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WEEKLY E-BULLETIN
JULY-2017

LIMITED SCOPE FOR RUPEE STRENGTHENING FURTHER

The threat of the rupee breaking below 65 has eased as the currency managed to recover in the past week.The rupee tested the support at 64.90 on June 3 and reversed higher from there to touch 64.48 before closing at 64.53 on Monday.

The recovery in the Indian benchmark indices aided the rupee, as the dollar index remained stable through the week.The dollar index has been hovering around 96 over the last one week. It is currently trading at 96.15.

Support for the index is at 95.5 and resistance is at 96.5. A breakout on either side of 95.5 or 96.5 is needed to get a clear direction on the next move.If the dollar index manages to sustain above 96 and breaks above 96.5 in the coming days, the downside pressure may ease. It will then pave the way for the index to target 97 or even 97.5 thereafter.

Such a rise in the dollar index may limit the upside in the rupee and drag it lower towards 65 in the coming days. On the other hand, if the dollar index declines below 95.5, it can fall to 95.3 or 95 in the coming week.
B/L/10/7/17

TEA OUTPUT UP 6% IN JAN-MAY PERIOD

India’s tea production in the first five months of the current calendar year has increased 6 per cent over the corresponding period in 2016.

“The Tea Board has now released the May production data, indicating an 18 per cent increase (over May 2016) to 121.3 million kg (mkg),” Rajesh Gupta, compiler of the annual Global Tea Digest.

This has helped overall production in the first five months rise over the same period in 2016.

“Our compilation shows that India’s production in the first five months has risen to 300.13 mkg from 276.89 mkg in 2016,” Gupta said.

North Indian output has risen to 209.23 mkg from 200.10 mkg. Assam topped the production table

with 129.27 mkg — an increase of 2 mkg.South Indian output rose to 90.90 mkg from 76.79 mkg. Tamil Nadu produced 66.35 mkg — a jump of 13.99 mkg.
B/L/11/7/17

KARNATAKA WOOS TRADERS FROM OTHER STATES TO ITS ONLINE AGRI PLATFORM

After connecting a majority of the agriculture markets across the State, Karnataka is now reaching out to traders and large buyers from other States to join its electronic commodity trading platform.

Karnataka, an early mover in implementing agriculture market reforms, since 2013, has already connected about 157 of the 162 agriculture markets across 29 districts in the state through the Unified Markets Platform (UMP), where bidding takes place online.

Rashtriya e-Market Services (ReMS), the joint venture between the Karnataka Government and NCDEX Spot Exchange Ltd, which rolled out the UMP, has launched a multi-lingual campaign to attract traders from others States aggressively.
B/L/12/7/17

'A FARMER SHOULD KNOW THE PRICE HE WILL GET AT THE TIME OF SOWING'
S Sivakumar, CEO of ITC's Agri Business Division, is considered to be a thought leader in the agri business sector.

He was instrumental in developing the e-choupal model and farm produce procurement in the hinterland. Sivakumar wrote and spoke extensively on the bottlenecks the Indian agriculture is facing for over a decade.

He spoke on the impact of the Goods and Services Tax (GST) on agriculture, and the issues Indian agriculture is facing, in an interview. Excerpts..
B/L/13/7/17

WATER LEVELS IN RESERVOIRS MOVE UP MARGINALLY

The cumulative water storage in 91 major reservoirs in the country is 36.108 billion cubic metre (BCM), a 2-percentage-point increase over the previous week, an official release said.

The water level in these reservoirs, on an average, moved up to 23 per cent from 21 per cent for the week ending July 6, said the release, from the Ministry of Water Resources.

These reservoirs have a total storage capacity of 157.799 BCM. The current level is 85 per cent of the storage of the corresponding period last year and 82 per cent of the average for the last 10 years, it added.

Reservoir levels in the South, which accounts for nearly a third of the cumulative capacity of the country, are precariously low with live water storage of a mere 14 per cent. **B/L/14/7/17**

TEA DUST SETTLES ON GST CLARITY

The Commercial Taxes department has categorically stated that “different procedures for different auction centres is inadmissible” since the GST Act has uniform implication throughout the country.

This communication from C Manimohan, Deputy Commissioner (CT), Udhagamandalam, to the Executive Director, Tea Board, MD, Tantea and MD, Tea Serve, was hailed by industry stakeholders. “There is some clarity on the issue,” said a member of the exporting community.

A uniform procedure is proposed to be adopted at all auction centres, the department noted **B/L/15/7/17**

Exports to Sri Lanka jump in FY17

Bangladesh exports to Sri Lanka sharply increased in the just concluded fiscal year as the figure totalled $42.24 million registering a 38.76% growth over the previous year. In the FY2015-16, the export was $30.44 million.

The pharmaceutical products constituted the largest part of the exports with $13.87 million followed by medicament mixture which earned $11.70 million, medicaments nes in form of dosage $9.11 million and garments $1.44 million, according to the Export Promotion Bureau data.

Sri Lankan President Maithripala Sirisena is in Bangladesh now on a three-day official visit. And it is expected that the bilateral trade and commerce between Bangladesh and Sri Lanka would reach to a new level as a lot of issues to be discussed broadly.

As of FY2015-16, bilateral trade of two countries stood at $75.62 million and the trade is in favour of Sri Lanka. Bangladesh export was $30.45 million, while import from the country was $45.16 million in the year. **Dhakatribune**

INDIA'S SERVICES EXPORTS FLAT AT $13.5 BILLION IN MAY, IMPORTS UP 4 PER CENT

India's exports growth slowed to a four-month low in June while heavy buying of gold lifted imports, causing a sharp spike in trade deficit from a year earlier, though the gap narrowed from the previous month. Exports grew 4.39 per cent to $23.5 billion, while imports rose faster at 19 per cent to $36.5 billion, data from the commerce department showed, leaving a trade gap of about $12.9 billion in June, compared with $8.1 billion in the year-earlier period and $13.84 billion in May.

Gold imports doubled from a year earlier to $2.4 billion. For the fiscal first quarter, trade deficit more than doubled to $40 billion from $19.2 billion a year earlier.

Half of the 30 export sectors showed a decline. "This is a cause of concern. This means the diversification policy of the government is not working," said DirectorGeneral & CEO at the Federation of Indian Exports Organisation (FIEO).

Major commodity groups of export that showed growth over the year-earlier period were engineering goods (14.78 per cent), petroleum products (3.6 per cent), organic & inorganic chemicals (13.2 per cent), rice (27.29 per cent) and marine products (24.27 per cent).

India reported these muted numbers at a time when China posted better than expected exports with an 11.3 per cent expansion in June. "It is not encouraging especially when the GST impact is expected to come in July and August.

It will be surprising if exports are positive in July because of clearance of consignments at ports," DG & CEO added. Exports were stuck due to confusion over customs rules under GST.

Petroleum, electronic goods, coal, gold, pearl as well as precious and semi-precious stones drove up June's imports. Oil imports saw a 12.2 per cent spike to $8.12 billion, while nonoil imports were up 21.17 per cent at $28.3 billion.

INDIA AT RISK OF LOSING NEPAL TRANSIT TRADE TO CHINA

India is at risk of losing the Nepalese transit trade to China, whose high-speed rail link, particularly under the One Belt One Road (OBOR) initiative, compares favourably to the slow trundle of Indian goods trains and the capacity constraints on the border with Nepal. According to the World Integrated Trade Solution (WITS), set up by the World Bank and UN trade bodies, Nepal imported goods worth $6.6 billion in 2015 and exported goods worth $660 million.

India accounts for 60 per cent and 63 per cent, respectively, of Nepal's imports and exports. The rest of the trade, valued at over $3 billion, is also routed through India. China controls only 14 per cent of Nepal's trade demand, but is now aiming to significantly shift Nepal's transit trade from India to itself. The OBOR proposal itself is costly, and may have serious repercussions for the tiny Nepalese economy, where remittances account for almost 27 per cent of GD.

But even given Nepal's geographical proximity with India, the high cost of logistics makes the Chinese rail proposal seem more viable. Nepal has so far been using Kolkata as a transit port, but loading and unloading take days. According to a BIMSTEC study, cargo arriving in Haldia takes 11.5 days to reach Birgunj in Nepal by rail, covering 680 km, against the 22 days' sea travel from Shanghai to Kolkata. The cost of transporting cargo from Kolkata to Birgunj is much the same as the sea freight. Due to efficient cargo handling, and flexible offers from Maersk Line and CONCOR, which have monopoly rights to take railway rakes to Nepal, Visakhapatnam port operations are cheaper than those at Kolkata, but only marginally.

The sea freight advantage is eroded by higher rail freight due to a longer (by 1,400 km) distance. The rakes' travel time has increased from twoand-a-half days (Kolkata-Birgunj) to four-anda-half days at an average of speed of 13 kmph; that speed is almost half the average goods trains' speed of 25.5 kmph as claimed by the Railways' in 2012-13.

At a recent workshop organised by the Nepalese Embassy in India, Railway officials admitted that a higher ratio (62 per cent in 2012-13) of passenger trains and low investment in track capacity are affecting goods movement. But they blamed the poor handling capacity at the CONCOR-operated Birgunj dry-port (Himalayan Terminal) in Nepal and the delay in Customs clearance for the escalation in trade costs. Railway data show serious capacity constrains at both the Raxaul (Bihar) railyard and Birgunj, which took 25 hours on an average in 2016-17 to unload a rake, against the stated capacity to unload two-and-a-half rakes a day. CONCOR sources say they are constrained by inadequate siding capacity.

The situation is no better at Raxaul, where Railways restricted loading on 35 of the 90 days from April to June. To ease congestion, the Railways is scheduled to open a new goods shed at Ramgarwa (the next station to Raxaul) by the end of this year. CUSTOMS, A HURDLE According to Railway sources, considering track capacity constraint and other issues, the turnaround of rakes can be improved by round-the-clock Customs clearance at the Indian border gates at Raxaul. Right now, officials work on a 10-to-5 shift, which causes a pile-up of rakes awaiting clearance.

Meanwhile, the progress of proposed crossborder rail links at Jogbani (Bihar)-Biratnagar (Nepal) and Integrated Check-posts (ICP) at key border gates has hit a slow track. The Land Ports Authority, under the Union Home Ministry, completed the Indian side of ICPs at least a year ago. But the Ministry of External Affairs (MEA) is yet to complete the Nepalese side. At Biratnagar, the construction is yet to take off. There is also limited coordination between the Railways and other agencies.

REPUTED EXPORTERS CAN GIVE LETTER OF UNDERTAKING FOR IGST EXEMPTION

Clearing the air with regard to exemption from payment of integrated GST by exporters, the finance ministry has said that big exporters with good track record can give the letter of undertaking (LUT) to the customs.

On the other hand, small exporters would have to give bond to seek IGST exemption on export consignments. After implementation of the Goods and Services Tax (GST), exporters raised the issue of lack of clarity on norms relating to submission of bonds or LUTs for clearance of export consignments and seek IGST exemption.

The Central Board of Excise and Customs (CBEC) in a notification has specified the conditions and safeguards for the entities that intend to supply goods or services for export without payment of integrated tax, for furnishing an LUT in place of a bond. It said status holder exporters who have received inward forex remittances in excess of Rs 1 crore in the previous financial year can provide LUT to seek exemption. Welcoming the move, the Federation of Indian Export Organisations (FIEO) said that the notification has resolved the confusion with regard to LUTs and bonds. "Now it is clear that status holder exporters have to give LUT on their company's letter head to seek IGST exemption. And other exporters will give bond on non-judicial stamp paper," FIEO Director General & CEO said.

FIEO added that bond with bank guarantee would be sought only from those exporters whose track record is not good. Status holder exporters are those whose shipments were more than Rs 20 crore in the last three years. Under the GST, an exporter can get exemption from payment of IGST if he/she submits bonds or LUTs.

In case the IGST has been paid, exporters can seek refund of the tax paid, according to a Customs circular on export procedure in the GST regime. However, it was not clear like who would have to submit bonds and whether the bond should be accompanied by a bank guarantee.

IGST is levied on the supply of any goods and services in the course of inter-state trade or commerce. As per the IGST Act, export and import of goods and services are deemed to be a supply in the course of interstate trade or commerce.

GST IMPACT: GSTIN NOT NECESSARY IF EXEMPT GOODS IMPORTED OR EXPORTED

Importers and exporters of goods, that are exempted from GST, do not need to obtain a GST registration number and can clear their consignments by quoting PAN, the customs department said.

The department issued the clarification amid reports of some consignments being delayed at ports for want of clarity on rules governing the new Goods and Services Tax (GST) regime.

"It is being clarified and assured that there is no hold up of import and export consignments, wherever GSTIN is legally not required. "Importers, exporters and customs brokers are requested to quote authorised PAN in the bills of entry or shipping bills for such clearance," the Maharashtra wing of customs department said in a public notice. The Goods and Services Taxpayer Identification Number (GSTIN) is a 15 digit unique code which is assigned to each registered business or trader.

It replaces TIN (Taxpayer Identification Number) – the unique 11 digit number allotted to each business entity which was registered with the commercial tax department in the previous indirect tax regime.

Post of the implementation of GST from July 1, there has been some confusion over requirement of GSTIN for clearance of consignments at ports. The Central GST Act exempts businesses engaged exclusively in the supply of goods (import and export) which are exempt from GST from obtaining registration under the new indirect tax regime.

The customs department in Maharastra, which handles the largest container port of Nhava Sheva, has now clarified that PAN will be sufficient for clearance at ports for goods which does not require registration under GST. "Difficulty, if any may also be brought to the notice of Deputy / Assistant Commissioner in charge of Appraising Main (Export) through email/phones," the notice said. Further, Directorate of International Customs (DIC) has been set up on July 1 which will assist the CBEC in international matters pertaining to customs, integrated GST and tariff matters.

The DIC would be headed by a Principal Commissioner and will report to the chairman of Central Board of Excise and Customs (CBEC).

THE INITIAL CHALLENGES FACED BY EXPORTS SECTOR TO BE ADDRESSED ON WAR-FOOTING: PRESIDENT,

FIEO President, FIEO while addressing the exporters during the Post GST Meet on Export Compliance organised by FIEO at Mumbai said that introduction of GST is a path breaking reform that will only bear fruits in the long run with initial hiccups.

FIEO Chief explained that the liquidity problem of the exporters, constraints in job work, delays in initial returns for exports in the months of July and August, procedural issues in LUT/Bond are being flagged by FIEO and FEO President strongly highlight some of them during his meeting with Hon'ble Commerce and Industry Minister recently.

FIEO Chief appreciated that Government has considered FIEO's various request on priority by giving suitable clarifications and nominating Shri Satya Srinivas, JS Customs as nodal point in CBEC and Shri Ajay Srivastava, Jt. DGFT as nodal point in DGFT to answer to the queries of the exporters. Consultant, GST, CBEC, New Delhi said that GST is a great reform undertaken by Team India that will lead to greater transparency and transformation. GST will have a profound and positive effect on society, economy and tax regime and it will change the way we run our businesses and collect taxes. Once the system stabilises life will be better and ease of doing business would be certainly realised. Dedicated efforts have been made by Central and State officials for GST implementation. Commissioner, State Tax GST, Maharashtra informed that the Government of Maharashtra has enacted SGST Act, Rules, Notifications on the lines of central legislation and State is geared to meet the challenges of the new regime.

DG & CEO, FIEO raised the concern that GST will severely dent the liquidity of the exporter in a big way and the compliance cost of merchant exporter may go up.

Export competitiveness of India may tank by about 2% and this will be a big blow for the exporters. He appraised that Government is looking into the various options to neutralize the effect under the new GST regime. Addressing the participants Regional Chairman, FIEO (WR), flagged the issue that while transition input tax credits and inherent benefits of GST would lower costs, higher GST rates for products may spoil sport in some cases. Determination of price and being competitive would be critical for all enterprises especially for price sensitive products. Even MSMEs would work on pricing patterns to remain effective. The meeting was also addressed by Dr John Joseph, IRS, Chief Commissioner of Customs, Mumbai Zone – II; Shri Rajeev Tandon, IRS, Chief Commissioner of Customs, Mumbai Zone – I; Dr Sonia Sethi, IAS, Addl. DGFT, Mumbai and Shri Deepak Mata, IRS, Assistant Director, NACIN.

RESTRICTION LIKELY ON IMPORT OF ITEMS THAT HIT LOCAL COMPANIES

India is looking to impose restrictions and standards on products where imports have replaced domestic production, an attempt to give a push to 'Make in India' programme and reduce the widening trade gap.

The commerce department has instructed various ministries to analyse data and compile lists of products which are being produced domestically but losing market share to imports.

The Bureau of Indian Standards (BIS) has been assigned the task of setting standards that will have to be met by imported goods as well as goods manufactured in the country.

"We need to do an analysis of the deficit before putting any technical restrictions because there are certain areas where we do not have domestic production," said an official aware of the development. Medical devices, solar cells, ceramics, plastic wares and toys, among other products, may be subjected to mandatory standards in the future as the government attempts to control India's large trade deficit.

Most line ministries, especially those which have a regulatory role such as textiles and health, along with the industry department, have been asked to prepare a list.

The government wants to impose standards, compliance with which will be mandatory for both domestic and imported goods – called 'national treatment' in trade parlance. The national treatment will ensure that the restrictions are consistent with the World Trade Organization commitments.

At present, about 120 products including certain qualities of cement, electronics, milk powder, cables and wires come under mandatory standards compliance. India exported goods worth $274.6 billion in 2016- 17, 4.7 per cent higher than $262.2 billion in the previous year. The trade deficit in 2016-17 was $105.7 billion.

"Ministry has asked all ministries to look at data and find products that need attention. Govt will take two months for a review," the official said. Moreover, the department wants experts from all government agencies to participate in meetings of various global standard setting fora. So far, BIS has usually represented India at such meetings. Besides keeping the trade deficit in check, the move will help make the domestic industry more competitive since it will also have to comply with the same norms.

GOVT TARGETS 18% GROWTH IN GARMENTS EXPORT THIS FISCAL

The government is targeting garment export to increase 18 per cent in this financial year on the back special financial incentives given to the sector. The country registered exports of $17 billion last fiscal.

Textile Commissioner, said the government has given an additional 10 per cent subsidy for the garment and made up segments, which means the home textile industry will effectively get 25 per cent capital investment subsidy on new machines they bring in, leading to efficiency and modernisation of the sector.

Subsidies have proved beneficial for the sector and led to increase in employment and attracted fresh investments, Commissioner said after inaugurating the 65th National Garment fair. The textile industry should utilise the various government schemes, it said.

CENTRE HIKES SUGAR IMPORT DUTY TO 50%

The Finance Ministry issued a fresh notification raising the import duty from the 40 per cent rate announced on June 30 to 50 per cent. Sugar Mills are very happy at the Government's decision as the domestic sugar industry will benefit," said Director General of the Indian Sugar Mills Association. "With global prices moving up slightly and import duty at 50 per cent, we do not expect much import to take place."

Cheaper imports have been adversely affecting sugar mills. Indian Sugar Mills Association said retail prices have stabilised in the last six months. But, with the Centre increasing the fair and remunerative price of sugarcane by about 11 per cent to ₹255 a quintal for the season beginning October, sugar mills have been finding it difficult.

RUPEE STRENGTHENING TO HURT EXPORTERS BY UP TO 3 PER CENT IN Q1: CRISIL

Largest ratings agency Crisil today warned the 4 per cent appreciation in the rupee will impact the June quarter sales of exporters by up to 3 percentage points and profits by up to 1.50 per cent.

"The sharp appreciation in the rupee against the dollar in recent months is likely to have dented the first-quarter (current fiscal) profitability of exporters that source locally and have limited pricing power," it said. The rupee is steadily appreciating against the dollar for the past few months and moved from 65.03 on April 3 to 64.58 on June 30 against the dollar.

Leather, textiles, meat, seafood and basmati rice are the most vulnerable with an impact of up to 3 percentage points of net sales, while the same for pharmaceuticals and agrochemicals will be much lower at 1.50 per cent.

Gems and jewellery, and the information technology sectors will have minimal impact of the rupee strengthening as they have import outgoes and extensive hedging, respectively.

On the bottom line front, the agency said the net profits will be impacted between 0.50-1.50 per cent only because of the foreign currency loans taken by most exporters, it said, adding 50-90 per cent of borrowings are foreign currency denominated.

The agency, however, said the credit profiles of exporters will only see a marginal impact as the leading exporters in IT, pharmaceuticals and agrochemicals sectors have a high operating margin of 15-25 per cent which can help them absorb forex losses. However, it warned that if the appreciation continues, there may be some reverses.

"While a majority of exporters have weathered the forex storm so far, any significant rise in the rupee from here would impact credit profiles of exporters in the vulnerable sectors," its senior director said.

Agency added that the rupee's relative strength versus competing currencies, and business challenges constrain the competitiveness of exporters in some sectors.

FINANCE MINISTER CALLS ON BANKS FOR GREATER LENDING TO AN ORGANISED SECTOR

Finance minister called on banks and financial institutions like Nabard to further improve lending to the unorganised sector to boost job creation. Addressing an event organised by the Nabard, Minister said, "It is a fact that people in the unorganised sector are much higher than the organised sector, but the former gets credit with a lot of difficulty."

The unorganised sector makes up for a roughly 45% of the country's GDP but around 80% of employment. Still, much of the lending by banks goes to the organised sector. "If the resources of banks and financial institutions through various schemes are diverted towards this (unorganised) sector, it will help create more employment," the finance minister said. Finance Minister stressed the performance of self-help groups (SHGs) and said they have helped generate lakhs of jobs in rural areas.

under the lower tax bracket. On implementation of the GST, Revenue Secretary said that it has so far gone off smoothly and credit must go to those who were involved in the planning process. Secretary said GST rates have been fixed so that it does not affect any section of the society adversely.

Revenue Secretary also predicted that exports and Make In India initiative would get the required push and fillip due to GST. On tax collection, the Revenue Secretary said, there will be some losses in tax collection in short term, but in the long term the revenue collection will go up. Revenue Secretary said, the government is also organising master classes on GST to educate the people about various aspects of the new tax regime. Adhia said, tax evasion is not possible under the GST regime.

Revenue Secretary also appealed to the people not to pay heed to the rumours on social media about GST, adding that they should verify them from the authorities.

GST IMPACT: GOVERNMENT URGES TRADE, INDUSTRY TO TRUST THE SYSTEM

The wet grinder cluster in Coimbatore finally had something to cheer about when Minister of State for Civil Aviation, took note of their plea on GST rate fitments and assured the members that govt would do the best to convince the

Council about their concerns. Minister was along with government officials to assure and imbibe confidence amongst the trade and industry about simplification of the tax regime under GST.

"Govt's goal is price stability and revenue neutrality. Trust the system.

The moment it is in place, trade and industry will start getting the refund on the 9th day," Minister said.

The meeting at the Codissia Trade Fair Centre was organised jointly by the Indian Chamber of Commerce and Industry, Coimbatore and the Coimbatore District Small Industries Association (Codissia).

Voicing appreciation about the feedback from industry and trade associations across the country about issues and challenges that they faced since July 1, Minister said "different industry clusters and industry sectors faced certain challenges as they implemented the Goods and Services Tax.

Govt has been able to successfully resolve many of their issues." "Govt has been dealing with 6-7 major issues in the aviation sector such as double taxation, concerns over availing input tax credit, movement of spare parts across the country and so on. The biggest issue prior to GST implementation was to ensure the issues around global ticketing systems are addressed before the roll out. And it was quite possible to do the ticketing for us from day 1 of roll out."

"Govt has managed to resolve 70-80 per cent of the issues in the last week and move forward in implementation of GST."

GST: GOVERNMENT BETS BIG ON TECH TO ENSURE E-WAY BILL DOES NOT BRING BACK INSPECTOR RAJ

The proposed e-way bill for moving goods within the country would rely heavily on technology, employing RFID chips and QR codes, to ensure that monitoring of goods movement does not bring back inspector raj and slow down goods traffic on highways, officials said.

After the launch of the goods and services tax (GST) on July 1, the movement of commercial goods had got speeded up as states abolished entry check posts. Under the new tax regime, a document called e-way bill, or electronic way bill, is required to transport any good worth more than Rs 50,000.

The e-way bill is proposed as a permit of sorts in electronic format, which will have details of the goods carried on a vehicle.

The industry has been apprehensive that such a document will revive inspector raj, undermining the gains achieved by the abolition of check posts.

RETAIL INFLATION AT 5-YEAR LOW BUT FACTORY OUTPUT DIPS TO 1.7%

Factory output turned in sluggish numbers in May, while consumer inflation eased to its lowest level since the index's inception in January 2012, prompting hopes of a rate cut by the Reserve Bank of India (RBI) in its policy review next month. Consumer price index (CPI)-based inflation eased to 1.54 per cent in June from 2.18 per cent in May as food items such as pulses and vegetables became cheaper. The CPI stood at 5.77 per cent in June 2016.

FOOD INFLATION DOWN

Food price inflation also contracted 2.12 per cent in June. It had fallen 1.05 per cent in May.

Chief Economic Adviser termed the inflation data "heartening" and said it shows consolidation of a macro-economic stability.

"This low number and what it implies about underlying price pressures — as well as the latest IIP data — is something that all policymakers will reflect upon very, very carefully," Subramanian said, noting that the last time inflation was so low was in 1999 and in

August 1978, though with different indices.

MINING DIP The Index of Industrial Production (IIP) grew 1.7 per cent in May, bogged down by a dip in mining and little growth in manufacturing activities. It had expanded at a more robust 2.79 per cent in April, and 8 per cent in May 2016. “The cumulative growth for the period AprilMay 2017 over the corresponding period of the previous year stands at 2.3 percent,” said an official report released on Wednesday.

While mining contracted by 0.9 per cent in May, manufacturing grew a mere 1.2 per cent, and eelectricity generation rose 8.7 per cent.

CAUTIOUS APPROACH

More worryingly, the use-based classification of industries reveals that companies as well as consumers remained cautious about investments and big purchases.

Primary goods grew 3.4 per cent in May while capital goods, which denote investment, contracted even more steeply — by 3.9 per cent — as against a dip of 2.9 per cent in April. Growth in intermediate and infrastructure goods was also subdued at 0.7 per cent and 0.1 per cent, respectively.

CONSUMER DURABLES SHRINK Retail purchases were also muted with consumer non-durables contracting 4.5 per cent in May although consumer durables grew by 7.9 per cent. Analysts however, said the low inflation was due to the base effect, and that the RBI may choose to wait before cutting policy rates.

JUNE WHOLESALE INFLATION COOLS TO 11-MONTH LOW

Wholesale inflation eased to the slowest in 11 months in June, boosting hopes of an interest rate cut as it comes after the pace of price rise at the retail level fell to a multiyear low and good monsoon rains indicated that food prices would remain benign.

Inflation, as measured by the Wholesale Price Index (WPI), slowed to 0.9 per cent in June from 2.17 per cent in May, data from the commerce and industry ministry showed. Wholesale food prices fell 3.47 per cent in June, compared with a 2.27 per cent drop in May.

Inflation in pulses, vegetables and potatoes declined the most, but that in eggs, meat and fish accelerated to

1.92 per cent from 1.02 per cent in May.

CABINET NOD FOR CLARITY ON INVESTMENT PACT WITH BANGLADESH

The Union Cabinet approved the Joint Interpretative Notes (JIN) on the Agreement between India and Bangladesh for to bring clarity to the interpretation of the existing Bilateral Trade and Promotion Agreement (BIPA).

The JIN includes interpretative notes to be jointly adopted for many clauses, including, the definition of investor, definition of investment, exclusion of taxation measures, Fair and Equitable Treatment (FET), National Treatment (NT) and Most Favoured Nation (MFN) treatment, expropriation, essential security interests and Settlement of Disputes between an Investor-and a Contracting Party.

With increasing Bilateral Investment Treaty (BIT) disputes, issuance of such statements is likely to have strong persuasive value before tribunals, an official statement said.

INDIA BECOMING MORE ATTRACTIVE TO FOREIGN FIRMS: CHINESE DAILY

India is becoming more attractive to foreign firms but its path of reforms, including the implementation of the GST, will not be easy, an article in a state-run Chinese daily said. "As low-cost manufacturing is gradually moving away from China, it is now critical for India and even the world whether it can replace China as the next 'world's factory', an article in the Global Times said.

The Indian government has rolled out "aggressive reforms" aimed at unifying the country's market, which is very attractive in the eyes of international investors, even though there are huge challenges such as poor infrastructure and difficulties in policy implementation across different states, the article opined. Referring to the commitment by Foxconn and Midea to invest in India, it said these investments are coming close on the heels of India's decision to implement the Goods and Services Tax (GST), the country's biggest tax reform since its independence in 1947.

"The new tax regime is expected to give a boost to the 'Make in India' initiative because it is aimed at unifying various state and central taxes into a single tax system, thus laying the foundation for a common national market and improving India's manufacturing competitiveness," the article said.

"In fact, since Prime Minister launched the 'Make in India' initiative in September, 2014, the Indian government has been making aggressive efforts in unifying the country as a whole, with the aim of building it into an attractive manufacturing destination for global businesses," it said.

INDIA RANKS 116 OUT OF 157 NATIONS ON SDG INDEX

India is ranked 116 out of 157 nations on a global index that assesses the performance of countries towards achieving the ambitious sustainable development goals (SDGs).

The SDG Index and Dashboards Report produced by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung shows that world leaders need to strengthen their joint efforts to realise the 17 global goals.

"Not only does a rising trend of nationalism and protectionism impede the implementation of the goals, but as the report shows, industrialised countries are not serving as role models," the report added. It said many of the richest countries in the world are nowhere near achieving the global policy objectives but also deteriorate the implementation process for poorer countries because of negative spillover effects. India is ranked 116th on the index with a score of 58.1, behind countries such as Nepal, Iran, Sri Lanka, Bhutan and China. Pakistan is ranked 122.

The report said that the countries which are closest to fulfilling the goals are not the biggest economies but comparably small, developed countries. Sweden leads the list, followed by Denmark and Finland. Among the G7 countries, only Germany and France can be found among the top ten performers. The United States ranks 42nd on the Index, while Russia and China rank 62nd and 71st respectively. "One of the greatest obstacles to achieving the global goals for high-income countries are poor performances regarding sustainable consumption and production.

INDIA SUBMITS FARM DATA TO WTO; SAYS NO IMMEDIATE OBLIGATION TO CUT SUBSIDIES

India has submitted details of its domestic support programme in agriculture to the World Trade Organisation and has asserted that it is under no obligation at the moment to cut any of its subsidies.

On its minimum support programme (MSP) for various foodgrains such as rice, wheat and coarse grains, which is continuously being questioned by the US and Australia, among other members, the notification points out that the outgo for each item was below the ceiling level. For cotton and sunflower, too, the outgo on MSP is much below the permitted level.

"Support for each of the listed products is below the relevant 'product-specific' de minimis level," the notification pointed out. De minimis is the minimal amount of tradedistorting subsidy (classified as Amber box) the WTO permits at 1986-88 prices.

For developing countries like India, the de minimis level is 10 per cent of agricultural production. The domestic support numbers provided by India are for the years 2011-12 to 2013-14. "This is a very important notification. The fact that it covers the period 2013-14 as well is significant as it covers all the schemes mentioned in the Bali Ministerial decision,"

pointed out Abhijit Das, Head, Centre for WTO Studies. The notification also gave details of input subsidies for farmers for items such as fertilisers, pesticides which, at $22.82 billion in 2013-14, was much higher than the MSP support, but New Delhi pointed out that these were permissible under WTO rules as the beneficiaries were resource-poor farmers.

"As per the agricultural census for 2000-01, 98.97 per cent of farm holdings are of lowincome or resource-poor farmers, which has increased to 99.15 per cent as per the census for 2005-06," the notification said.

The breakdown of expenditure for general services such as pest and disease control, training services, extension and advisory services, market promotion services and buffer stock operations were also provided.

GREEN BOX

These are covered under the 'Green box' of permissible subsidies as these are not viewed as trade-distorting. New Delhi is trying to get subsidies under its MSP programme treated as Green box (permissible) subsidies, but is facing resistance from a number of developed countries and some developing countries that import food.

It has submitted that at least the calculation of the subsidy provided under MSP should be correctly linked to current market prices and the existing practice of comparing it to 1986- 88 prices should be dropped (as it inflated the subsidies given).

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Articles

INDIAN FRUITS AND VEGETABLE EXPORTS RISE, DOMESTIC DEMAND ALSO ROBUST

India's fruit and vegetable exports are increasing even when the domestic demand is robust.

Prime Minister Narendra Modi had asked scientists to create new agricultural practices and varieties of crop that farmers could export to the Gulf countries. He had told this last year while addressing the platinum jubilee function of the Council of Scientific and Industrial Research.

The Gulf nations have come out as the main market for Indian fruit and vegetables. Other South Asian countries like Vietnam, Malaysia, Indonesia and some European nations such as Netherlands and the United Kingdom have also come out as top markets for Indian agro products.

Fruit and vegetable exports for FY17 were at Rs. 10,686 crores, while groundnuts added Rs. 5,454 crore in exports in comparison to FY16. Mangoes, grapes, potato, and onions were the mainly exported items. Besides this, the domestic demand has been strong. Many modern packing houses for sorting, grading, and packing of the quality fruit and vegetables have been set up in the country.

The guidelines for many agro commodities have been given to comply with maximum residue level (MRL) of pesticides. The framework has been set up to determine designation and quality development. Although sea routes are not being used exports have increased. Air shipment of fruit and vegetables to the European Union and many Asian countries is being done, increasing the transportation cost.

Sea protocol is being initiated with many countries as it will decrease transportation cost to one-third. Rules tell that fruit must be fresh, peel color should be intact and loss in weight must not happen. Fruit & pulp after ripening should be fresh and should have a normal taste.

Indian annual mango exports are presently at 700 tonne and once sea protocol is signed with countries like Japan, South Korea, the United States and the European Union will increase. Indian mango exporters have to give 'hot water treatment' to produce before exporting them to the European market compulsorily. National Plant Protection Organisation has made this compulsory for getting phytosanitary certificates.

For grape export, GrapeNet is an electronic service offered by APEDA for facilitating the testing and certification of the fruit to send it to the European Union. GrapeNet collects, stores and reports on the grapes supply chain in India and does comply with the rules.

Onion demand has been high in the South Asian countries, along with UAE. India is the second largest producer of groundnuts and exports of the commodity have been rising. Quality awareness has increased in growers and sorting and grading is becoming part of the process. Indian manufacturers make and sell edible peanuts of highest standards.

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INDIAN PEPPER EXPORTS FELL BY 37% IN 2016-17

Indian Pepper Exports fell by 37% in FY 2016-17 whereas the pepper imports saw a rise. As per sources from Spice Board, India had exported 28100 tonnes of pepper of value Rs.1730.42 crores in 2015-16 whereas in 2016-17 the export fell by 37% and reached to 17600 tonnes with a value of Rs.1141.89 crores. The fall in the value was 34%.

Kochi port imported 15644.19 tonnes of pepper in April16-February17 which was 7.9% higher than the same period in 2015-16. Total pepper imports of the country were at 19365 tonnes at Rs.1162.96 crores in 2015-16 and have been estimated to reach 18500 tonnes in 2016-17 as per sources.

India was in the top five importers and had bought 11,180 tonnes of pepper from Vietnam in 2016. As per industry, the fall in exports is because of Indian pepper prices being higher than pepper from other countries like Indonesia and Vietnam. The prices are higher due to a robust domestic demand and production growth being much slower than growing demand.

Nearly 90% of the Indian pepper exports are coming from re--export of the pepper that has been imported and given value additions like extraction, grinding and sterilization. 9,795.42 tonnes was imported via the Kochi port and the re--exporters accounted for 5,848.77 tonnes.

The farmers and traders told the prices of pepper have fallen by Rs. 21,000 per quintal in last one year as cheap pepper is being illegally shipped in from Vietnam via Sri Lanka. However, the government is trying different ways to prevent these illegal imports.

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INDIA BECOMING MORE ATTRACTIVE TO FOREIGN FIRMS: CHINESE DAILY

BEIJING: India is becoming more attractive to foreign firms but its path of reforms, including the implementation of the GST, will not be easy, an article in a state-run Chinese daily said today.

"As low-cost manufacturing is gradually moving away from China, it is now critical for India and even the world whether it can replace China as the next 'world's factory', an article in the Global Times said.

The Indian government has rolled out "aggressive reforms" aimed at unifying the country's market, which is very attractive in the eyes of international investors, even though there are huge challenges such as poor infrastructure and difficulties in policy implementation across different states, the article opined.

Referring to the commitment by Foxconn and Midea to invest in India, it said these investments are coming close on the heels of India's decision to implement the Goods and Tax (GST), the country's biggest tax reform since its independence in 1947.

"The new tax regime is expected to give a boost to the 'Make in India' initiative because it is aimed at unifying various state and central taxes into a single tax system, thus laying the foundation for a common national market and improving India's manufacturing competitiveness," the article said.

"In fact, since Prime Minister Narendra Modi launched the 'Make in India' initiative in September, 2014, the Indian government has been making aggressive efforts in unifying the country as a whole, with the aim of building it into an attractive manufacturing destination for global businesses," it said.

Economictimes

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World trade has expanded rapidly over the past decades. An important factor contributing to the growth in trade has been the periodic rounds of successful multilateral trade negotiations which have led to a considerable reduction in tariffs on goods crossing national borders.

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