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Weekly E-Bulletin

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

WEEKLY E-BULLETIN
AUGUST-2017

VOLATILE TREND AHEAD OF FESTIVAL SEASON SPICES UP JEERA

Jeera prices have surged over Rs. 1,000 per quintal in the past two months on short supplies and higher demand as the festival season is set to begin. While supplies are still short, trader sources indicated further volatility ahead for the commodity.However, at the National Commodity and Derivatives Exchange (NCDEX), jeera for immediate month delivery fell on Monday to close at Rs. 19,005 per quintal, down Rs. 135 from the previous close.Spices trader Bhavesh Patel from BT Enterprises in Unjha stated that lower availability of the commodity with stockists has pushed up the prices. "In the international market, too, the supply was thin, thereby leading to an increase in Indian jeera demand overseas. This has jacked up the prices in the past month," said Patel, adding that the trend may continue till the September-October festival season.
B/L-17/8/17

CHINESE COMPANIES EAT INTO INDIAN SERVER

After taking control of the Indian smartphone market, Chinese companies are eating into the Indian server markets in the public cloud and third party data centre segments. These Original Device Manufacturers (ODMs), mainly contract manufacturers, have stormed into the Indian server markets posing a threat to traditional players such as Dell and HP.According to a report by the International Data Corporation (IDC), the market share of the ODMs in the Indian server market has significantly increased from 0.3 per cent in Q1 2016 to 14.5 per cent in Q1 2017.The reason for this is the dynamic shift in the Indian server market to cloud computing. The increased adoption of open source architecture in data centres where information is available freely for use has also contributed to this shift.Harshal Udatewar, Market analyst at IDC India, said, "The large public cloud service providers don't need software, hence they prefer ODM."He also emphasised the cost effectiveness that the ODM companies offer the

end users when it comes to larger contracts. "Customised servers for hyper scale data centres from ODMs enable them to reach scale much faster as compared to regular OEMs," Udatewar added.
B/L-18/8/17

RUSSIAN GIANT TO KEEP LOW PROFILE IN ESSAR OIL MANAGEMENT

While Prashant Ruia, the Chairman of Essar Group, wears a happy look after concluding the long-awaited $12.9 billion deal with Russia's Rosneft and a consortium led by Trafigura and United Capital Partners (UCP), the Russian partners seem to be less happy.While 49.13 per cent share in Essar Oil Ltd (EOL) for which Rosneft had to shell out around $3-3.5 billion (considering that debt and other liabilities constitute about a half of the enterprise value of the deal) provide Rosneft with an entry into a "high-potential and fast-growing Asia-Pacific market", as Igor Sechin, CEO of Rosneft, and close ally of Vladimir Putin, put it in a statement, the company seems to not yet have any particular vision for the Indian market.Now as the deal is signed we will see how to market it and what can be done here," a member of Rosneft delegation visiting India to mark the deal closure told *BusinessLine* on the sidelines of the press event in Mumbai. He added that the company has so far no plans to open an office in Mumbai or in India or send any permanent representatives here.Several other delegates who did not want to be identified added that Rosneft, being technically a minor stakeholder would rather keep "lower profile" in the management and operations of EOL. They, too, said the company is not planning to establish any visible presence in India, although some representatives might visit the country from time to time.
B/L-19/8/17

KARNATAKA EYES MORE RAINS WITH VARSHADHARE CLOUD-SEEDING PLAN

Faced with the prospect of a fourth consecutive drought year, Karnataka has finally begun a project to harness rain-bearing clouds over the next two months. In the ongoing monsoon period, Karnataka is facing a cumulative rainfall deficiency of around 25 per cent till date, while the deficit across the country as a whole is four per cent.'Varshadhare', a cloud-seeding project, was flagged off on Monday by Karnataka's Panchayat Raj Minister HK Patil and Agriculture Minister Krishna

Byregowda at the Jakkur aerodrome in Bengaluru.Cloud-seeding is a kind of weather modification procedure that attempts to enhance the amount of precipitation from the clouds to generate more rain. Karnataka is resorting to cloud-seeding after 14 years. Previously, the State had carried out such an operation in 2003.Hoysala Projects Pvt Ltd, the designated agency to carry out the cloud-seeding, will take up the operations from the airports of Hubli and Bengaluru over the next 60 days.Three Doppler radars are being set up at Bengaluru, Gadag and Surpur (Yadgir district) to detect the rain-bearing clouds and enable their seeding. As part of the seeding strategy, special aircraft will disperse the chemical silver iodide as they fly through rain-bearing clouds that will trigger and enhance the precipitation. "We expect to enhance the rainfall precipitation by around 15-20 per cent," said Srinivas,/ Project Manager at Hoysala Projects. **B/L-21/8/17**

GOVT PLACES CURBS ON MOONG, URAD IMPORTS

The Centre on Monday placed curbs on import of pulses green gram and black gram just as fresh harvests from the current kharif season started arriving.The notification issued by the Directorate-General of Foreign Trade to restrict the import of urad and moong to 3 lakh tonnes per annum is expected to help farmers get better prices for their produce.On August 18, new moong commanded a price of Rs. 5,051 per quintal in Indore, which is 10 per cent lower than its minimum support price (MSP) for the season set at Rs. 5,575. The prevailing price of urad, too, is much lower than the declared MSP of Rs. 5,400 a quintal. About a fortnight ago, similar curbs were placed on arhar dal, helping shore up dipping prices in the domestic market. According to sources, the move to restrict toor dal imports to 2 lakh tonnes per annum led to a price increase of about 20 per cent in the country.The announcement comes amidst the reports that the planted pulses crops have been affected by erratic rains and a slump in prices last year.

B/L-22/8/17

WEEKLY E-BULLETIN
EXPORT-IMPORT-TRADE

TRADE DEFICIT IN INDIA FALLS TO $11.5 BN AS EXPORTS RISE 3.9%

India's merchandise export grew 3.9% to 22.54 billion in July, marking an annual increase in shipments for the 10th straight month, but slower than the 4.4% growth posted in the previous month.

The growth of imports, despite continued surge in the influx of gold, slowed in July to an annual 15.4% from 19% in the previous month, precipitating a narrower trade deficit of $11.45 billion. The trade shortfall was $12.96 billion in June.

India imported goods worth $33.99 billion last month, as against $36.52 billion in June. As for exports, engineering goods (up 15.2%), petroleum products(20.3%) and chemicals (20.7%), performed well in July, but several other sectors reported contraction. Pharmaceutical exports declined 5.4% year on year, apparel exports fell 12% and gems and jewellery saw a 22.7% fall.

South Korean imports via the FTA route had seen gold imports surge 104% to $2.45 billion in June. The imports saw 95% rise in July to $2.1 billion. "...the need of the hour is the sectoral analysis which should be initiated soon to pin-point factors responsible for decline in (exports from many sectors)," President of Federation of Indian Export Organisation (FIEO) said.

Oil imports were valued at $7.84 billion in July, an increase of 15% over the same month in 2016. Cumulative import during April-July increased by 28.3% to $146.25 billion, leaving a trade deficit of $51.5 billion.

FIEO President has also cautioned that the order booking position October onwards is not very promising and the appreciation of Indian currency with increasing pressure on liquidity under the goods and services tax may affect exports in the last quarter of 2017 bringing exports to $310 billion in the current fiscal.

TRADE POLICY REVIEW MAY LOOK TO HELP EXPORTERS WITH GST BLUES

The mid-term review of the Foreign Trade Policy (FTP) — likely next month — may provide relief to exporters reeling under the impact of the new Goods and Services Tax (GST) regime, with the Centre examining if some lost benefits could be restored.

The Commerce Ministry is in talks with the Finance Ministry and the GST Council to expand the scope of the popular 'Advance Authorisation' scheme to allow Integrated GST (IGST) exemption on imported inputs, in addition to basic customs duty, a government official said.

Changes are also likely to rules on supplies to export-oriented units (EOUs) from the domestic tariff area (DTA), which are currently not being treated as 'deemed exports'.

"Exporters have been complaining that by restricting exemptions in the advance authorisation to only the basic customs duties on inputs, the scheme has become unattractive and that many may opt out if IGST is also not exempted," the official said.

It is accepted international practice — in countries where GST and VAT exist — to give exemptions to exporters from such taxes on imported inputs, it added.

Under the GST regime, DTA manufacturers supplying to EOUs are not allowed to import the inputs without payment of duty under Advance Authorisation.

"The DTA suppliers have to pay the basic customs duty, cesses and IGST for imported inputs. They are entitled to input tax credit of only IGST. Basic customs duty and cesses thereon are cost to them," points out the Engineering Export body.

The mid-term review of the FTP (2015-2020), likely next month, will try to sort out some of the problems faced by exporters if the GST Council gives its consent. "There is nothing that the Commerce Ministry can do without the approval from the GST Council.

It is being hoped that all issues being faced by exporters, which can be sorted out by the Centre, will get resolved in the review. If not, efforts in the direction would continue," the official said.

India's exports have been growing consistently for the past eleven months, but the pace of growth has slackened. Exports in 2016-17 grew 4.71 per cent to $274.64 billion compared with the previous fiscal, it was after two years of continuous decline.

GOLD IMPORTS JUMP OVER 2-FOLD TO $12.35 BN IN APR-JULY

India's gold imports more than doubled to USD 13.35 billion during the April-July period of the current fiscal, according to the data of the commerce ministry. Gold imports, which has bearing on the country's current account deficit (CAD), stood at USD 4.97 billion in April-July 2016-17. In July this year, imports of the precious metal rose to USD 2.10 billion from USD 1.07 billion in the same month of the previous year. Surge in gold imports in July contributed to the widening of trade deficit to USD 11.44 billion as against USD 7.76 billion in July 2016. The rise in imports assumes significance as India is recording surge in the inbound shipments of the precious metal from South Korea, with which India has implemented a free trade agreement since 2010.

Officials have stated that the government is contemplating steps to check the surge in imports from that country. Gold imports from South Korea has jumped to USD 338.6 million during July 1-August 3 this year. The import in 2016-17 stood at 470.46 million.

Under the free trade pact between India and South Korea, basic customs duty on gold was eliminated. Further, the 12.5 per cent countervailing duty on gold imports has been subsumed in the Goods and Services Tax (GST). Accordingly, imports now attract only 3 per cent integrated GST. Under the FTA with South Korea, the government has recently notified rules for investigation of safeguard duties. Countries impose this duty to discourage imports of a product. India is the world's second biggest gold consumer after China. The imports mainly take care of demand by the jewellery industry. At present, gold import attracts 10 per cent duty. The gems and jewellery industry along with the commerce ministry have time and again urged the finance ministry to consider a cut in the import duty.

NON-OIL EXPORTS CONTINUE TO DECLINE SEQUENTIALLY ON STRONG RUPEE, GST

Non-oil exports have contracted, month-onmonth, since April. Exports of petroleum and related products have been rising in the first four months of 2017-18. "Non-oil exports fell sharply in July (by 6.47 per cent, month-on-month, seasonally adjusted), continuing the contractionary trend which had started in March," a report by HSBC Securities and Capital Markets pointed out.

Non-oil exports have declined in every month of the current financial year (FY18), falling by 2.67 per cent in April, 1.10 per cent in May, 2.67 per cent in June and 6.47 per cent in July. Month-on-month calculations run the risk of not taking into account seasonal variations in trade. In July, the first month after the goods and services tax (GST) was rolled out, major export sectors were depressed.

This was especially true for gems and jewellery, which saw a more than 25 per cent fall in July, compared to a 13.3 per cent fall in June. Gold imports in July rose by 95 per cent to $2.1 billion. "In addition to seasonal factors, the month-onmonth decline in non-oil merchandise exports in July is likely to reflect the lagged impact of the appreciation of the rupee as well as some disruption after the introduction of the GST," said Icra. Also, pharmaceuticals and engineering goods exports registered declines. Petroleum product exports rose by 11.15 per cent in July after a 3.97 per cent rise in June. This was helped by stable global crude oil prices, which were expected to rise in the next couple of months, Icra said. Year-on-year calculations that compare a particular month with the same month a year ago showed exports growth had slowed in July to 3.94 per cent even as the country witnessed 11 straight months of rise in outbound trade. India exported $22.54 billion worth of goods in July against $21.68 billion in the same month last year, according to data issued by the commerce ministry. Growth has continuously declined since March, when it hit a high of 27 per cent, the steepest in a little over five years. In June, it was 4.39 per cent, down from 8 per cent in May. Of the 30 most important export sectors 11 posted declines. This was down from the previous month when the figure was 15. The HSBC report shows that exports continued to weaken in volume terms as well. While the continued rise of the rupee had a lot to do with this, other issues such as the GST roll-out and lower imports also contributed.

"HSBC research shows that exchange rates explain under 20 per cent of exports weakness. The giant share of 50 per cent is explained by domestic bottlenecks, and 33 per cent by world growth," the HSBC report said. While a stronger currency hurts exporters' earnings and erodes India's competitive advantage, it also makes imports as well as foreign travel and education cheaper. Economists have predicted a further strengthening of the rupee, at least in the near term, but some of them have pointed out that it will help the economy overall because India is an importing nation.

GOVERNMENT BANS EXPORT OF GOLD ITEMS ABOVE 22-CARAT PURITY

The government has banned exports of gold jewellery, medallions and other articles above 22- carat purity in a bid to check round tripping of the precious metal.

In a notification, the Directorate General of Foreign Trade (DGFT) has said certain provisions of the foreign trade policy (2015- 20) are "amended to allow export of gold jewellery (plain or studded) and articles containing gold of 8 carats and above up to a maximum limit of 22 carats only from domestic tariff area and export-oriented units, electronics hardware technology parks, software technology parks and bio technology parks".

This means that export of gold jewellery, medallions and other articles of the precious metal above 22 carat purity is not permitted by any exporter, including from these parks, which are meant for sector-specific shipments. The DGFT also stated that only those exporters can avail of incentives who are shipping gold jewellery and other articles containing gold of 8 carats and up to a maximum limit of 22 carats and not beyond. According to an official of the Gems and Jewellery Export Promotion Council (GJEPC), some exporters were availing of export incentives by claiming export of gold items of above 22 carat purity with some value addition. Sharing similar views, an official of the Federation of Indian Export Organisations (FIEO) said that through this notification, the government has banned export of the jewellery above 22 carats and this decision will not impact shipment of gold jewellery as there is significantly less demand for these items in the international market. The decision came at a time when Indian gold jewellery traders have raised concerns over a surge in gold imports from South Korea. Gold import from South Korea jumped to USD 338.6 million during July 1 and August 3 this year. The import in 2016-17 stood at 470.46 million. Under the free trade pact between India and South Korea, basic Customs duty on gold was eliminated. Further, the 12.5 per cent countervailing duty on gold imports has been subsumed in the Goods and Services Tax (GST). Accordingly, imports now attract only 3 per cent integrated GST. Countries impose this duty to discourage import of a product. India is the world's second-biggest gold consumer after China. The imports mainly take care of demand by the jewellery industry.

IMPORTS OF VEGETABLE OIL INCREASE 34% IN JULY ON RUPEE APPRECIATION

The country imported 1,524,724 tonne of vegetable oils in July 2017 as compared to 1,140,685 tonne in July 2016, up by 34%, the Solvent Extractors Association (SEA) has said. This includes 1,489,137 tonne of edible oils and 35,587 tonne of non-edible oils.

The overall import of vegetable oils during first nine months of current oil year 2016-17 (November 2016 to July 2017) stands at 11,388,296 tonne as compared to 10,903,728 tonne last year, a rise of 4%, the association said. At present, soybean, rapeseed and groundnut are being sold below MSP and prices have dropped between 20-30% of what they were last year. The current prices are the lowest in the last five years and farmers are totally discouraged to sow the oilseeds which is reflected in their switching over from oilseeds cultivation to other crops. The area under oilseeds has reduced by over 17 lakh hectares in the current kharif season and stands at 154.29 lakh hectares as against 171.15 lakh hectares for the previous year.

To ensure that farmers do not lose interest in oilseeds cultivation and receive remunerative price for their produce during harvesting, the Centre has raised the import duty on crude palm oil to 15% from 7.5%, degummed soybean oil to 17.5% from 12.5% and RBD Palmolein to 25% from 15% with effect from August 11, 2017. The stock of edible oils as on August 1, 2017 at various ports is estimated at 883,000 tonne (CPO 270,000 tonne, RBD Palmolein 140,000 tonne, degummed soybean oil 300,000 tonne, crude sunflower oil 170,000 tonne and 3,000 tonne of rapeseed (Canola oil) and about 1,590,000 tonne in pipelines. Total stock at ports and in pipelines increased to 2,473,000 tonne from 2,278,000 tonne in July 2017.

India's monthly requirement is about 17.50 lakh tonne and operate at 30 days stock against which currently holding stock over 24.73 lakh tonne equals to 42 days requirements. According to the association, during November 2016 to July 2017 period, import of refined oil (RBD Palmolein) has sharply increased to 2,197,455 tonne from 1,984,069 tonne in the same period last year, Also, the import of crude oil increased to 8,903,640 tonne from 8,803,813 tonne during the same period last year.

During November 2016 to July 2017, palm oil import increased to 6,741,678 tonne from 6,175,524 tonne during the same period of last year and the overall share of palm oil products increased to 61% from 57%, thanks to larger import of RBD Palmolein. Soft oils import reduced to 4,359,417 tonne from 4,612,358 tonne last year, however, within soft oils, import of sunflower oil has sharply increased at the cost of soybean oil.

Since April 2016 and onwards, landed price of RBD Palmolein has remained same or lower than CPO, encouraging larger import of RBD Palmolein at the cost of CPO.

INDIA, MEXICO PLAN TO SET UP CEO FORUM TO BOOST TRADE TIES

India and Mexico are planning to set up a CEO Forum of top businesses to coincide with Mexican President's proposed visit to India next year. While the initiative to bring the industry closer follows Prime Minister's visit to Mexico last year, US President Donald Trump's decision to cold shoulder its long-term ally and neighbour may have speeded up things, a government official said. "A meeting between Commerce & Industry Ministry officials and trade diplomats from the Mexican Embassy is scheduled this week on promoting exchanges between the business communities.

Details on the proposed CEO Forum is likely to be discussed," the official said. Mexico, which is looking at intensifying its economic partnership with big markets such as China and India following the cooling of relations with the US, believes that bilateral trade with India could touch $10 billion in the next five years from $6.41 billion at present with the right kind of policy push.

India, too, is eager to have closer business relations with the country which could be an alternative destination for Indian IT companies located in the US if the country stiffens its visa rules further. When Indian Prime Minister met Mexican President in Mexico last year, both underscored that trade and investment relations could develop to its full potential only through increased exchanges between people of the two nations. "A CEO Forum, through its regular meetings, could not only identify and work on areas of cooperation but also point out to both governments the irritants that need to be ironed out," the official said.

In the joint communiqué released by Indian PM and Mexican President after their meeting last year, the two stressed on encouraging cooperation in the infrastructure sector, among small and medium enterprises, in pharmaceutical products, in energy, in the automobile sector, in information and communication technology, in agriculture, in food processing and in other related sectors. India also wants both countries to liberalise visa norms for easier movement of people including professionals which will give a boost to trade, investment and tourism. “Once the CEO Forum is in place more details on the areas of cooperation could be worked out. India hopes to come up with names of corporates who could be part of the Forum in the next few months,” the official said.

A bilateral High Level Group on Trade, Investment and Economic Cooperation already exists between the two countries but it has not met often since its inception in 2007.

GOVERNMENT REVIEWS IT IMPORTS FROM CHINA

The government has started a review of the massive import of electronics and information technology products from China due to concerns over security and data leakages. There has been a growing clamour for import restrictions and other curbs on such products, which currently constitute a huge chunk of shipments from across the border.

The review comes at a time when the India-China standoff over Doklam has been intensifying, and may signal the onset of a strategic trade war as tension on the border worsens and concerns about trade imbalances and security increase.

The growing engagement of Chinese companies within India's burgeoning electronics and IT industry — worth nearly $22 billion, according to a recent study by industry chamber— has sounded alarm bells within the government, especially as it is felt that much of this can be used to gain unlawful access to critical information about individuals, businesses, and government setups.

"There are increasing concerns about the preparedness of the security apparatus, especially as there are fears that electronics, online trade platforms, and finished goods can be tapped into for procuring sensitive information," industry sources said. "Communication has already been sent to industry players for their views and assess their preparedness in protection of data and critical information."

The Indian government's movement towards digitalisation of services and trade and the manifold increase in online transactions has also added to security concerns, which have reached the highest echelons of government.

IT and law minister recently held a top-level meeting to assess the situation with regard to the Chinese engagement in India's electronics and IT sector, according to sources. Minister is understood to have asked ministry officials to make an assessment of India's vulnerability when it comes to goods from China. Chinese companies have become almost a backbone to India's massive requirements in the manufacturing of electronics, especially when a large part of the critical components and finished goods are imported. These include components for products such as mobile phones, medical equipment, telecom network gear and devices and sensors linked to the Internet of Things (IoT). Also, major Chinese companies hold substantial stakes in some of the country's largest online marketplaces.

"Many of the devices transmit, or store, data back into Chinese servers, which could pose a security risk. Also, online transactions using many of these devices and platforms can be tracked back to Chinese servers, which can create security issues for the country at a time of heightened tension on the border," one source said.

India's large and uneasy trade imbalance with China is another trigger for the exercise. It is felt the government should focus, "and insist", on faster indigenisation to tackle the issue. India had a trade deficit of nearly $52 billion with China last fiscal, and the country is now seeking greater market access in the neighbouring country for its products and services. On the electronics front, the government has been pushing hard to increase local manufacturing by introducing benefits for manufacturing in India.

The "Make in India" policy has been focusing on this aspect, and Prasad has said the government expects the turnover of the digital, communications and IT industry to grow nearly fourfold to $1 trillion by 2022 against $280 billion currently.

GOVT NOTIFIES RULES FOR SAFEGUARD PROBES AGAINST SOUTH KOREA

The government has come out with a set of procedures to start investigations aimed at imposing safeguard duty against import from South Korea, with which India has a free trade agreement in place. The move comes against the backdrop of surge in gold imports from South Korea. India and South Korea implemented a comprehensive free trade agreement (FTA) in January 2010.

The Department of Revenue has notified the India-Korea Comprehensive Economic Partnership Agreement (Bilateral Safeguard Measures) Rules, 2017, laying out the procedures for such safeguard investigations. The notification became necessary as India needs to have separate rules for initiating a probe against FTA partner countries.

A government official said these rules are a must for India to impose safeguard duty on gold import from South Korea. Worried over the trend, the government is considering steps to check the flooding. Gold import from South Korea, with which India has an FTA since January 2010, jumped to USD 338.6 million during July 1 and August 3 this year.

The figure for 2016-17 was only USD 70.46 million. According to the notified rules, the director general of safeguards can initiate investigations on receipt of a complaint by a domestic producer.

The probes aims "to determine the existence of serious injury or threat of serious injury to the domestic industry, caused by the increased imports of an originating good as a result of the reduction or elimination of Customs duty under the trade agreement", the notification said.

The director general is required to submit final findings of the probe within eight months from the date of initiation of the investigation, or within an extended period not exceeding one year. Under the free trade pact between India and South Korea, basic Customs duty on gold was eliminated.

Further, the 12.5 per cent countervailing duty on gold import has been subsumed in the Goods and Services Tax (GST). Accordingly, the imports now attract only 3 per cent integrated GST.

The collections from Customs duty and IGST from imports post implementation of GST almost doubled to Rs 30,000 crore in July. Gold import contributed significantly to this increased collection. India has also implemented trade agreements with other regions, including Thailand, Japan, ASEAN and Singapore.

STEPS TAKEN TO STRENGTHEN ECONOMIC TIES WITH SE ASIAN NATIONS'

The Union Commerce and Industries Minister said that steps have been taken to strengthen the economic ties with several South East Asian countries, especially neighbouring Myanmar. The Centre will be working together with the Manipur Government to pursue this course to improve international trade relations, Minister said to reporters at Imphal airport. Minister said India has been trying to expand trade relations with the South East Asian countries in association with the State Government. The Union Minister said efforts are on to establish border haats at the IndoMyanmar border town of Moreh.

Banking&Taxation

GST ROLLOUT IMPROVES BUSINESS EFFICIENCY BY 30%: PRIME MINISTER

The abolition of inter-state check posts after the implementation of GST has reduced time for movement of goods by 30 per cent and saved thousands of crores of rupees, Prime Minister said.

The Goods and Services Tax, which unified more than a dozen central and state levies, is a result of cooperative federalism and its smooth rollout from July 1 has increased efficiencies of business, PM said. Addressing the nation from the ramparts of the Red Fort on the occasion of 71st Independence Day, PM said technology has made the rollout smooth in a short span on time. "Trucks (carrying goods) are saving 30 per cent (travel) time post GST as check posts have been removed. This has helped save thousands of crores of rupees and more importantly time," it said.

Business efficiency, PM said, has increased. "Efficiency has increased in transport sector by 30 per cent and because of GST such a big change has happened," it said. The biggest tax reform since Independence, GST was rolled out from July 1.

The new indirect tax regime has subsumed over a dozen state and central levies like excise duty, service tax and VAT, and has replaced them with four tier tax structure of 5, 12, 18 and 28 per cent for goods and services across the country. GST has removed inter—state barriers to convert India into a single market where goods and services can flow seamlessly.

State border check posts scrutinised material and location—based tax compliance, resulting in delays in delivery of goods and cause environment pollution as trucks queue up for clearance. Prime Minister said crores of people are behind the success of GST and the implementation of the new indirect tax regime is an example of the benefits that can be reaped if there is cooperative federalism in place between the Centre and states. "Technology is a miracle. Some find it astonishing that GST has been rolled out in such a vast country in such short span of time," PM said. PM said in initiatives like GST, ease of doing business and cleanliness drive, the Centre and states have worked shoulder to shoulder to make them a success. He said the steps taken by the government will benefit the country and with GST the country will benefit. PM said there was a time when the Centre and states used to fight over allocation of urea and kerosene. The Central government, PM said, had a "big brother" approach towards the states. But all this is a thing of past with increased urea production in last three years and alternate LPG and natural gas usage cutting down kerosene demand, it said.

BIG RELIEF FOR TAXPAYERS, GST DEADLINE TO FILE RETURNS EXTENDED BY CBEC TO AUGUST 28

In what could bring relief to small taxpayers with cash flow issues, the Central Board of Excise & Customs (CBEC) has extended the deadline for taxpayers claiming input tax credit on transition (pre-GST) stocks to file the first interim returns for July by a week to August

28. However, these taxpayers will have to settle their tax liability by the earlier deadline of August 20. The deadline for filing returns will continue to be August 20 for assessees who do not opt to claim ITC in July for goods bought before the GST roll-out. "The taxpayers who want to avail the transitional input tax credit should also calculate their tax liability after estimating the amount of transitional credit as per Form TRANS I.

They have to make full settlement of the liability after adjusting the transitional input tax credit before 20th August, 2017," the CBEC said. The board, however, added that in such cases, the taxpayers will get time till August 28 to submit Form TRANS I and Form 3B on the GST Network, the IT back end.

"In case of shortfall in the amount already paid vis-à-vis the amount payable on submission of Form 3B, the same will have to be paid with interest at18% for the period between 21st August, 2017 till the payment of such differential amount," the CBEC added. Also, the GST Network is expected to release TRAN-1 and TRAN-2 forms — to be used for claiming ITC on transition stock – on August 21. These new forms will have provision for claiming ITC for pre-GST stocks, addressing the industry's concerns over absence of the same in the earlier Form 3B. "While past input tax credit might not bother multinationals and large companies, smaller companies can't afford to let their working capital inflate," managing director of the GST suvudha provider Vayana Network said. Although the initial trends suggested a slow rate of tax filings, GSTN officials said that most a substantial chunk of taxpayers tend to file their return on the last two days of the deadline. "GSTN system is capable of handling even half the total load of filers on the last two days as the redundancy was built based on a study that showed the same return-filing trend even in VAT regime," the official had said.

GOVT EXTENDS TAX EXEMPTION FOR INDUSTRY IN NORTH EAST, HILLY STATES

As many as 4,284 industrial units in the North East and Himalayan States will get GST relief in the form of refund of Central share of CGST and iGST. The Cabinet Committee on Economic Affairs (CCEA) gave its nod for a new scheme to refund the Central share of Central GST (CGST) and integrated GST (iGST) to these units in lieu of the excise exemption lost due to the onset of goods and services tax (GST) and scrapping of excise laws from July 1 this year. A budgetary support of ₹27,413 crore for this scheme has been approved for the period from July 1, 2017 till March 31, 2027, Finance Minister said after a Cabinet meeting. Minister said the Department of Industrial Policy & Promotion (DIPP) will notify the scheme, including detailed operational guidelines for implementation within six weeks. The 4,284 eligible industrial units were granted excise duty exemption for the first 10 years after commencement of commercial production under the North East Industrial and Investment Promotion (NEIIPP) 2007 and package for special category States for Jammu & Kashmir, Uttarakhand and Himachal Pradesh to promote industrialisation. "Upon repeal of the Central excise duty laws, the government has decided to refund the Central share of CGST and iGST to the affected industrial units for the residual period in the States of North Eastern region and Himalayan States," Minister said. Under the scheme, if the Centre collects, say, ₹100 in the form of CGST and iGST, then the aggregate refund will only be ₹58, that being the Centre's share under the devolution formula approved by the Finance Commission, it said.

ECONOMY

PRIME MINISTER CALLS ON YOUNG ENTREPRENEURS TO HELP BUILD A 'NEW INDIA'

Technology and innovation should be harnessed to transform governance, Prime Minister said pointing out that there was an 'app' for filling every gap. Interacting with young entrepreneurs at the 'Champions for Change' initiative organised by the NITI, the Prime Minister said decentralised structures were important to nurture the rural economy, and highlighted the role of start-ups in catalysing transformation and help build a 'New India'.

On the occasion, six groups of young entrepreneurs made presentations before the Prime Minister on themes such as – Soft Power: Incredible India 2.0; Education and Skill Development; Health and Nutrition; Energizing a sustainable tomorrow; Digital India; and New India by 2022, as per an official release. Appreciating the ideas and innovations in the presentations made by the entrepreneurs, the Prime Minister said the "Champions for Change" initiative would be taken forward and institutionalised "in the best possible way."

"One possibility could be to associate the groups that made presentations, with the respective departments and Ministries in the Union Government," it said. The Prime Minister also said that his vision of a 'New India' could only be built through the efforts of crores of ordinary citizens, and called upon young entrepreneurs to join in this effort.

INDUSTRIAL OUTPUT ENTERS NEGATIVE ZONE, CONTRACTS 0.1% IN JUNE

India's industrial production fell to a four-year low in June as manufacturers reduced inventories ahead of the transition to the goods and services tax (GST) rolled out on July 1, but experts say this one-time shock will reverse as the new tax regime settles down. Factory output as measured by the index of industrial production contracted by 0.1% in June, dragged down by manufacturing output that fell 0.4%, data released on Friday showed.

Unfavourable base effect of high 8% growth in June 2016 also magnified the impact. Data released by the Central Statistics Office on Friday showed declining growth in 15 out of 23 manufacturing sectors led by electrical equipment. The government also revised upwards the factory output growth of May from 1.7% in the earlier estimate to 2.8% now. Except consumer non-durables and infrastructure goods, all other used based categories have contracted in June 2017. "This clearly points towards the lingering impact of demonetisation on the industrial sector and demonstrates that impact of demonetisation has been far more severe than anticipated earlier.

WPI INFLATION RISES SHARPLY TO 1.88% IN JULY

Wholesale inflation rose to 1.88 per cent in July as prices of some commodities increased in the first month of Goods and Services Tax (GST) rollout. Inflation based on the wholesale price index (WPI) was 0.90 per cent in June 2017 and 0.63 per cent in July 2016. The government data released showed that prices of food articles went up by 2.15 per cent in July on a yearly basis. In June, the prices had contracted by 3.47 per cent. Vegetable prices which had witnessed a 21.16 per cent contraction in June, shot up by 21.95 per cent in July. However, manufactured products saw slight fall in inflation at 2.18 per cent in July, compared to 2.27 per cent in June. In fuel and power segment, inflation witnessed a decline at 4.37 per cent in July, over 5.28 per cent in the previous month. Apart from vegetables, the food articles which saw rise in prices include egg, meat and fish where inflation stood at 3.30 per cent. Fruits saw inflation at 2.71 per cent, cereals (0.63 per cent) and paddy (3.47 per cent).

However, potato continued to see deflation at 42.45 per cent, pulses (-)32.56 per cent and onion (-)9.50 per cent. The final print of May WPI inflation witnessed a little surge at 2.26 per cent, as compared to provisional estimates of 2.17 per cent.

IN A FIRST, INDIA'S FOREX RESERVE MAY CROSS $400 BN MARK BY FIRST WEEK OF SEPTEMBER

If the present pace of dollar accretion to the forex kitty continues, which crossed past the USD 393 billion, the reserves may hit the USD 400-billion mark by the week to September 8, 2017, says a report. Forex reserves have been rising with a total accretion of USD 4.389 billion to the kitty since July 14, 2017.

It had touched a record high of USD 393.448 billion after it rose by USD 581.1 million in the week to August 4, 2017.

"If the pace of foreign exchange reserves is similar to that of the past four weeks, the reserves would hit USD 400 billion by the week to September 8. Indeed, adjusted for forward positions, forex reserves are already at USD 407 billion," Morgan Stanley said in a note.

The pace of forex accretion has been the strongest since 2015 and this has also been one of the strongest in Asia ex-Japan in the past 12 months, the report said.

The surge in the reserves is on account of high inflows from overseas investors. On a 12-month trailing sum basis, foreign direct and institutional flows remained robust at USD 63 billion and USD 17 billion. This robust inflow of capital coupled with weak credit off take (credit growth was 6.2 per cent as of July 21) has meant interbank liquidity remains in strong surplus mode of USD 42 billion, the report said. It said as capital flows remain buoyant, this puts appreciation pressures on the currency and could lead to excess liquidity, which would create challenges for the RBI to manage its monetary policy. "The monetary policy will only take into account the impact of currency appreciation on inflation into its policy decision, rather than tackling currency rise per se," the report said.

The RBI has already intervened in the currency markets in both spot and forwards markets to the tune of USD 3 billion and USD 17 billion, respectively, as of June 2017.

Since then, the reserves have continued to rise, suggesting the RBI may have continued to accumulate dollars in forex reserves in July and August. Since June this year, the RBI has had to withdraw liquidity by means of Rs 30,000 crore of open market operations sales but despite these withdrawals, call rates are still closer to the reverse repo rate.

"As the excess liquidity challenge looks set to persist, the RBI will need more tools to manage excess liquidity, such as the standing deposit facility which is still under consideration," the report said.

REFORMS IN INDIA: GOVERNMENT SET TO OPEN FDI FLOODGATES, POWER UP JOBS CREATION

The government is set to announce opening the floodgates to foreign direct investment (FDI) further. As a prelude to this, finance minister held a meeting to review the country's FDI regime, aimed at making it even easier for companies from overseas to invest here and create jobs, sources said. Although the government remained non-committal on the outcome of the meeting, Finance Minister is believed to have discussed a few proposals for further liberalisation in certain sectors including retail and construction.

The government, the sources added, is examining allowing 100% FDI in single-brand retail through the automatic route, giving conditional permission for up to 100% FDI in multi-brand retail from 51% now and approval for selling a certain percentage of locallyproduced non-food items, along with the edible ones. In construction, it is considering allowing FDI in even undeveloped and underdeveloped plots in a project, albeit with certain conditions. Currently, up to 51% FDI is allowed in multibrand retail, via the government route. In single-brand retail, while up to 100% FDI is allowed, investment beyond 49% needs government approval.

Up to 100% FDI is permitted (with government approval) in trading — including through e-commerce — of food items produced in India.

In the construction sector, the government now allows up to 100% FDI in only developed plots where the basic trunk infrastructure is already in place. Commerce and industry minister, power minister and senior officials with the department of industrial policy and promotion attended the meeting.

It comes a month after a similar meeting was chaired by Prime Minister and is sync with the 2017-18 Budget announcement that the government would consider further easing FDI rules. The prospect of permitting 100% FDI in multibrand retail is also being evaluated although a decision on this needed to be taken at the highest level of the political establishment, especially since the BJP had earlier opposed the regime.

The reason for an apparent rethink on multi-brand retail FDI is the surging demand for jobs and criticism of the government for "jobless growth". If this proposal is okayed, global players would be able to set up their own outlets without a local partner.

However, sources said as and when 100% FDI is allowed, it would accompany strict conditions that foreign retailers will sell only those items that are produced in India and create massive jobs.

Some of the other conditions, such as a minimum investment of $100 million and at least $50 million investment on storage and logistics infrastructure, are applicable even now for multi-brand retail.

The food processing ministry has also been pushing to partially ease rules for retailers to allow them to sell a percentage of non-food items, such as soaps, shampoos and toothpastes, along with food products. At present, up to 100% FDI is permitted in retailing of food products.

According to industry estimates, the country's food and grocery market is the world's sixth largest, with retail accounting for 70% of sales.

INDIA SEES OVER 15% GROWTH IN FOREIGN TOURIST ARRIVALS

India has registered a growth of over 15 per cent in foreign tourist arrivals from January to July this year, with many opting for e-visa facility, the tourism ministry said in a statement. The highest number of tourists arrived from Bangladesh (20.12 per cent), followed by the US (16.26 per cent), the UK (10.88 per cent) and France (3.01 per cent), said the statement which was released yesterday.

Foreign Tourist Arrivals (FTAs) from January to July, 2017, were 56.74 lakh, recording a growth of 15.7 per cent as compared to 49.03 lakh in the corresponding period last year, it said. A total of 7.88 lakh foreign tourists arrived in India in July, an increase of 7.4 per cent as compared to the same month last year, it said.

The ministry said foreign tourists, who arrived on e-visa, also substantially increased in July. A total of 1.19 lakh tourists came on evisa last month as compared to 0.68 lakh in July 2016, registering a growth of 73.3 per cent. From January to July this year, a total of 8.36 lakh tourists arrived on e-visa as compared to 5.40 lakh during the corresponding period last year, recording a growth of 54.7 per cent, the statement said.

The UK's share was highest among the tourists availing e-visa facility at 12.9 per cent, followed by the US (12 per cent), the UAE (7.2 per cent), France (6.4 per cent), Oman (6.1 per cent) and China (5.4 per cent).

ARTICLES

USDA OFFICIALS TO MEET INDIAN COUNTERPARTS TO DISCUSS FARM TECHNOLOGY AND BILATERAL TRADE IN AGRI PRODUCE

NEW DELHI: Representatives of the United States department of agriculture (USDA) will meet their Indian counterparts here on August 31 to discuss a range of issues including use of technology in farm sector and ways to increase bilateral trade in agricultural and poultry produce.

The meeting will take place amid unease within the US establishment over India's inconsistent trade policy which, officials here believes, is detrimental to the interests of even Indian farmers who need to take decisions on the basis of stable policy.

High tariffs, stringent technical requirements and sudden ban on commodities are considered as challenges being faced by the US which is keen to export commodities like soyabean and poultry meat to India.

The trade in agricultural and related products between the two countries reached $3,214.5 million in the first half of 2017 with the export from India touching $2,224.8. Shrimp, spices, rice and processed fruits and vegetables are among the products which India export to the US.

The US, on the other hand, export cotton, pulses ethanol and fresh fruits among other agricultural produce. Both the countries had trade to the tune of $5,271.5 last year with India exporting farm produce worth $3,767.8 as against its import worth $1,503.7.

Ahead of the proposed meeting next week, a US official here on Monday said India was, in fact, not keeping pace with other countries like China, Indonesia, Vietnam and Bangladesh in adopting innovative farm technologies, especially biotechnology. He pointed out that farmers in these countries too have small farm sizes like in India but they have done exceedingly well in increasing production and productivity through technological intervention.

He said innovative technologies, including biotechnology, are required to boost crop yields, which in India at present are much lower than neighbouring countries. Wheat yields are at 3 tonnes per hectare in India as against 5 tonnes in China. Rice yields are at 4 tonnes per hectare here while it is 7 tonnes in China and 6 tonnes in Vietnam, he added.

The meeting on August 31 is expected to also focus on modalities of agri data collection and its distribution among various stakeholders for taking well informed farm related decisions.

Times of India

EXPORT OF VEGETABLES TO SINGAPORE ON THE RISE

Vegetables grown in Tamil Nadu have become a favoured commodity in Singapore given the huge volume of export to the South-East Asian nation every month.

Among overseas nations having direct flight connectivity with Tiruchi, Singapore has emerged as the leading overseas market for shippers of the central region exporting vegetables to the country every day.

Nearly 400 tonnes of perishables – vegetables, fruits and flowers – were being exported to Singapore per month from Tiruchi international freight terminal through three overseas carriers.

Exports to Singapore alone constitute nearly 80% of the entire overseas freight dispatched from Tiruchi international airport every month. Of the nearly 20 tonnes of perishables dispatched overseas daily, nearly 13 tonnes to 14 tonnes were directed to Singapore, say airport sources.

The huge demand in Singapore for vegetables grown in Tamil Nadu; the competitive rates offered to shippers of the central region and the frequency of flights has led to this rising trend, say stakeholders.

Assorted vegetables including brinjal, ladies finger and beans besides lemon, coconut and chillies make for the bulk of exports to the South East Asian country. Vegetables are lifted to Singapore by Singapore-bound Scoot Airlines and the Kuala Lumpur –bound Air Asia and Malindo Air flights. The sources said Air Asia and Malindo Air which operates 28 flights and 13 flights to Kuala Lumpur respectively every week from Tiruchi lifts freight meant only for Singapore though they operate to the Malaysian capital.

If only Air India Express which also operates a daily service to

Singapore comes forward to lift adequate freight from here, the volume cargo to that country would only soar further given the demand, feel the stakeholders.

International cargo is lifted in the left over belly space of overseas passenger flights after accommodating baggage of the travellers in the absence of dedicated freighter aircraft from here.

As compared to Coimbatore and Madurai international airports in the State, the volume of international freight dispatched from Tiruchi to Singapore and other foreign destinations was much higher.

International cargo handled at Tiruchi airport during the 2016-17 financial was over 6,800 tonnes - which was nearly six times higher than what was handled at Coimbatore airport, according to Airports Authority of India statistics.

The sources said Kuwait was another overseas destination where daily shipments of nearly 2.5 tonnes of perishables take off from here and reaches there via Colombo.

Given the current demand and potential, stakeholders feel that if a dedicated freighter is operated at least once or twice a week to Singapore, the cargo volume would only further rise.

The Hindu

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