to ensure that there is a commensurate reduction in prices for the consumer if there's a lowering of tax the rate for goods and services.

Revenue Secretary said that even if the machinery for anti-profiteering takes time to be ready after GST implementation, they will have the right to call for information of change in prices retrospectively.

"The machinery for the anti-profiteering authority may not be ready at present but any change in prices will be called into questioned," Revenue Secretary said, adding that any fluctuations in prices will be closely monitored.

Revenue Secretary also said that GST will give a big fillip to domestic manufacturing and the Make in India programme as it will equalise the tax treatment of both imports and domestic products. Imported goods will attract Integrated GST (IGST) for which credit can be claimed at the time of sale. Similarly, for locally manufactured goods, a similar GST rate will be applicable and hence, there will be no advantage for the imported goods, he said.

"IGST is just an interim tax or a washout tax, which is equivalent to the GST rate on a specific product," it added.

CHEAPER FOODGRAINS MAKE FOR GST BONANZA

Prices of most items of mass consumption are likely to fall significantly as the tax burden on them will be lower under the Goods and Services Tax (GST).

Cereals, foodgrain, milk and jaggery will be wholly exempt from GST, while sugar, tea, coffee, edible oil and coal will be taxed at 5 per cent. items of daily need such as hair oil, toothpaste and soap will be taxed at 18 per cent under GST, against 28 per cent at present. GST Council finalised the fitment into tax slabs of most of the 1,211 items under the four-digit HSN code.

"The tax has not increased on any commodity and there has been a reduction in the tax on many commodities as the cascading effect has reduced," said Union Finance Minister, who chairs the Council. The overall impact would not be inflationary, Minister added.

Capital goods and industrial intermediate goods will be taxed at 18 per cent, down from the current 28 per cent.

Consumer durables, too, will attract 28 per cent tax; so will automobiles, but they will also attract a cess depending on their size and fuel type. For small petrol cars, the cess will be 1 per cent; on small diesel cars, there will be a 3 per cent cess; and for large cars, it could be 15 per cent, said sources.

High-end bikes with 350-cc engine will attract 15 per cent cess.

The States and the Centre are betting that the lower tax incidence will nevertheless boost revenues through improved efficiency of GST administration and less evasion.

Revenue Secretary said the tax incidence of only 10-15 items will change under GST; most items in the consumer price index basket will see lower taxes. "Nearly 81 per cent of the items will be taxed at rates of 18 per cent or less under GST," he said; 60 per cent of the commodities would be in the 12 per cent or 18 per cent slab.

The Council also approved seven of the rules for GST, including those for refunds, input tax credit, composition, valuation and invoice.

ECONOMY UNITED NATIONS REVISES DOWNWARD INDIA'S GDP GROWTH FOR 2017

The United Nations has revised downward India's economic growth forecast for 2017 but predicted an increased 7.9 per cent GDP growth next year as it cautioned that stressed balance sheets in the banking sectors will prevent strong investment rebound in the near term.

The UN World Economic Situation and Prospects as of mid- 2017 report, launched, said India is projected to achieve a 7.3 per cent growth in 2017, a downward revision from the 7.7 per cent forecast for the year made when the report was launched in January.

The revised report, however, projected that India will achieve an impressive 7.9 per cent GDP growth in 2018, revising upwards its January estimates when it had said India's growth will be 7.6 per cent next year. The report warned that stressed balance sheets in the country's banking sector, which has emerged as a cause of concern for the Indian government, will have an adverse effect on investment rebound in the country

"Despite temporary disruptions from the demonetization policy, economic conditions in India remain robust, underpinned by sound fiscal and monetary policies and the implementation of key domestic reforms. Yet, stressed balance sheets in the banking and corporate sectors will prevent a strong investment rebound in the near term," the report said.

It noted that current accounts deficits have narrowed "visibly" in India, Brazil and South Africa, and some countries have undergone significant corporate deleveraging, particularly Russia.

Despite India's growth being revised downward, it remains the fastest growing large developing economy, way ahead of China which is projected to grow at 6.5 per cent in 2017 and 2018.

The report said world gross product is expected to expand by 2.7 per cent in 2017 and 2.9 per cent in 2018, unchanged from UN forecasts released in January this year. This marks a notable acceleration compared to just 2.3 per cent in 2016. The report identifies a tentative recovery in world industrial production, along with reviving global trade, driven primarily by rising import demand from East Asia.

Assistant Secretary-General for Economic Development in the UN Department of Economic and Social Affairs underscored the "need to reinvigorate global commitments to international policy coordination to achieve a balanced and sustained revival of global growth, ensuring that no regions are left behind."

According to the report, underpinning global economic recovery is firmer growth in many developed economies and economies in transition, with East and South Asia remaining the world's most dynamic regions, benefiting from robust domestic demand and supportive macroeconomic policies.

It said more efforts are needed to foster an environment that will accelerate medium term growth and tackle poverty through policies that address inequalities in income and opportunity.

The report points to a combination of short-term policies to support consumption among the most deprived and longer-term policies such as improving access to healthcare and education and investment in rural infrastructure. The report states that inflation dynamics in developed economies have reached a turning point, and risks of prolonged deflation have largely dissipated.

By contrast, inflationary pressures have eased in many large emerging markets, allowing interest rates to come down. It further stresses heightened uncertainty over international policy, which will hinder a strong rebound in private investment globally.

Corporate sectors in many emerging economies are vulnerable to sudden changes in financial conditions and destabilizing capital outflows, which could be triggered by faster- than-expected interest rate hikes in the United States.

Looking ahead, the report advocates for renewed global commitments to deeper international policy coordination in key areas, including aligning the multilateral trading system with the 2030 Agenda for Sustainable Development; expanding official development aid; supporting climate finance and clean technology transfer; and addressing the challenges posed by large movements of refugees and migrants.

GDP GROWTH LIKELY TO RISE TO 7.9% BY DEC: REPORT

The Indian economy is entering a "productive growth phase" and real GDP growth is likely to rise to 7.9 per cent by December driven by favourable external demand, improving corporate balance sheets and private capex recovery, says a report. A productive growth phase is characterised as a period of improving growth, while macro stability remains in check and typically sets the stage for a sustained growth cycle.

According to the research note by Morgan Stanley, growth is likely to inflect higher, accelerating by almost 1 per cent point over the next three quarters.

Morgan Stanley expects growth to pick up from the second quarter of this year onwards and accelerate by almost a full percentage point to 7.9 per cent by December 2017 from the current run rate of 7 per cent.

"Agency thinks that the growth cycle will inflect higher, starting from the second quarter of 2017, supported by three factors — the external demand environment will be favourable for growth; corporate balance sheet repair is already underway; and private capex recovery will be underway by 2018," Morgan Stanley said in a research note. The report further said implementation of GST is unlikely to create a meaningful roadblock in the growth trajectory.

"Indeed, from a medium-term perspective, the implementation of GST should lead to efficiency gains through better allocation of factors of production.

Estimates suggest that medium term gains to GDP growth could be to the tune of 50 bps," the report noted. The stock market has, however, not fully priced in the coming growth cycle, and thus is expected to trend upwards, it said.

"The market has not fully priced in the coming growth cycle and, thus, bears upside. The best exposure to this is via financials and discretionary stocks," Morgan Stanley said.

INDIA JUMPS 73 SPOTS TO 26 RANK IN WORLD BANK'S POWER LIST: GOVERNMENT

India has climbed up to 26th position in World Bank's electricity accessibility ranking in the current year from 99th spot in 2014, Power Minister has said.

"India's ranking has improved to 26 positions from 99. So, it is truly very redeeming feature and satisfying for me that Prime Minister's vision particularly to take electricity to every home, particularly to make electricity access very easy, particularly to make energy affordable is being furthered very rapidly," the minister said.

Minister also exuded confidence that by 2019, three years ahead of its original schedule, the government would able to take power to every household. He said that the government was closely working with the states to see that electricity was made available on tap.

WTO INDIA URGES WTO TO INCLUDE NEW ISSUES ON THE AGENDA ONLY AFTER CONSENSUS

India wants that new issues in the WTO agenda should be taken up only after consensus among the member nations although it is not opposed to informal discussions, Commerce Minister has said.

The comment assumes significance as developed countries including the US are pushing for inclusion of certain issues like investment facilitation and ecommerce in the WTO agenda, which is being opposed by developing nations like India. "Whether it is investment (facilitation issue) or anything else, our position is that we have no problem discussing any issue.

But if it has to come into the agenda, India is saying that there should be consensus among members," Commerce Minister said. Before including issues in the WTO agenda, "if they want to discuss a paper which somebody has submitted, India has no issue talking about it", Minister said. Minister added that on investment facilitation and ecommerce, India wants that everybody should be on board.

"On investment issue, India will talk about the paper but investment is something which should be the subject of bilateral agreements and not a part of multilateral body," Commerce Minister said. Once an issue is included formally in the agenda of WTO meetings, the member countries are expected to take it forward.

There are already important issues pending at the WTO table such as finding a permanent solution for food security purposes and providing protection to poor farmers of the developing countries in case of surge in imports.

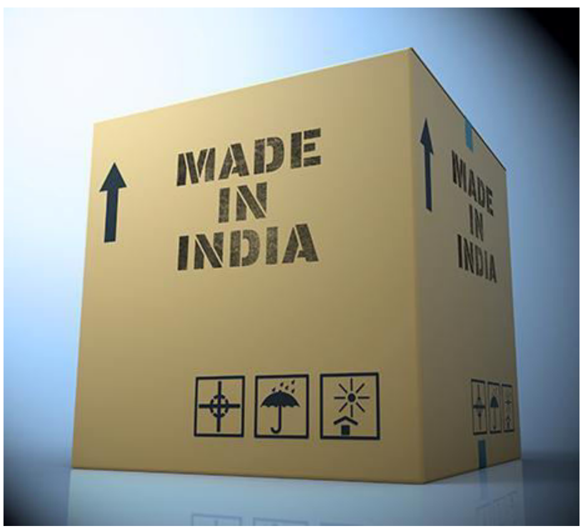
Further, Minister said India has also submitted a paper on trade facilitation agreement in services (TFS) and it wants WTO member countries to talk about it.

If investment facilitation, which primarily deals with a nation's policy on attracting foreign investments, gets included in the WTO agenda, it would restrict the space for formulation of domestic norms.

Before the 11th Ministerial Conference of the WTO in Argentina in December, the country wants resolution of these important issues which are on the table.

{From Page 6 to 25 News Taken by FIEO (Source FIEO)}

'EXPORT TARGET OF $900 BILLION BY 2020 NOT FEASIBLE'



Exporters say meeting the export target of $900 billion by 2020 seems tough, given the current global economic scenario; a more realistic goal would be $700-750 billion.

The Federation of Indian Export Organisations (FIEO) has also expressed apprehensions that paying input taxes first and then claiming refunds under the Goods And Services Tax (GST) regime could lead to losses worth 2 per cent of export value, and has asked the government to bear that burden.

"Reaching the target of $900 billion set in the Foreign Trade Policy would require exports to grow at a compound rate of 27 per cent (from the current fiscal to 2019-20). Given the current global scenario, the possible rate of growth might be 15 per cent, which would translate into exports of $700-750 billion by 2019-20," said FIEO Director General Ajay Sahai.

The Commerce Ministry is expected to announce a review of the FTP 2015-2020 simultaneously with the implementation of GST from July 1 this year.

Refund mechanism

Exporters have expressed their reservations about the refund mechanism for input taxes under GST. “While we welcome the final refund rules on issuing acknowledgement within three days of filing refund claim and issuance of 90 per cent of claim amount within seven days, the interest on delayed payment would be due only after 60 days. This will give a jolt to exporters, particularly in the micro and small sector,” said FIEO President Ganesh Kumar Gupta, who is also an exporter of textile and silk items.

FIEO has made various suggestions to the government to help exporters deal with the financial burden of delayed refunds.

One proposal is to allow e-currency, under which a certain percentage may be credited into an exporter’s account based on their previous year’s exports. That e-currency can be used to make payment for input taxes by debiting the amount.

When the refunds happen the e-payment debited from the account would be credited back. “When refunds happen, if it is observed that claims were more in certain cases than the payment due, then the difference can be paid for in cash by the exporter,” Sahai explained.

Incentive rates

Another suggestion made by FIEO is that the losses that the sector is likely to suffer due to the possible delay in refunds of input taxes can be compensated by increasing the rates of incentives under the existing merchandise export incentive scheme (MEIS).

A third proposal by the export organisation is that the interest on delayed refunds of input taxes paid by exporters be due after 10 days of filing claim instead of 60 days, as it would affect the competitiveness of small and medium units.

“While the Revenue Secretary was agreeable to most of the proposals, the GST Council has to take a final call,” Gupta said.

Useful links

icegate.gov.in

This website can be used to check for the Compulsory Compliance Requirements for the Import and export of all items. The only input required is the product HS Code.

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