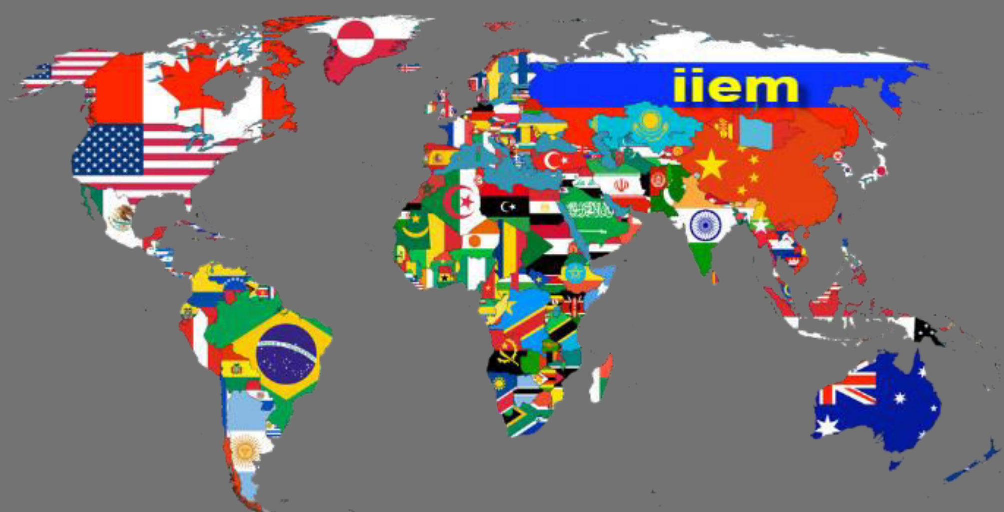
2017

Weekly E-Bulletin

Indian Institute of Export Management

Trade-Taxation-Banking-WTO-Articles-Useful-links

June 2nd & 3rd week Newsletter



CLICK HERE

Compiled By Mr. Sathish B R

Indian Institute of Export Management

INDIA EYES LOOPHOLES IN WTO NORMS TO CONTINUE WITH EXPORT SUBSIDIES

In what could be crucial for ensuring export growth in the coming years, the Centre is exploring certain “grey areas’’ in World Trade Organisation (WTO) rules to see if it can continue with its export subsidy schemes for some more time despite the fact that India will cross the low-income threshold this year.

“The WTO rules say that when a member’s per capita gross national income (GNI) crosses the $1,000 threshold for the third consecutive year, it is no longer eligible to give export subsidies.

“But what is unclear is whether India will be entitled to an eight-year phaseout period that is allowed under certain conditions. If there exists such a possibility, we may very well demand it,” a Government official told *Business Line*. With the Foreign Trade Policy (FTP) 2015-20 up for a mid-term review later this month, the Directorate General of Foreign Trade (DGFT) has asked the Trade Policy Division of the Commerce Ministry to examine the WTO rules minutely to see if India can make a case for an eight-year phaseout period for its subsidy.

B/L-05/06/17

MAHARASHTRA SPIRALS TOWARDS ONION CRISIS

The ongoing farmers’ strike in Maharashtra has started impacting the market arrivals of vegetables in the State, especially onions. The prices of the politically sensitive bulbs have risen by 20 to 40 per cent in major consumption centres over the past week due to a drop in supplies from Nashik, the main producing region.

Farmers around Nashik, who have been actively participating in the ongoing strike in large numbers, have stopped bringing their produce to the markets.

On Monday, operations at the Lasalgaon onion market were affected as the town was completely shut on account of the strike. Lasalgaon is the largest market for onions in the country. In Nashik district all other (13) markets were also affected by the strike. **B/L-06/06/17**

WHEAT PURCHASES EXCEED 30 MILLION TONNES

Procurement of wheat by the Centre has crossed 30 mt so far in the ongoing 2017-18 rabi marketing year, an increase of 31 per cent over last year's 22.93 mt.The purchases have witnessed an increase in almost all major wheat producing states.

Notably, wheat purchases in the largest producing state of Uttar Pradesh have seen a four fold increase to over 3 mt as against 0.79 mt last year.

While the procurement has ended in states such as Punjab, Haryana and Madhya Pradesh, it is still going on in UP and Rajasthan, although the pace of market arrivals has slowed down in these states.

As per Food Ministry data, about 11.7 mt has been procured from Punjab, 7.4 mt from Haryana and 6.72 mt tonnes from Madhya Pradesh.

The Centre has set a procurement target of 33 mt for the ongoing procurement season on a record output of 97.44 mt, as per the third advance estimates. **B/L-07/06/17**

GROUNDNUT WILL BE THE STAR OF THE SHOW THIS KHARIF IN GUJARAT

The south-west monsoon will knock at the doors of Gujarat only next week, but the early sowing trends show farmers' preferences for groundnut over cotton and pulses.

According to farmer sources, the initial sowing has kicked off in parts of Gujarat, including Saurashtra, where early trends show a clear shift to groundnut from cotton and pulses. In 2016-17, Gujarat had witnessed groundnut sowing over about 16.4 lakh hectares, which was the highest in three years.

“We expect cotton area to shrink somewhat and groundnut to gain this kharif season.

Last year due to pest attacks and pink bollworm issues, farmers had faced losses. Also we see some reduction in pulses acreage, mainly tur," said a senior Gujarat agriculture officer.

Cotton acreage in the State for kharif 2016-17 stood at 105 lakh hectares, the lowest in three years since 2014-15, which could go down further or hold its current level.

"Cotton sowing may remain unaffected or decline. But groundnut sowing will surely increase as a large number of farmers have already opted for the oilseed in the early sowing in parts of Rajkot, Jamnagar and nearby districts," said Ramesh Bhorania, a farmer from Rajkot.

Farmers having access to water from nearby canals and dams have begun sowing and preferred groundnut over cotton.

Already, farmers have started rushing to purchase groundnut seeds ahead of the onset of the monsoon later this week or early next week.

B/L-08/06/17

OILMEAL EXPORTS SURGE 75% IN APRIL-MAY

Supported by the sharp rise in exports of soybean meal and rapeseed meal, India's total oilmeal exports for the April-May period surged 75 per cent to 301,569 tonnes from 171,932 tonnes in the same period last year.

The Solvent Extractors' Association of India (SEA) has reported India's oilmeals exports for the month of May at 97,871 tonnes as compared to 57,954 tonnes in the same month last year, showing a growth of 69 per cent.However, the data showed a decline in exports of ricebran extract from 91,767 tonnes to 37,249 tonnes for the period under review, while castor seed meal exports fell from 40,217 tonnes to 13,449 tonnes.

In fiscal year 2016-17, overall oilmeal exports stood at 1.86 mt as against 1.53 mt in the previousyear.
B/L-09/06/17

PEPPER SLIPS ON CRASH IN VIETNAM PRICES

Spot pepper prices slipped on reports of a crash in Vietnamese pepper prices to $3,500 a tonne.The landed cost in India after paying 8 per cent import duty would come to Rs. 315 a kg and this phenomenon has influenced the prices here, market sources told *Business Line* .

They said Sri Lankan pepper would also become available from late this month at $5,000 a tonne to be followed by Indonesian produce after mid-July. These factors have resulted in the Vietnam sellers reducing their prices, they said.Five tonnes of high-range pepper were traded at Rs. 510 a kg.

Four tonnes of Wayanad material traded at Rs. 505 and five tonnes of imported pepper at Rs. 500 a kg, they said.

Spot pepper slipped by Rs. 100 a quintal to close at Rs. 50,500 (ungarbled) and Rs. 52,500 (garbled) a quintal.

B/L-10/06/17

DIAMOND PROCESSING INDUSTRY GETS RELIEF WITH IGST EXEMPTION ON Imports

In a relief to the diamond processing industry, the Goods and Services Tax Council has exempted import of cut and polished diamonds after testing from payment of Integrated GST (IGST).

"An exporter with an annual turnover of Rs. 5 crore for each of the last three years may export cut and polished diamonds (each of 0.25 carat or more)…for testing," said a fresh exemption list, adding that on their re-import within three months of export, these cut and polished diamonds will be exempt from customs duty as well as IGST.

The decision was taken at the meeting of the GST Council on Sunday.Similarly, the Council has also exempted from IGST import of diamonds for certification, grading and their subsequent re-export.

This was also one of the key demands of the diamond industry, which had also been seeking withdrawal of the proposed 0.25 per cent GST on rough diamonds.

"The exemption from IGST was a must as diamonds have to be exported for part of the certification.

They are then re-imported. Paying IGST would have been a huge exercise and compliance burden," said Praveen Shekhar Pandya, Chairman, Gem & Jewellery Export

Promotion Council (GJEPC), adding that they are also hoping that transactions through the Diamond Dollar Accounts will also be nil-rated.

B/L-12/06/17

CASHEW GROWERS BUOYED BY LOWERING OF GST RATE TO 5%

The 5 per cent GST (Goods and Services Tax) rate on cashew will provide an impetus to capacity addition and boost cashew consumption, feel cashew manufacturers.

The GST Council, which met on Sunday, lowered the rate to 5 per cent (from the earlier proposed rate of 12 per cent) on raw cashew nuts and cashew kernels, and to 12 per cent (from 18 per cent) on value-added products such as roasted and salted cashews and flavoured cashews.

Prakash Kalbavi, partner of the Mangaluru-based Kalbavi Cashews, told *BusinessLine* that India is poised to increase its cashew processing capacity substantially, and the 5 per cent GST rate will help.

A low tax structure, he added, will boost consumption and help increase processing capacity. Cashew growers will directly benefit as they will realise better rates for their produce. This will render cashew cultivation viable.

The cashew industry was concerned by the GST rates as announced earlier, fearing a huge drop in the consumption on account of high taxes.Walter D'Souza, former Chairman of Cashew Exports Promotion Council of India, said the existing rate under the VAT regime is 5-5.5 per cent in many States.

Cashew is the only dry fruit that is processed 100 per cent in India. Raw cashew nuts, which are imported as raw material, are converted into cashew kernels and as value-added products in the processing units.He said that over 80 per cent of other dry fruits are imported as finished products, and there is not much value-addition in them.Kalbavi said that cashew, a home-grown industry, provides jobs to many people in rural area. This sector will get a right impetus now as other dry fruits such as almond and walnut will attract 12 per cent tax under GST

B/L-13/06/17

CASHEW GROWERS' PLEA TO CENTRE

The Federation of Indian Cashew

Industry (FICI) has urged the Centre to roll back the import duty on cashew kernels and restore export incentives till self-sufficiency in raw nut production is achieved.Hailing the government's decision to put cashew, cashew nut and allied products in the 5 per cent GST slab, FICI Chairman P Somarajan requested the Centre to fix the GST on value-added cashew kernels, too, at 5 per cent, at par with sweets.According to Somarajan, India currently produces less than 50 per cent of the raw nuts it requires and depends on imports to cater to its processing and export requirements. Lower prices will discourage the farmers from planting new cashew trees and offset the efforts to attain self-sufficiency in cashew production, he said.He said that the demand for a downward revision in GST on cashew was based on a host of reasons. Currently, all the States impose VAT on cashew in Schedule III at 5 per cent with nil excise duty.The GST should be fixed to the nearest slab of VAT and excise duty put together, which works at 5 per cent, whereas for most of tree nuts it worked out at 14 per cent or higher.As market prices move in tandem with international prices, a high GST would affect farmers since farm gate prices would be slashed down.

B/L-14/06/17

STEEL MINISTRY TO INDUSTRY: 'RESPONSIBLE PRICING' IS KEY TO CONTINUED SUPPORT

The government may re-evaluate its support to domestic steel manufacturers if they do not price products 'responsibly'.Speaking at an Assocham summit, Syedain Abbasi, Joint Secretary at Ministry of Steel, said, "While we are willing to give protection, it comes with a sense of responsibility so please be responsible, otherwise charges of cartelisation become very difficult to fend off as prices start rising dramatically."Under the existing support mechanisms for the domestic steel industry, the Centre provides a minimum value addition of 15 per cent on the notified steel products to boost domestic steel consumption. The government has also continued with anti-dumping provisions to check import of cheaper Chinese steel.Abbasi hinted that the government may withdraw protection to the industry if prices of domestic steel go beyond a certain level. He said, "It would become untenable for us to continue (with import restrictions and price preference) if you suddenly find that the prices in the next tender for GAIL pipeline have gone up by 30 per cent."He stated that it is not in the government's interest to buy steel at prices which are very high. He said, "Then if people gather and say that look these controls have to go then ultimately it will be the pipe industry which will be the loser." B/L-15/06/17

NO EXEMPTION FOR MSME EXPORTERS

The GST Council has not agreed to the Commerce Ministry's suggestion of exempting exporters from the micro-small and medium enterprise (MSME) sector from paying Goods and Services Tax (GST) instead of blocking their capital by making them pay first and then giving refunds.

The Council will, however, take up for consideration the Ministry's other proposal of expanding the scope of the existing duty drawback scheme for exporters to include input tax (Integrated GST) credit in addition to basic customs duty, a government official said. "The GST Council is not keen on exemptions at all, so our proposal of exempting MSME exporters has not found favour.

"There is definitely a concern that MSMEs working capital may get blocked due to possible delay in refund of duty paid, so we will have

To ensure that payments are released as early as possible," the official said.

Duty drawback is a scheme to refund input taxes paid by exporters, including customs duty, countervailing duties and a number of other input taxes.

Under the GST regime, duty drawback is supposed to include only basic customs duty while the other taxes are to be subsumed under the IGST and get refunded under the IGST mechanism. ONE WINDOW "The Commerce Ministry has proposed that the duty drawback scheme under the GST regime should include both basic customs duty and IGST so that the refunds are made under one window and exporters do not have to run to two different places for their money," the official said.

The panel of senior officials constituted by Commerce Minister, which includes former Commerce Secretary GK Pillai, has prepared a presentation for the GST Council on how the expanded duty drawback scheme under the tax regime could work. "We have to wait and see if the GST Council is convinced.

Even if the scope of duty drawback is not expanded immediately, it could always happen later," the official said. The GST regime, which primarily seeks to put in place a uniform tax regime across States, will have a four-tier tax structure: 5

per cent, 12 per cent, 18 per cent and 28 per cent for different commodities.

EXPORTERS FOR REFUND

Exporters favour refund of IGST under the duty drawback scheme also because it is a known mechanism that will be under the control of the Centre.

“Exporters are apprehensive that IGST refund mechanism, which will also include State governments, may not work as smoothly as they have not had very good experience in the area of refund of VAT by States,” the official added.

IGST won't be levied on imports under export promotion schemes The GST council has provided exemption from IGST to imports which take place under export promotion schemes and from SEZs.

Re-import of goods under any export promotion schemes such as drawback, reimport of cut and polished precious stones will not attract IGST.

Goods imported for Bhutan and Nepal will also be exempted. Goods imported for sports events, including trophies, would not face any IGST.

Goods worth Rs.1,000 imported through postal parcels and imports via passenger baggage have been exempted from IGST.

In addition, imports by staff of diplomatic missions and their families would also be exempted.

INDIA TO SET UP FOUR THINK TANKS TO GET HELP ON TRADE TALKS

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 centres will help fill the gaps in the current structure of official trade delegations, in which there is often inadequate representation from think tanks.

“These centres should do systematic and unbiased analyses on all critical issues in bilateral and multilateral negotiations,” said professor at Jawaharlal Nehru University and former head of Centre for WTO Studies.

“They should then advise the government and provide negotiating options. This is what seems to be lacking at present.” To be set up on the lines of the existing Centre for WTO Studies, all four centres will also be part of the Indian Institute of Foreign Trade but located elsewhere.

“Continuity is very important in negotiations, which these centres can offer in the long run,” it said, commenting on the solid backup these centres will offer in case of frequent movement of negotiators. 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.

REDUCTION IN INSURANCE COST FOR EXPORTERS, ECGC

In a much-needed relief to the exporters, the Export Credit Guarantee Corporation (ECGC) in its 60th year of operation has taken a customer friendly step by reducing the premium rate by an average of 17% for its whole turnover policy covers.

This has reduced the transaction costs for short term business exporters from Rs.28.19 to Rs 25.46 per Rs 100 during FY 2016-17.

The premier Export Credit Agency has also initiated several customer friendly steps to boost exports. Addressing the media recently, CMD of ECGC, mentioned that the value of exports covered under exporters’ business as well as the number of policies in force had shown a redeeming trend with a growth of 4%.

The value of business covered during FY 2016-17 stood at over Rs.1,41,000 crore and the number of policies in force at over 12,000 as compared to Rs.1,35,000 crore and 11,525 respectively in the FY 2015-16.

Under the Export Credit Insurance Covers issued to Banks (ECIB), the export advance outstanding of the banks and covered by ECGC as on March 31, 2017 stood at over Rs.1,17,000 crore covering over 23,500 exporter accounts.

All the Government owned banks and 14 private sector banks are under the cover of ECGC. The overall business which includes the covers issued to the exporters, banks and MLT sector, covered during FY 2016-17 stood at over Rs.2,65,000 crore.

In the wake of continued global recession and uncertainties, ECGC also continued to experience high claim pay out of Rs.886 crore during FY 2016-17 after the record claim payout in the last FY 2015-16. The claims paid are spread across various sectors such as agricultural products, engineering goods, gems & jewellery, readymade garments, basic Chemicals & Pharmaceuticals, etc.

ECGC also covers risks of project exporters and banks involved in the medium and long term exports. As on 31st March 2017, around 85 policy covers and about 142 covers to banks were in force. Major projects supported by ECGC, are being executed in Oman, Kenya, Vietnam, Afghanistan and Nepal.

On account of Government of India, ECGC operates National Export Insurance Account (NEIA) Trust to promote project exports from India that are of strategic and national importance. The value of exports enabled by ECGC is over Rs. 26,000 crores and through the Buyer Credit covers it is around Rs.8500 crore. In the International arena, ECGC signed a bilateral agreement with Iranian counterpart, EGFI on May 23, 2016, in the presence of the Prime Minister of India and President of Iran.

ECGC is in discussion with African Trade Insurance Agency (ATI) to explore the possibilities of supporting exports to African Region through reinsurance and coinsurance.

ATI provides political risk and trade credit risk insurance products with the objective of reducing the business risk and cost of doing business in Africa.

The company's contribution in the last decade by way of claim settlements of around Rs.7000 crore has provided the much-needed support to exporters and relief to the banking system in ensuring adequate lending to exporters.

The year ahead looks challenging for the exporters and the Ministry of Commerce is taking several steps to boost exports from the country.

ECGC is also looking forward to partner with government in its initiatives by making credit insurance more easily accessible for the exporters.

There are many export friendly initiatives under discussion with the regulator and the Government, CMD, ECGC said.

BEEF EXPORTS DOWN BY 7.62 PER CENT IN APRIL AT $ 257.06 MILLION

The country's beef exports fell by 7.62 per cent in April to $ 257.06 million possibly due to crackdown on unlicensed abattoirs in Uttar Pradesh.

The country had exported $ 278.26 million worth of beef in the same month last year, according to an official data. India is the largest exporter of buffalo meat and the country shipped nearly $ 4 billion worth meat in 2016-17.

Beef exports have been impacted as the Uttar Pradesh government acted against unauthorised abattoirs in the state, forcing the industry to go on strike in March.

Beef meat and leather/leather products shipments are likely to be under pressure as the Union Environment Ministry last month banned cattle trade in animal markets for slaughter.

Some states have protested against this notification. According to the Federation of Indian Export Organisations (FIEO), the cattle trade ban would impact meat exports in the coming months.

"There is a need to do necessary changes to address supply side constraints," FIEO Director General. & CEO said.

SEAFOOD EXPORTS AT HIGH OF $5.7 BN

India's seafood exports touched an all-time high of $5.78 billion

(₹37,870.90 crore) in FY17 on robust demand for frozen shrimp and frozen fish in overseas markets.

The country exported 11,34,948 tonnes and the figure in the previous year was 9,45,892 tonnes, valued at $4.69 billion. While the US and South East Asia continue to be major importers, demand from the EU has also gone up substantially.

Frozen shrimp maintained its position as the top export item, accounting for 38.28 per cent in quantity and 64.50 per cent of the total earnings in dollar terms.

Shrimp exports increased by 16.21 per cent in terms of quantity and 20.33 per cent in dollar terms. Frozen fish was the second largest export item, accounting for 26.15 per cent in quantity and 11.64 per cent in dollar earnings.

The US imported 1,88,617 tonnes, accounting for 29.98 per cent in dollar terms. Exports to the US grew 22.72 per cent, 33 per cent and 29.82 per cent in terms of quantity, rupee value and dollar value, respectively.

OILMEAL EXPORTS SURGE 75% IN APRIL-MAY

Supported by the sharp rise in exports of soybean meal and rapeseed meal, India's total oilmeal exports for the April-May period surged 75 per cent to 301,569 tonnes from 171,932 tonnes in the same period last year.

The Solvent Extractors’ Association of India (SEA) has reported India’s oilmeals exports for the month of May at 97,871 tonnes as compared to 57,954 tonnes in the same month last year, showing a growth of 69 per cent. However, the data showed a decline in exports of ricebran extract from 91,767 tonnes to 37,249 tonnes for the period under review, while castor seed meal exports fell from 40,217 tonnes to 13,449 tonnes.

In fiscal year 2016-17, overall oilmeal exports stood at 1.86 mt as against 1.53 mt in the previous year. Vietnam, one of the largest importers of India’s oilmeals, cut imports to 45,031 tonnes as compared to 82,912 tonnes for the AprilMay 2016-17 period.

South Korea, too, reduced its imports of Indian oilmeals from 48,851 tonnes to 39,881 tonnes.

In percentage terms, exports are showing improvement, but are still lower than earlier years.

It may be also noted that India faced droughts in 2014-15 and 2015-16, which led to lower production of oilseeds, affecting export of oilmeals, said the SEA statement.

COFFEE EXPORTS UP 11.51% IN APRIL

India's coffee exports grew by 11.5 per cent year-on-year to USD 92.42 million in April this fiscal on account of strong demand in the global markets.

The country had shipped coffee worth USD 82.88 million in April last year, according to the commerce ministry data.

In rupee terms, the exports recorded a growth of 8.22 per cent at Rs. 596.17 crore in April.

India mainly ships robusta and arabica varieties of coffee besides instant coffee. Coffee is one of the most widely traded agricultural commodities in the world.

India accounts for about 4.5 per cent of the world coffee production and the industry provides jobs to over six lakh people.

India's major export destinations include Italy, Germany, Greece, Belgium, Spain and Switzerland. Coffee output in the 2016-17 crop year is estimated to decline to 3,16,700 tonnes from the record level of 3,48,000 tonnes achieved last year, due to severe drought in some key growing states, especially Karnataka.

Tea exports The country's tea exports too grew by 8.25 per cent to USD 49.74 million in April as compared to USD 45.95 million in the same month last year.

India is the world's second biggest tea producer and also one of the largest consumers.

The country exports CTC (crush-tear-curl) grade tea to countries like Egypt, the UK, and other traditional varieties to Iraq, Iran and Russia.

BANKING/TAXATION

SECOND BI-MONTHLY MONETARY POLICY FOR 2017-18 HIGHLIGHTS

The following are the highlights of the second bi-monthly monetary policy for 2017-18 as announced by the RBI:

* Repo rate unchanged at 6.25%,

* Reverse repo unchanged at 6%

* Statutory Liquidity Ratio cut by 0.5% to 20%

* Growth forecast for 2017—18 lowered to 7.3% from 7.4%

* Inflation projected at 2—3.5% for H1, 3.5— 4.5% H2, FY18

* GST roll out not to have material impact on inflation

* Farm loan waivers risk fiscal slippages and inflationary spillovers

* 7th Pay Commission allowances, geo political, financial risk pose upside risk to inflation

* Need to revive private investment, restore banking sector health, remove infrastructure bottleneck

* RBI to work with government to address stress in bank balance sheet

* Five MPC members vote in favour of status quo on monetary policy, one had different views

* Next meeting of Monetary Policy Committee on August 1 and 2.

RBI LOWERS GROWTH FORECAST TO 7.3% FOR FY'18

The Reserve Bank marginally lowered the economic growth forecast for the current fiscal to 7.3 per cent even as it hoped that remonetisation would enable pick-up in consumer spending, especially in the cashintensive segments.

The Central Statistics Office (CSO) has pegged the growth of real gross value added (GVA) for 2016-17 at 6.6 per cent, 0.1 percentage point lower than the second advance estimates released in February 2017.

"With the CSO's provisional estimates for 2016-17, the projection of real GVA growth for

2017-18 has accordingly been revised 10 bps downwards from the April 2017 projection to 7.3 per cent, with risks evenly balanced," the central bank said in its second bi-monthly monetary policy, 2017-18. It said however that the continuing remonetisation "should enable" a pick-up in discretionary consumer spending, especially in cash-intensive segments of the economy.

Also, the reductions in banks' lending rates post- demonetisation "should support both consumption and investment demand of households and stress-free corporates", it said.

RBI further said government spending continues to be robust, cushioning the impact of a slowdown in other constituents. "The implementation of proposals in the Union Budget should crowd in private investment as the business environment improves with structural reforms, including the GST, the Insolvency and Bankruptcy Code, and the abolition of the Foreign Investment Promotion Board," it said.

The resolution of the Monetary Policy Committee (MPC) also said rising input costs and wage pressures may prove a drag on the profitability of firms, pulling down overall GVA growth.

As per the RBI, gold imports surged in volume terms, initially driven by seasonal and festival demand but subsequently by stockpiling in anticipation of the roll out of the goods and services tax (GST).

Hit hard by demonetisation, India lost the tag of the fastest growing economy to China in the March quarter with a GDP growth of 6.1 per cent, pulling down the 2016-17 expansion to a three-year low of 7.1 per cent.

RBI LOWERS INFLATION PROJECTION TO 2-3.5% IN H1 FY'18 RBI

Expects retail inflation to fall to 2-3.5 per cent in the first half of current fiscal and move up to 4.5 per cent in the second half saying that rush for farm loan waivers may have inflationary spillovers.

The abrupt and significant retreat of inflation in April from the firming trajectory that was developing in February and March has raised several issues that have to be factored into the inflation projections, it said.

In its second Bi-monthly Monetary Policy Statement of 2017-18, the Reserve Bank said the prices of pulses are clearly reeling under the impact of a supply glut caused by record output and imports.

"Policy interventions, including access to open trade, may be envisaged to arrest the slump in prices," it said.

The easing of inflation excluding food and fuel may be transient in view of its underlying stickiness in a situation of rising rural wage growth and strong consumption demand, it said.

"If the configurations evident in April are sustained, then absent policy interventions, headline inflation is projected in the range of 2.0-3.5 per cent in the first half of the year and 3.5-4.5 per cent in the second half," it said.

The earlier projection for the retail inflation in first half of the fiscal was 4.5 per cent and 5 per cent in second half. It further said risks are evenly balanced, although the spatial and temporal distribution of the monsoon and the government staying the course in effective food management will play a critical role in the evolution of risks.

"The risk of fiscal slippages, which, by and large, can entail inflationary spillovers, has risen with the announcements of large farm loan waivers," said the RBI's resolution released after the fifth meeting of Monetary Policy Committee (MPC) headed by RBI.

However, the central bank said the implementation of the Goods and Services Tax (GST) is not expected to have a material impact on overall.

FOREX KITTY AT LIFE-TIME HIGH OF $381.167 BN: RBI

India's forex reserves surged by $2.404 billion to reach life-time high of $381.167 billion in the week to June 2 on account of rise in foreign currency assets, the Reserve Bank said. In the previous week, the reserves had declined by $547 million to $378.763 billion.

Foreign currency assets (FCAs), a major component of overall reserves, increased by$2.748 billion to $357.290 billion in the reporting week, RBI said.

Gold reserves however declined by $343.2 million to $20.095 billion, the central bank said.

The special drawing rights (SDR) with the International Monetary Fund dipped by $0.2 million to $1.472 billion.

The country's reserve position with the IMF too declined by $0.4 million to $2.309 billion.

EXIM BANK TO SIGN $9-B EXPORT CREDIT PACT WITH SOUTH KOREAN COUNTERPART

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 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.

INDIA, LANKA SIGN PACT FOR $318 MILLION LINE OF CREDIT

India 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 Secretary, Ministry of Finance and Mass media, and Managing Director of India's Export & Import Bank in Colombo.

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.

India has been Sri Lanka's major development partner in the South Asian region for more than 40 years.

Over the past years Indian foreign direct investment in Sri Lanka has expanded considerably.

PM REVIEWS GST PROGRESS, SAYS CYBER SECURITY IS CRITICAL

Prime Minister reviewed the status of Goods and Services Tax (GST), which is to be implemented from July 1.

The review meeting, which lasted over twoand-a-half hours, was attended by Finance Minister and top officials from the Finance Ministry, the Prime Minister's Office and the Cabinet Secretary.

In the course of the meeting, Prime Minister specifically reviewed aspects of implementation such as IT and human resource readiness, training and sensitization of officers, and query handling mechanism and monitoring, an official release said.

PM was informed that GST systems such as IT infrastructure, training of officials, integration with banks, and enrolment of existing taxpayers will be ready well ahead of July 1.

Information security systems were discussed in detail.

A Twitter handle, @askGst_GOI, has been started for real time answering of queries. An all-India toll-free phone, 1800-1200-232, has also been activated for this purpose.

PM said the implementation of GST is the culmination of the concerted efforts of all stakeholders, including political parties, trade and industry bodies.

PM described GST as a turning point for the economy, "unprecedented in history."

The PM further said the officials that the creation of 'One Nation, One Market, One Tax' will greatly benefit the common man.

Maximum attention should be paid to cyber security, he was quoted as saying by the release.

CABINET SECRETARY ASKS MINISTRIES TO SET UP GST FACILITATION CELLS

Cabinet Secretary has asked the Secretaries of different Ministries/departments to set up a Goods and Services Tax (GST) Facilitation Cell in their respective department/ministry.

The Cell will be in constant touch with the major industry and business associations relating to the respective Ministry/Department and provide all possible support for the smooth roll out of GST with effect from July 1, Cabinet Secretary said in a letter to the Secretaries of different Ministries.

While the Revenue Department is making help lines operational for any individual taxpayer to seek resolution of any legal or I-T related issues, the GST Facilitation Cell could serve as the first point of contact for addressing any issue being faced by any business or industrial sector related to the respective Ministry.

This is expected to greatly facilitate the rollout of GST, the Cabinet Secretary said.

In his letter, Cabinet Secretary has also asked the Secretaries of various Ministries to ensure that all Public Sector Units (PSUs) under the administrative control of their respective Ministry/Department are GST compliant before July 1 this year.

Cabinet Secretary added that preferably each PSU may constitute a GST Cell, which in turn should be fully equipped with the complete knowledge of all relevant GST Act/ Rules/Rate Structure.

Cabinet Secretary has further stated that to ensure smooth and successful roll-out of GST, it is essential that all stakeholders, both in the Government as well outside, are adequately prepared for the rollout.

Therefore, it is imperative to ensure that all sectors/businesses are GST ready before July 1, the Cabinet Secretary said.

GST TO HELP INDIA ACHIEVE 9% GROWTH RATE: NITI AAYOG CEO

The Goods and Services Tax, to be rolled out next month as the biggest tax reform since independence, will help India achieve 9 per cent growth rate, NITI Aayog CEO has said. NITI Aayog CEO said GST will simplify India's taxation system and help deal with tax evasion.

"GST is India's biggest tax reform since 1947...GST will help India in achieving 9 per cent growth rate," NITI Aayog said.

Noting that the implementation of GST is a dream of the Prime Minister , the NITI Aayog CEO said it will bring a big revolution in India's taxation structure. Several experts have also said that GST is estimated to boost GDP by 1-2 per cent and bring down inflation by 2 per cent over the long term.

NITI Aayog CEO's comments come against the backdrop of India losing the fastest growing economy tag to China for the March quarter with the GDP growth slipping to 6.1 per cent. China recorded a growth rate of 6.9 per cent during the January-March quarter.

However, on an annual basis, India's GDP grew 7.1 per cent in 2016-17.

GST EXEMPTION WITHDRAWN FOR HOSPITAL EQUIPMENT, EXPORT ORIENTED UNITS

The GST Council has decided to withdraw the exemption from countervailing duty (CVD), equal to excise duty, which is currently available to certain hospital equipment and 100% Export Oriented Units (EOUs), on import of all goods.

This will make them liable to pay Integrated Goods and Services Tax (IGST) once the new regime kicks in from the scheduled date on July 1.

Import of equipment by government hospitals and those run by societies will be subject to full rate of IGST, as existing concessional rate of 6% CVD will not be available.

This will impact hospital equipment and their parts and accessories, although basic customs duty exemption will be available, said tax lawyer R S Sharma.

While the GST Council has restricted the exemption from IGST to only specified category of importers, such as units in special economic zones (SEZs) and developers of these zones, the benefit has not been extended to EOUs.

"EOUs will henceforth will be liable to pay IGST on imports and can avail credit of IGST paid, which can be used by them for local supply of goods manufactured by them.

They will also be entitled for a refund of IGST in case of excess accumulation of credit due to export," said Sharma.

The EOUs are, however, still hopeful of getting the benefits that are currently available to them.

FOODGRAINS, MILK, VEGGIES TO BE UP TO 5 PER CENT CHEAPER UNDER GST

The government said foodgrains, flour, milk, vegetables and fruits will get cheaper by up to 5 per cent once the Goods and Services Tax is rolled out.

The government has exempted cereals, pulses, atta, maida and besan from the GST, which will be implemented from July 1.

Milk, vegetables and fruits, puffed rice, salt, organic manure, animal feed, fire wood, raw silk, wool, jute and hand-operated agriculture equipment too will be zero-rated under the new indirect tax regime.

"Due to no GST on these items, most of them are expected to become cheaper in the range of approximately 4-5 per cent as compared to their existing prices," a finance ministry statement said.

However, branded foodgrains and flours with registered trade mark will attract 5 per cent tax under GST.

While items like foodgrains, milk and vegetables do not attract any central tax at present, some states levy VAT of 4 -5 per cent on these goods.

They have been put in tax slabs of 5, 12, 18 and 28 per cent with the exception of precious metals and imitation jewellery which will attract 3 per cent GST and rough diamonds which will be taxed at 0.25 per cent.

COMMERCE MINISTRY ENGAGING WITH STAKEHOLDERS TO RESOLVE GST ISSUES

The commerce and industry ministry is organising consultations with all stakeholders, including exporters, to resolve their issues pertaining to the Goods and Services Tax (GST).

The Directorate General of Foreign Trade (DGFT), under the ministry, has constituted a GST facilitation cell to assist and advise exporters, trade and industry for smooth transition from present regime to the GST.

“DGFT also convened a meeting of stakeholders to understand the issues being faced by them in GST system.

These issues have been taken up with department of revenue and GSTN,” the commerce ministry said in a statement. Most of issues have been resolved by the department and GST Network, it added.

It said that exporters can email their queries concerning GST and pertaining to foreign trade policy to the facilitation cell.

“All regional offices of DGFT have also constituted GST facilitation cell and the cell would headed by head of the regional office,” it said.

The ministry has announced to align the midterm review of foreign trade policy with roll out of GST for the convenience of exporters and industry. GST is scheduled to be rolled out from July 1.

GST COUNCIL LOWERS TAX RATE ON 66 ITEMS, OFFERS RELIEF TO SMALL ENTITIES

Insulin, schoolbags, colouring books and construction items are among the 66 items on which the Goods and Service Tax levy has been lowered.

The GST Council, meeting for the 16th time, also gave traders, manufacturers and restaurants some relief by raising the cap on the ‘composition scheme’ to allow more small enterprises to opt for the scheme.

While the tax rate on insulin and cashew has been lowered to 5 per cent from the earlier 12 per cent, food items like pickles and ketchup will attract a tax of 12 per cent against the earlier proposal of 18 per cent.

The Central Board of Excise and Customs will issue the revised rate structure soon.

The Council also increased the upper limit for the ‘composition scheme’ to 75 lakh from the earlier 50 lakh. Now traders, manufacturers and restaurants with an annual turnover of 20 lakh to 75 lakh can opt for the scheme and pay tax at one per cent, two per cent and five per cent respectively.

(The ‘composition scheme’ exempts tax payers with an aggregate turnover in a financial year up to 20 lakh — 10 lakh in North-East and special category states — from GST.

An entity whose aggregate turnover in the preceding financial year is less than ₹75 lakh — earlier ₹50 lakh — can opt for a simplified ‘composition scheme’ where tax will be payable at a concessional rate on the turnover in a State.)

To promote regional cinema, the Council approved two categories of rates. While tickets of over ₹100 will attract 28 per cent, those priced less will be taxed at 18 per cent.

“The decision to lower rates was taken with the objective to maintain the equivalence with the current tax rates or due to the change in utilisation behavior," Finance Minister said.

The higher upper limit for the composition scheme will help small and medium enterprises.

"It eases the burden on these categories as they are mass job creators," the Minister said.

Similarly, to promote outsourcing in the employment-intensive sectors of textiles, leather, diamond processing and jewellery, the Council approved a rate of 5 per cent on job work.

However, the normal GST rate for the sector will continue to be 18 per cent, Minister said.

ECONOMY

SERVICES PMI RISES TO 4-MONTH HIGH IN MAY

Services sector activity in May increased at its fastest pace in the past four months, led by a faster increase in new business inflows, according to a private monthly survey.

The Nikkei India Services PMI Business Activity Index rose to 52.2 in May from 50.2 in April, the fastest increase in output in the current four-month sequence of expansion.

“The headline number was, however, indicative of a moderate pace of growth that was below the series average (54.8),” it said in a release. A reading over 50 denotes expansion while one less than that indicates contraction in production.

The Nikkei India Composite PMI Output Index also reached a seven-month high of 52.5 in May from 51.3 in April. However, in contrast, the Nikkei Markit India Manufacturing PMI, which is included in the Composite PMI Index, had slumped to a three-month low of 51.6 in May.

The data comes just ahead of the second bimonthly monetary policy on June 6 and 7.

“The pick-up in service sector growth seen mid-way through the first quarter suggests that the GDP could expand at a faster rate should the growth momentum be maintained in June, though there are downside perils to this,” said economist at IHS Markit, and author of the report. Report noted that concerns over low growth might prompt the RBI to lower the benchmark rate to support the economy.

Official estimates have already pegged economic growth in the fourth quarter of last fiscal at a mere 6.1 per cent. According to the survey, the posts and telecommunications sector is a “bright spot” in May, with expansion rates for both activity and new business surpassing those seen in financial intermediation and ‘other services’.

However, output and new work fell elsewhere. The higher growth in activity was led by more business inflow based on higher demand. Businesses also hired additional staff to meet the orders.

Though input costs increased, the rate of inflation was negligible. But business sentiment weakened on the back of growing concerns regarding competitive pressures.

WORLD BANK PROJECTS 7.2% GROWTH RATE FOR INDIA IN 2017

Noting that India is recovering from the temporary adverse effects of demonetisation, the World Bank has projected a strong 7.2 per cent growth rate for India this year against 6.8 per cent growth in 2016. Even as the World Bank has revised the country's growth figures by 0.4 percentage point compared to its January forecast, India remains the fastest growing major economy in the world, the World Bank officials said. The growth projections for China remains unchanged at 6.5 per cent for 2017 and then 6.3 per cent for 2018 and 2019.

The World Bank in its latest Global Economic Prospects, projects India’s growth at 7.5 per cent in 2018 and 7.7 per cent in 2019. In both the years, the forecast has been downgraded by 0.3 per cent and 0.1 percentage points compared to the January 2017 forecast. “A downgrade to India’s fast pace of expansion,” the World Bank said, is “mainly reflecting a softer-than-expected recovery in private investment''.

In 2016, activity was underpinned by favourable monsoon rains that supported agriculture and rural consumption, an increase in infrastructure spending, and robust government consumption, the report said. “In India, recent data indicate a rebound this year, with the easing of cash shortage and rising exports. An increase in government spending in India, including on capital formation, has partially offset soft private investment,” it said.

“While manufacturing purchasing managers’ Indexes have generally picked up, industrial production has been mixed,” the Bank said in its latest report. Observing that India’s growth is forecast to increase to 7.2 per cent in FY2017 and accelerate to 7.7 per cent by 2019, which is slightly below previous projections, the Bank said this outlook mainly reflects a more protracted recovery in private investment than previously envisaged.

“Nonetheless, domestic demand is expected to remain strong, supported by ongoing policy reforms, especially the introduction of the nationwide Goods and Services Tax (GST),” it said.

“Significant gains by the ruling party in state elections should support the government’s economic reform agenda, which aims at unlocking supply constraints, and creating a business environment that is more conducive to private investment," the Bank said.

INDIA SIGNS OECD PACT TO CHECK TAX EVASION BY MNCs

India signed the OECD multilateral convention that aims to check cross-border tax evasion by multinational companies. Union Finance Minister 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.

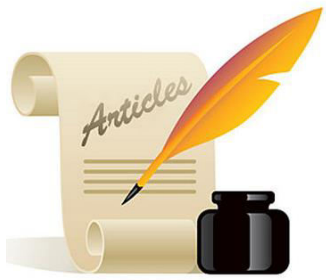
It helps them artificially shift profits to low or no-tax locations, resulting in little or no overall corporate tax being paid.

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.

The Convention enables all signatories to meet treaty- related minimum standards that were agreed as part of the final BEPS package, including the minimum standard for the prevention of treaty abuse under Action 6.

The Convention will operate to modify tax treaties between two or more parties to the Convention.



EXPORTERS WORRY ABOUT DUTY DRAWBACKS

GST may necessitate a significant tweaking of the duty drawback schemes

that have helped Indian exports compete in an increasingly adverse global

market. The major concern of the textile exports industry is what would

happen to the various drawback benefits, and particularly how the refund

mechanism would play out. Today the industry is surviving because of

drawbacks.

To illustrate, the recently launched policy of refunding state levies to

exporters called Remission of State Levies can't exist in the new tax regime

as there would be no state taxes. If the duty drawback policy is not tweaked

to accommodate GST, the textile industry is set to lose close to Rs 1,500

crores in refunds.

The Remission of State Levies scheme is being studied to make it

compatible with the GST regime. It will probably undergo some changes

because value added tax is being subsumed under GST. Exporters had been

getting duty drawback on the central levies imposed during the process of

manufacturing of goods for exports. And, beginning December, they started

to get reimbursement of state levies as well.

While there would be input tax credits under GST, there are many costs which were being taken care of under

the various duty drawback schemes. There are many hidden costs as well. Unless they are addressed under

GST, India would lose out to neighboring countries, particularly while exporting to the European Union.

Fashionatingworld

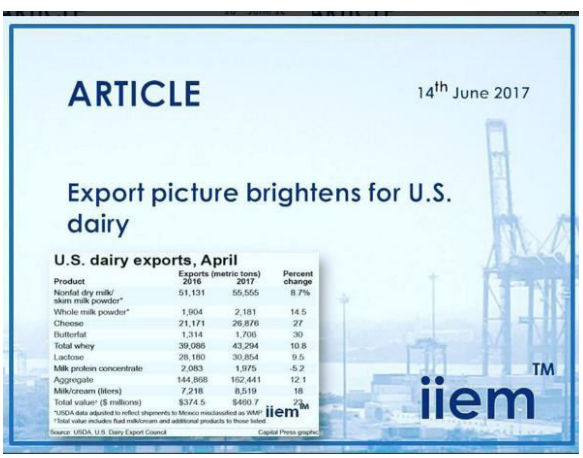
Export picture brightens for U.S. dairy

Lower milk production in other exporting countries and higher world prices for dairy products — which make U.S. products more competitive — are giving U.S. exporters better leverage

in world markets.

U.S. dairy exports in April topped year-ago levels for the 11th consecutive month, with gains

in most product categories and to most major destinations, according to the latest U.S.


ARTICLE

14th June 2017

Export picture brightens for U.S. dairy

U.S. dairy exports, April

Product	Exports (metric tons) 2016	2017	Percent change
Nonfat dry milk/ skim milk powder*	51,131	55,555	8.7%
Whole milk powder*	1,904	2,181	14.5
Cheese	21,171	26,876	27
Butterfat	1,314	1,706	30
Total whey	39,086	43,294	10.8
Lactose	28,180	30,854	9.5
Milk protein concentrate	2,083	1,975	-5.2
Aggregate	144,868	162,441	12.1
Milk/cream (liters)	7,218	8,519	18
Total value† ($ millions)	$374.5	$460.7	23

*USDA data adjusted to reflect shipments to Mexico misclassified as WMP

†Total value includes fluid milk/cream and additional products to those listed

Source: USDA, U.S. Dairy Export Council

Capital Press graphic

iiem™

Dairy Export Council report.

Exporters shipped 162,441 tons of milk powder, cheese, butterfat, whey and lactose in

April, up 12 percent from a year ago. Those sales totaled $461 million, up 23 percent from

April 2016.

The two main categories driving the increase are nonfat dry milk/skim milk powders and

whey, said Alan Levitt, USDEC market analyst.

The top market was Mexico, which imported $103.2 million in U.S. dairy products in April,

up 9 percent from a year earlier. Southeast Asia followed, with sales 23 percent higher to $68.3 million. Sales to Canada grew 2 percent to $53.1 million, and sales to China were up

91 percent to $47.7 million.

Some of the large increases are due to weak comparables in 2016, Levitt said. “We’re still not back up to where we were in 2014 when sales peaked,” he said.

U.S. cheese exports have picked up lately, increasing 15 percent from January through

April, and that's certainly a positive. Fluid milk shipments are up 14 percent in the same

time period, he said.

Total exports, excluding milk and cream, were up 13 percent in volume to 624.3 million

metric tons and 18 percent in value to $1.8 billion from January through April.

Part of the reason for the gains is that world prices increased in the second half of 2016,

and U.S. prices have become more competitive. Those increased prices are due to

significant reductions in milk production in other countries. In the fourth quarter of 2016, milk

production was down 3.4 percent in the EU, 7.6 percent in Australia and 4.3 percent in New

Zealand, Levitt said. "So our competitors haven't had as much (product) to sell. The U.S. is the only exporter

increasing production over the last year and a half," he said.

Capital press

Useful links

https://www.export.gov/

Export.gov helps. companies plan, develop and execute international sales strategies necessary to succeed in today's global marketplace. Developed by international trade specialists and economists, here you will find trusted market intelligence, practical advice and business tools to help you understand how to export, connect with foreign buyers, and expand operations in new markets.

https://www.facebook.com/iiemonline/#

https://twitter.com/iiemonline

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