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Rise in protectionism threatens gains from globalisation: Narendra Modi

The Economic Times

Hamburg, July 7, 2017 : Asserting the need to support and sustain a "regime of openness", Prime Minister Narendra Modi today said rise in protectionism threatens to take away the gains from globalisation.

At the G20 Summit here, which is being attended by US President Donald Trump, Chinese President Xi Jinping and other leaders, Modi stressed that the grouping should speak in one voice to support and sustain "a regime of openness".

Talking about the Indian economy, Modi said the decision on demonetisation has "dealt a blow to corruption, boosted digitisation and enlarged the formal economy".

In efforts to deal with corruption and the black money menace, the Indian government had demonetised old Rs 500 and 1,000 currency notes in November.

Asserting that the government is ready to carry forward the fight against black money and corruption, Modi hoped that the G20 would assume leadership to act on all important issues.

The Prime Minister said the implementation of automatic exchange of financial account information on a reciprocal basis will help curb black money and illicit flows.

"With Base Erosion and Profit Sharing adopted, we are ready to carry forward the fight against black money and corruption," he added.

Amid concerns over alleged protectionist steps by various countries, including steps to restrict entry of skilled workers, the Prime Minister warned that such moves could take away the gains from globalisation.

"The rise in protectionism threatens gains from globalisation," Modi said and emphasised that the G20 must speak in one voice to support and sustain a regime of openness.

Speaking at a session on global growth and trade, the Prime Minister said the Goods and Services Tax (GST) would create a unified market of 1.3 billion people.

Growth and development for all in India is central to our pursuit of economic prosperity, he added.

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Remove barriers, reduce subsidies to open up trade: Lagarde

Business Line

Hamburg, July 9 , 2017 : Warning against complacency in the current phase of global economic recovery, IMF chief Christine Lagarde has asked the members of G20 group, which includes India, to step up reforms by reducing trade barriers and subsidies to promote a level playing field.

Complementing the G20 leaders for adopting an action plan to strengthen the global financial safety net during the two-day Summit that ended last night, Lagarde said the world needs to continue to collaborate to address risks and ensure strong, sustained, balanced and inclusive growth.

“An essential part of this effort must be to reduce trade barriers, subsidies and other measures that distort trade. We can strengthen global trading system by reaffirming our commitment to well-enforced rules that promote competition while creating a level playing field,” she said.

Lagarde, who met various G20 leaders at the Summit, including Prime Minister Narendra Modi, called for urgent action to strengthen global growth and build inclusive economies while keeping away from complacency.

The IMF chief said in a post G20 statement that in her discussions with leaders she noted the good news that the global economic recovery is on track, broad-based, and expected to continue into next year. “At the same time, I warned about complacency and risks, including elevated financial vulnerabilities, low productivity, and rising inequality,” she said.

“The current period of growth should be used as an opportunity: to further safeguard the financial sector by building up capital buffers and strengthening corporate and bank balance sheets,” Lagarde added.

She said the current period of recovery must also be used to address the issue of stagnant real wages which can undermine the recovery and fuel discontent, and to confront the problem of excessive current account imbalances — with both surplus and deficit countries playing their part.

Among immediate priorities, she also suggested increasing productive infrastructure investment, promoting financial inclusion especially for women, investing in human capital and accelerating labour market reforms.

Lagarde further said, “I strongly welcome the G20’s focus on climate change, the sustainable development goals, and the challenges facing low-income countries.

“I commend, in particular, Germany’s leadership in launching the Compact with Africa, which is designed to boost private investment across the continent. The countries involved in the first wave of this effort are already receiving support from the IMF — to help strengthen their macroeconomic frameworks and institutions, including by increasing support for capacity development.”

Noting that the Hamburg Action Plan includes an emphasis on strengthening the global financial safety net, with a strong, quota-based, and adequately financed IMF at its centre, she welcomed the G20 Leaders highlighting the importance of the IMF in continuing to provide capacity development in the area of anti-money laundering and countering the financing of terrorism.

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Is Hamburg declaration really a gain for India?

D. Ravi Kanth, Live Mint

Geneva, July 10, 2017 : India claimed success in influencing the Hamburg declaration of G-20 leaders on Saturday, but a cursory glance would suggest that New Delhi’s core development priorities for multilateral trade liberalization seems to have been given a short shrift.

“India had a major influence on counter-terrorism discussions at the G-20 and also played a significant role in talks on trade and investment, migration and climate change,” Arvind Panagariya, India’s sherpa for the G-20 negotiations, told reporters on Friday.

He said the negotiations on trade, excess capacity in steel and other metals, including aluminium, climate change, and migration were pretty difficult. Panagariya suggested that he along with his team of officials drawn from the finance and external affairs ministries had worked long hours since 4 July.

The US, he said, insisted specific language on "reciprocity" demanding that for liberalizing trade it has to be reciprocal and balanced. "This is not particularly new," he said, maintaining that "nobody liberalizes unilaterally" except some developing countries. "But when it comes to bigger players all liberalization is reciprocal."

"What is important," he added, is "non-discrimination" which continues to be part of the declaration. Effectively, the declaration implied that all sides must liberalize based on the principle of non-discrimination, he said.

He admitted that there is "some bit of shift in the communiqué" that was negotiated in Hamburg as compared to the past one. But Panagariya did not mention the huge differences between the last G-20 leaders communiqué issued in Hangzhou, China, on 5 September 2016, and the Hamburg declaration on issues such as the commitment to shape the post-Nairobi work with development at its centre while committing to advancing negotiations on the remaining DDA (Doha Development Agenda) as a matter of priority. He did not say why controversial social standards were included against which India and other developing countries have remained opposed since 1999 Seattle ministerial meeting.

The Hamburg declaration says G-20 leaders "commit to work together with all WTO (World Trade Organization) members to make the 11th WTO ministerial conference a success." But it did not mention what that meeting in Buenos Aires in December is going to deliver and whether the outcomes will be based on the unresolved Doha issues, including the mandated issue of the permanent solution for public stockholding programmes for food security as demanded by India, Indonesia, and China of the G33 countries. There is no mention—perhaps for the first time—on achieving developmental outcomes based on DDA.

In sharp contrast, the Hangzhou G-20 leaders communique issued in September 2016 had committed "to shape the post-Nairobi work programme with development at its centre and commit to advancing negotiations on the remaining DDA issues as a matter of priority, including all three pillars of agriculture i.e market access, domestic support and export competition, non-agricultural market access, services,development, Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and rules."

The Hangzhou communiqué also said "We will work together with all WTO members with a sense of urgency and solidarity and with a view to achieving positive outcomes of the MC11 (11th ministerial conference of the WTO) and beyond and we will work together to further strengthen the WTO."

Clearly, the developing countries led by India, China, and South Africa among others which had emphasized developmental outcomes based on DDA, will have to explain why they allowed to omit specific language on their core priorities in multilateral trade liberalization.

India and other developing countries also agreed to language on linking global value chains to social clauses in the Hamburg declaration. The industrialized countries led by the US, the European Union demanded the inclusion of social clauses in the global trade debate.

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G20 battle lines drawn over climate, trade

Live Mint

Berlin, July 5, 2017 : Leaders of the world's top economies will gather on Friday in Germany for likely the stormiest G20 summit in years, with disagreements ranging from wars to climate change and global trade.

Here are some of the most volatile issues and disputes, and the key personalities involved, in the 7-8 July meeting in the northern port city of Hamburg.

North Korea's first successful test of an intercontinental ballistic missile on Tuesday is likely to overshadow all other trade and diplomatic rows.

The reclusive state's relentless pursuit of its nuclear ambitions comes as a slap in the face for US President Donald Trump, who vowed Pyongyang's goal of possessing an ICBM "won't happen".

The tough-talking property tycoon has so far failed to persuade China to bring its rogue neighbour to heel.

Germany has made climate protection a priority of its G20 presidency.

It had hoped to get the world's biggest industrialised and emerging economies to commit to taking the lead in implementing the landmark 2015 Paris climate deal on keeping the global rise in temperatures "well below" two degrees Celsius (3.6 degrees Fahrenheit) from pre-industrial times.

But Trump dashed those hopes after vowing in early June that he would pull the world's second biggest carbon emitter out of the Paris accord.

Host chancellor Angela Merkel admitted that after Trump's announcement, she "knew that we could not expect discussions to be easy".

But she and European allies have vowed to defend the climate pact at the summit, setting them on a collision course with Trump.

Signing up to an anti-protectionist pledge used to be routine at G20 meetings, but not this time.

Trump, swept to power by popular anger over deindustrialisation in vast parts of the United States, has pledged to "follow two simple rules: buy American and hire American."

That has put him at odds with many US trading partners, including export giants Germany and China, whom he has criticised over their massive trade surpluses.

Trump's threats may soon materialise, as Washington is reportedly preparing to impose punitive tariffs on steel imports—something that G20 exporters would be keen to ward off.

The United States in April launched a probe into whether steel imports posed a danger to national security, with the result due within days.

Trump is reportedly waiting to hear from trading partners before announcing his decision on whether to limit imports of the metal.

According to news website *Axios*, the US leader is leaning towards imposing tariffs as high as 20% on the metal—a move that would likely unleash retaliatory measures.

With accusations of Russian meddling in the US elections and contacts between Trump's senior aides and President Vladimir Putin's men, the vexed relationship between the two will be closely scrutinised when they meet face to face for the first time on Friday.

The two leaders face an array of contentious foreign policy issues, from Syria to Ukraine and North Korea.

Trump has struck a tough tone on Russia's ally Syria, while Washington's decision to toughen sanctions over the conflict in Ukraine has angered Moscow.

Another meeting to watch will be Trump's talks with China's President Xi Jinping, particularly after the US billionaire leader in a tweet accused Beijing of not doing enough to rein in North Korea.

Meanwhile, Trump infuriated Beijing last week when he approved a $1.3 billion arms sale to Taiwan, while China lashed out after a US warship sailed close to an island claimed by China, Taiwan and Vietnam.

Merkel also faces a testy meeting with Turkey's President Recep Tayyip Erdogan, particularly after Berlin refused him permission to address ethnic Turks on the sidelines of summit.

Berlin and Ankara's relations have been fraught, deteriorating sharply over Turkey's mass crackdown after a failed coup last year and a host of other rights controversies.

Outside the conference rooms, anti-globalisation activists, including an anticipated 8,000 potentially violent extremists, are squaring up for a showdown with police.

Germany has deployed 20,000 officers from across the country.

Authorities have also banned rallies in a vast area of the city during the summit and stopped protesters from setting up camp.

But the measures have only angered far-left activists, who complain that the city is being turned into a "fortress" and say they still plan to disrupt the summit.

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India-European Union ties in the age of Donald Trump

Wilfried Aulbur, Live Mint

July 6, 2017 : When 20 heads of state, including India's Prime Minister Narendra Modi, gather in Hamburg for the G20 summit on 7-8 July, all eyes will be on US President Donald Trump's administration. International leaders will anxiously watch its every move. Questions about the future of globalization and the principle of free trade—which the US has been advocating for decades—will be at the heart of the matter. At their meeting in March, finance ministers and central bank governors from the G20 group dropped the pledge "to resist all forms of protectionism" in their official communique. This was widely interpreted as the first signs of how the Trump administration would upset the global economic order, paving the way for increasing protectionism.

At the same time, it seems, the Trump era has already served as a catalyst for efforts to build deeper relations between countries. For instance, on Modi's latest visit to Germany, the talks with German Chancellor Angela Merkel went beyond emphasizing the need for a sustainable common strategy for globalization and a strong commitment to the goals undertaken under the Paris climate agreement. They also advocated open framework-based trade relations and closer ties between India and Europe. Modi strongly endorsed Merkel's vision of the European Union (EU) and committed to resume talks between India and the EU at the earliest to stitch up a free trade agreement encompassing goods and services as well as mutual investment protection. "We are made for each other," Modi said during that visit, as a gesture of solidarity.

So might the US administration's policies be an unexpected catalyst for European-Indian relations? The debate within the G20 group on the principles of free trade and the spectre of protectionism is offering new potential on both sides. Until now, many people have ignored the true potential of India's close ties with Europe. In these current times of turmoil, those ties are a true asset. And there is clearly potential for extending bilateral economic cooperation, leading to important economic gains on both sides.

Since Modi took office, India has been able to push through a number of reforms, such as the goods and services tax. In addition, several large infrastructure projects have been launched to boost India's growth. As per the US department for agriculture economic research service, based on data collated by the World Bank and International Monetary Fund, that growth rate is expected to be consistently high enough to see India become the world's third biggest economy by 2030; it is currently the seventh largest. This does not even take into account any additional catalysts such as the free trade agreement between India and the EU, presently on ice. Given this, India's status as the leading major economy in terms of growth is unlikely to be challenged for years to come.

It is figures like these that make India an exciting destination in particular for European companies, especially those in the automotive business, the chemical and pharmaceutical industry, and the medical technology sector. India's passenger car market, for example, has already reached a volume similar to the market in Germany—with much more dynamic growth.

India's size and its continual strong growth make it a market that global companies need to be in, especially given the softening of growth momentum in other parts of the world. Strong collaboration and bilateral trade would also give both India and the EU a needed counterweight to the current challenges that arise from changes currently witnessed in the US.

Another important point to note is that in today's business environment, the experiences of the Indian market—once thought unique—are increasingly transferable to other countries. With its complexity and its creative chaos, the Indian market is the perfect mirror of today's Vuca (volatile, uncertain, complex and ambiguous) world—ever more volatile, uncertain, complex and ambiguous. Things that might once have been dismissed as particular to India are now a reality not only in other developing and emerging nations but also in the Western world.

The nuclear phase-out, the refugee crisis, Brexit and Donald Trump's presidency are but a few examples of how uncertainty and unimagined changes in momentum have gripped the Western world. Against this backdrop, the recipe for business success in India is just as relevant for navigating complexity in other emerging markets as it is in the Vuca world now facing our economies. In a fast-changing world order, it can be combined with a European-Indian approach to foster a more democratic and open global trade and investment regime.

Europe and India are in very different places with regard to the maturity and characteristics of their economies. But they face the same issues and share the same responsibilities in an increasingly globalized world—one where that globalization is facing political and popular resentment, but transnational social, environmental and geopolitical challenges put our economies at risk and demand a global response. In this regard, Modi was right when he stated that India and the EU were made for each other. In order to ensure stability, security and prosperity for the future, their task is to navigate these complexities together. If the US will not play a leading role within the G20 community in order to define a common global approach, then India and Europe should do so.

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India ready to forge 'ambitious' trading relations with UK: Theresa May

The Economics Times

London, July 12, 2017 : India is among the countries ready to forge an "ambitious" new trading relationship with the UK after Britain leaves the European Union (EU), Prime Minister Theresa May has told the Parliament.

In a statement in the House of Commons on the recently concluded G20 summit in Hamburg, May said that her meeting with Prime Minister Narendra Modi involved discussions on a wide range of issues, including tackling modern day slavery.

"At this summit, I held a number of meetings with other world leaders, all of whom made clear their strong desire to forge ambitious new bilateral trading relationships with the UK after Brexit. This included America, Japan, China and India," May said in her statement on Monday.

In response to Opposition Labour party leader Jeremy Corbyn on the issue of striking new trade deals, she added: "I am very happy to tell him (Corbyn) that we are already working with the Americans on what a trade deal might look like. We already have a working group with the Australians, and we have a working group with India as well.

"We are working on trade in three areas. Obviously, one area is looking ahead to the trade agreements we can have with those countries we do not currently have them with as a member of the European Union.

"The second is ensuring that, where there are trade agreements with the EU, we are able to roll those forward as we leave the EU.

"The third area is working with countries such as India and Australia to discuss what changes we can make now, before we leave the EU, to improve our trade relationship."

Labour MP Graham Jones asked May if she had raised the issue of modern day slavery and child prostitution in India during her meeting with Modi, to which she said that it was an issue "previously" raised with the Indian PM as the UK wants "people around the world to address it".

"We are very clear that we want to see this issue being dealt with. That is one of the reasons why we have put into legislation the requirement for companies here in the UK, which will be manufacturing and will be sourcing products from around the world, to look at their supply chains and report on what they find in them and whether or not modern slavery is taking place within them," she told Parliament.

Modi and May had held bilateral talks on the sidelines of the G20 summit in Germany last week, during which the Indian leader had raised the issue of Indian economic offenders like liquor baron Vijay Mallya and former Indian Premier League chief Lalit Modi and sought the UK's cooperation in extraditing them to face the Indian courts.

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Pacts worth $4.3 bn inked at India-Israel CEO forum: Ficci

The Economic Times

New Delhi, July 6, 2017 : As many as 12 strategic pacts envisaging investments worth $4.3 billion were signed between Indian and Israeli companies at the first meeting of CEO forum in Tel Aviv today, according to Ficci.

"The forum identified and stressed on the need to realise opportunities in focus sectors identified during the first meeting of CEOs forum. There was a consensus that the current trade volume amounting to just over $4 billion has the potential to reach $20 billion in the next five years. To realise this goal, the forum underlined key recommendations to two heads of states," the industry body said in its statement.

Post the meeting, the forum members called on Indian Prime Minister Narendra Modi and his Israeli counterpart Benjamin Netanyahu and the co-chair from both sides submitted a brief meeting outcome report to them for developing future course of economic engagements.

"It is a very exhilarating for me to share that during this historic visit of our prime minister to Israel, 12 MoUs are signed between Indian and Israeli companies," Ficci President Pankaj Patel said.

The CEOs from both sides also identified focus sectors for mutual collaboration that included agriculture, irrigation, water treatment, urban infrastructure, transport (including high speed railways and metro), pharma, life- sciences, digital technologies, IT and ITes, start ups and innovation and defence and homeland security.

Shraga Brosh, co-chair from the forum from Israeli side, said: "We have identified great business opportunities for Israeli companies in India in sectors such as transport infrastructure, including roads, railways, civil aviation and traffic management systems, smart cities, renewable energies, water and environment, automotive, food, naval and aerospace industries and defence."

During the forum meeting, Invest India promoted by the Ministry of Commerce and Industry shared that a dedicated desk has been set up in their organisation to promote Israeli investments into India and partnerships between India and Israel. It will act as a single-window agency providing comprehensive services for all Indo-Israel ventures.

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Amid pending FTA talks, Israel looks to boost exports to India

The Economic Times

Jerusalem, July 4, 2017 : Israel is eyeing the strong middle class base in India to boost its exports, capitalising on the the momentum generated by the "historic" visit of Prime Minister Narendra Modi, but scepticism persists here due to stalled discussions on a Free Trade Agreement.

"India is a key export market for Israel. Tightening relations with India and this historic visit of the Indian Prime Minister will lead, beyond increasing security exports, to growth in trade in goods and services," Israeli Minister of Economy and Industry Eli Cohen said.

"The Indian economy is becoming a prime destination for Israeli exports, with its 1.3 billion consumers led by 300 million citizens in the middle and upper-middle class, with purchasing power equal to the middle class of Western economies," Cohen noted.

An FTA between the two nations has remained elusive despite negotiations having started around seven years ago. The first round of negotiations were held on May 26, 2010.

On a question regarding the long-pending pact, Israeli foreign ministry officials said India was "re-evaluating" it, but tried to downplay its significance, saying there are newer developments that will help realise the economic potential between the two countries.

In an interview to the pro-government newspaper Israel Hayom, Prime Minister Modi had said India was not looking at a "traditional import-export relationship" with the Jewish nation.

"It is more than a buyer-seller relationship. We are more interested in a tech-based partnership with an emphasis on 'Make in India.'" he had said.

According to the Israeli Ministry of Economy and Industry, trade between the countries has grown from USD 200 million in 1992, when diplomatic relations were established, to USD 4.13 billion in 2016 (including diamonds).

Israeli exports reached USD 1.29 billion in 2015, but there was a 13 per cent dip in 2016 with exports totalling USD 1.15 billion (excluding diamonds).

A CEO forum of leading Israeli and Indian companies is to be formed during Modi's visit which, as per officials, is going to shape the road map for future bilateral trade cooperation.

The Israeli cabinet last week approved several measures to increase economic cooperation between the two countries, extending support to deepening ties through collaboration on R&D through creation of a joint fund and identifying key sectors like water, agriculture and space technologies for enhanced collaboration.

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The rebirth of the Trans-Pacific Partnership

Koichi Hamada, Live Mint

July 5, 2017 : When Donald Trump, in one of his first acts as president, announced that the US would not participate in the Trans-Pacific Partnership (TPP), many assumed that the mega-regional trade deal was dead. But such assumptions may have been premature.

The TPP was envisioned as a rules-based economic area spanning the Pacific and comprising 12 countries—Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam—which collectively account for about 40% of the world economy. The negotiations, which lasted five years, were undertaken with great care and diligence. In Japan’s case, for example, the negotiators, headed by Akira Amari, then the minister of state for economic and fiscal policy, worked day and night to assuage opposition (say, rice growers) and secure favourable outcomes.

Trump’s announcement in January, which came just as the deal was set to be ratified, certainly shook the endeavour at its core. But many relevant players, eager to prevent the TPP from crumbling, soon began to discuss moving forward without the US.

By May, Japanese Prime Minister Shinzō Abe was declaring that, though he still hoped for America’s return to the TPP, Japan was willing to take the lead in bringing the deal to fruition. Soon after, Japan and New Zealand announced that they would seek an agreement with other signatories by November to move the TPP forward. If they succeed, TPP signatories will benefit substantially—and the US may find that it has missed a massive opportunity.

In general, there are two distinct approaches to achieving freer trade. First, there is the global model embodied by the World Trade Organization (WTO). The chief advantage of this approach is its scale: it ensures that a huge share of the world economy is interconnected, with most of its constitutive economies adhering to a common set of rules and submitting to a dispute-resolution mechanism that enables these rules' enforcement.

But scale may also be the WTO's chief weakness, given the difficulty of getting so many countries to agree to a single set of rules. Indeed, the negotiation process is often painstaking and time-consuming—even more so than that leading to the TPP. That is a key reason why WTO negotiations lost momentum during the Doha Round of trade talks, which began in 2001 and petered out without an agreement.

The second approach to achieving freer trade—bilateral agreements—mitigates the challenge of scale. With only two (or a few) countries involved, negotiations are far more straightforward and often take less time. Japan and the European Union (EU), for example, have redoubled their efforts, which began in 2009, to reach a bilateral trade deal, and an end may be in sight, despite continued disagreements on a small number of key points.

But this approach, too, has its downsides. Not only does it produce benefits for only a couple of countries; a win-win deal for the participating countries may also hurt non-participating countries. In the case of the Japan-EU deal, one such country may well be the US, given that American companies compete in Japan with European businesses in many of the same sectors.

The TPP, with its 12 (now 11) participants, falls somewhere between these two approaches—and is intended to secure the best of both worlds. The TPP's mega-regional approach can bring greater economic gains than a bilateral deal, as it spurs trade and investment flows—including by harmonizing regulations and standards—across a larger swath of the global economy. But, unlike the WTO, it is not so large, and does not encompass such diverse parties, that it is overwhelmingly difficult to reach agreement.

The mega-regional approach may have one more advantage, shared with the WTO: the involvement of more parties can dilute the authority of a major country and thus limit its ability to strong-arm its negotiating partners into an unbalanced agreement. Indeed, this may be precisely why Trump, with his penchant for "deal-making" and promises of an "America first" trade policy, rejected the TPP. In his view, bilateral negotiations put the US, as a political and economic hegemon, in a stronger bargaining position.

What Trump fails to recognize is that, while a small country may feel intimidated by the US at the negotiating table, it can still stand up and walk away. More important, even if the US can use its weight to secure more favourable provisions in a bilateral negotiating context, the benefits do not necessarily outweigh those of larger-scale agreements.

That is certainly the case with the TPP, which contained some provisions that were highly beneficial for the US economy. They were agreed, however, because of the expectation that China would eventually have to adhere to those standards.

In that sense, as Columbia University's Jagdish N. Bhagwati said to me, "The TPP was a bit like allowing people to play golf in a club, but only if they also attended a particular church over the weekend." The deal's signatories were in it for the golf—that is, the expanded trade and investment flows. But they couldn't avoid the obligation to accept rules that would benefit the US, in the hope that the liturgy might help to constrain China's behaviour.

The US is unique in this scenario, because it had a strong national interest in both the golf and the church. Now it will get neither. And when the new TPP, excluding the US, begins to flourish, US businesses will be wishing Trump had not cancelled their tee time.

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Centre modifies export incentive schemes to align with GST

Amiti Sen, Business Line

New Delhi, July 1, 2017 : The Centre has modified existing export incentive schemes removing most exemptions provided on input taxes to align them with the Goods & Services Tax (GST) regime which has rolled in from July 1.

Exporters importing inputs including machinery under popular schemes such as Advance Authorisation (AA) and Export Promotion Capital Goods Scheme without paying import duties (customs duty, countervailing duty and special additional duty) up to a given limit will now have to pay GST on it and later apply for refund.

"Under the GST regime, no exemption from payment of Integrated GST (IGST) and compensation cess would be available for imports under Advance Authorisation. Importers would need to pay IGST and take input tax credit as applicable under GST," a trade notification issued by the Directorate General of Foreign Trade (DGFT) modifying provisions under the Foreign Trade Policy (2015-20) on Friday night stated.

However, imports under Advance Authorisation would continue to be exempted from payment of basic customs duty, additional customs duty and education cess. Exemptions will also be provided wherever penal duties such as anti-dumping, safeguard and transition product specific safeguard duty are applicable.

The notification added that under the EPCG scheme (Chapter 5 of the FTP), too, importers of capital goods would need to pay IGST and take input tax credit.

Benefits under the Merchandise Export from India Scheme (MEIS) and the Services Export from India Scheme (SEIS), which provides exporters with duty free scrips based on the value of their exports, have also been curtailed. “The scrips cannot be used for payment of IGST and GST compensation cess in imports, and CGST, SGST, IGST and GST compensation cess for domestic procurement,” the notification stated.

Imports by Export Oriented Units (EOUs), which were allowed duty free imports of goods for their authorised operations, will now get exemption on only the customs duty. “Such goods would attract integrated tax and compensation cess. The taxes so paid on imports will be neutralised by ITC (input tax credit),” the notification said.

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Goods imported by SEZ developers, units exempted from iGST

K. R. Srivats, Business Line

New Delhi, July 10, 2017 : The Finance Ministry has exempted the goods and services imported by a unit or a developer of a special economic zone (SEZ) from levy of integrated goods and services tax (iGST).

Pratik Jain, Partner and Leader-Indirect Tax, PwC India, said that supplies to SEZs are zero rated and any imports of goods into SEZs are not taxable.

This latest exemption from iGST brings the same position that existed pre-GST as well, Jain told *BusinessLine*.

“This exemption was expected. The basic idea is supplies to SEZ must not attract GST, whether it is domestic supplies or from abroad,” he said.

R Muralidharan, Senior Director (indirect taxes), Deloitte in India said that the upfront exemption from iGST to goods procured by SEZ units will help reduce the working capital requirements of these units.

Abhishek Jain, Tax Partner, EY, said that continuation of upfront exemption of GST for procurement of both goods and services by SEZs will benefit them and prevents any unwarranted blockage of working capital.

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RCEP with ASEAN countries offers immense possibilities: Sushma Swaraj

The Economic Times

New Delhi, July 5, 2017 : India today said the proposed Regional Comprehensive Economic Partnership (RCEP) with ASEAN countries will offer immense possibilities, accounting for about 40 per cent of world trade.

External Affairs Minister Sushma Swaraj said the next round of RCEP meeting will be held in Hyderabad later this month.

The RCEP is a proposed free trade agreement (FTA) between the 10-member states of the Association of Southeast Asian Nations (ASEAN) (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and the six states with which ASEAN has existing free trade agreements (Australia, China, India, Japan, South Korea and New Zealand).

She said the ASEAN-India FTA has given a major boost to trade in goods and services and its review meeting in Cebu in the Philippines next week will explore means to further enhance our trade and investments flows.

"We are also actively engaged in negotiations on the regional comprehensive economic partnership. We look forward to a positive outcome of the next round of negotiations that will commence in Hyderabad later this month.

"When finalised, RCEP offers immense possibilities as the largest regional trading arrangement, accounting for about 40 per cent of world trade," Swaraj said at Delhi Dialogue, an annual forum aimed at enhancing India's interaction with the ASEAN countries.

Speaking on occasion, Myanmar's Minister in the Ministry of the Office of the State Counsellor, U Kyaw Tint Swe said that the RCEP will significantly enhance the trade volumes between the member countries.

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India-Vietnam should achieve $15 billion trade target by 2020: President Pranab Mukerjee

The Economic Times

New Delhi, July 4, 2017 : President Pranab Mukerjee today said India and Vietnam should take steps to achieve USD 15 billion bilateral trade target by 2020.

He said this while speaking to the Vietnamese Deputy Prime Minister and Foreign Minister Pham Binh Minh, who called on him at the Rashtrapati Bhavan.

"The status of present bilateral trade between India and Vietnam is satisfactory. However, the two countries should work together to achieve the target of USD 15 billion bilateral trade by 2020," the President said.

In 2016-17, the two way trade between the countries stood at USD 10.14 billion.

Mukherjee said many Indian companies were keen to invest in Vietnam for the development and prosperity of their people.

He said it was his strong belief that this partnership will continue to strengthen in the years to come.

The President said the two countries traditionally share warm and cordial relations, based on mutual respect and goodwill.

Our fruitful partnership has grown in recent years, Mukerjee said, adding that he was "confident" that it would continue to strengthen in the years to come.

The President also recalled his state visit to Vietnam in September 2014 and thanked Minh for his country's warm hospitality.

He also congratulated Minh on his elevation as a member of Politburo last year.

The Vietnamese deputy PM reciprocated the President's sentiments and said Vietnam is keen to work with India in taking their mutual relationship to greater heights.

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China must promote economic zones around India: Chinese daily

The Economic Times

Beijing, July 12, 2017 : China must pursue economic integration with countries like Bangladesh to promote "a string of active economic development zones surrounding India", a Chinese newspaper has reported.

"China should keep a close eye on economic cooperation with some South Asian countries like Bangladesh to promote economic integration," a report in the state-run Global Times said on Tuesday.

"This could promote the formation of a string of active economic development zones surrounding India, which would not be a bad thing if it could place pressure on New Delhi to deepen its economic cooperation with neighbouring countries."

The daily added that hopefully India could make a greater contribution to improving infrastructure in Myanmar under the framework of the Bangladesh-China-India-Myanmar Economic Corridor.

"This would help to connect the markets in India, China and Southeast Asia, the world's three most active economic region."

The report said that as a key strategic location connecting China and India, Myanmar was reportedly ramping up efforts to make itself a new offshore trading hub in Asia.

As Myanmar's largest trade partner and largest source of investment, China was crucial for Myanmar's external-policy strategy.

It said that India was going all out to make the visit by Myanmar's military chief a resounding success following tensions on the border between India and China, "but there is no reason for China to feel any anxiety".

"Myanmar is unlikely to do a stupid thing like supporting India's stand on the tensions in the border area as that would risk cutting its economic ties with China.

"There is tremendous potential for further economic and trade cooperation between China and Myanmar," it added.

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Engineering exports emerge major contributor to external outward trade

Sutanuka Ghosal, The Economic Times

Kolkatta, July 7, 2017 : Buoyed by a huge rise in exports of iron and steel and several non-ferrous metals, India's engineering exports have emerged as a major contributor to the external outward trade, accounting for over one-fourth of the country's entire merchandise exports which were also helped by buoyancy in shipments to select destinations, including the US and China, an EEPC India analysis has shown.

According to the latest data, India's engineering exports continued to witness significant growth for the eighth consecutive month in May, 2017, though 7.5 per cent year on year expansion during the month was slower than that of April, 2017 when shipments had grown by a huge 25 per cent Y-on-Y.

"Still, buoyed by iron, steel and other metals, the engineering exports of $6 billion in May, 2017 accounted for 25.2 per cent of the country's entire export basket, against 23.8 in April, 2017 when the monthly shipments were $5.92 billion," the analysis noted. India's total merchandise exports aggregated to $24.01 billion in May, registering an annual growth of 8.32 per cent.

Commenting on the development, EEPC India chairman TS Bhasin said "There is a demand pick up for basic material in the US and China, besides some other key economies, reflecting a revival in the global economic activities, giving a push to the exports of mother industries."

Out of 33 engineering segments, 25 recorded growth in May, 2017 over the same month last year. Iron and steel exports jumped by more than 58 percent during May with overseas shipment of $ 797.5 million , against $504.5 million in the same month last year. Cumulative figure showed 99.5 percent growth of exports during April - May 2017 to $1.7 billion from $ 853.8 million during the same period last fiscal for this vital segment.

Products of iron and steel increased in export by 14.6 per cent during the month under review while its cumulative exports increased by 17 per cent to $1.03 billion during April - May 2017 against $ 885.3 million during the same period in 2016-17.

Significantly, the total engineering exports to the USA went up by a huge 82 per cent to $902 million during May, 2017 from $ 495 million in the same month last fiscal. Likewise, the engineering shipments, largely helped by the iron , steel and metal pack, to China too shot up by 96.6 per cent to $189 million from $96.2 million.

"While the basic raw materials have helped revival of our engineering exports, we need to work hard and get a foothold in the export of technology-driven value –added items. Some key initiatives have been taken in this regard with the help of the Commerce Ministry. These include setting up an EEPC Technology Centre in Bengaluru," Bhasin said.

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