

Monthly Newsletter

1. TRADE

A) INDIA, ISRAEL LAUNCH 5-YR TECH FUND TO FURTHER BIZ TIES

India and Israel have launched a five-year technology fund, reminiscent of a fund that boosted the Jewish state's ties with US over four decades, and agreed to hold talks for an investment protection treaty in a bid to boost trade and business ties. The two nations have agreed to put USD 4 million a year for five years into the Israel India Innovation Initiative Fund, or I4F. A MoU, was signed between the Indian Department of Science and Technology and the National Authority for Technological Innovation of Israel. Besides getting Israeli technology firms to invest in India, the fund aims to spur Indian firms to open development centres in the Jewish state and invest in their technology ecosystem. Indo-Israel trade has grown from about USD 200 million in 1992, when they established diplomatic ties, to nearly USD 4.2 billion last year. Recognizing the importance of facilitating movement of business-person, India and Israel underlined their expectation that the granting of multiple entry visas to business people for up to five years will encourage greater economic and commercial exchanges

2. ECONOMY

A) IMF KEEPS INDIA'S GROWTH FORECAST AT 7.2% FOR 2017-18

India will stay ahead of China in growth sweepstakes in 2017 as well as 2018, said the International Monetary Fund (IMF) while retaining the country's GDP forecast at 7.2% for the current fiscal. According to IMF's World Economic Outlook Update, India's growth is projected to accelerate to 7.7% in 2018-19, from 7.2% forecast for 2017-18. Indian economy grew 7.1% in 2016-17. The IMF further said that with a pick-up in global trade and strengthening domestic demand, growth in the ASEAN-5 economies is projected to remain robust at around 5%.

3. PAN INDIA

A) IOC, BPCL, HPCL TO BUILD US\$ 40 BILLION REFINERY IN MAHARASHTRA'S RATNAGIRI

India's three public sector oil companies—Indian Oil Corp. Ltd (IOC), Bharat Petroleum Corp. Ltd (BPCL) and Hindustan Petroleum Corp. Ltd (HPCL) signed an agreement to build one of the world's largest integrated refinery-cum-petrochemicals complexes in Ratnagiri district of Maharashtra. The 60 million metric tonnes per annum (MMTPA) west coast refinery-cum-petrochemicals

complex will be built at an estimated cost of \$40 billion, and is expected to be commissioned by the year 2022. According to the statement, the refinery is designed to produce Euro-VI and above-grade transportation fuels and will have in-built flexibility for processing a wide spectrum of light and heavy crude oil grades, utilizing various blending techniques.

B) 22 STATES ABOLISH CHECK POSTS AFTER GST ROLLOUT

As many as 22 states, including Delhi, West Bengal and Maharashtra, have abolished check posts after the implementation of the Goods and Services Tax (GST). Eight states, including Assam, Punjab, Himachal Pradesh, and some north-eastern states, are also in the process of abolishing check posts, a finance ministry statement said. State border check posts scrutinize material and location-based tax compliance, resulting in delays in delivery of goods and cause environment pollution as trucks queue up for clearance. One of the key objectives of the GST, which came into effect from July 1, was to make India a single market where goods and services can flow seamlessly. The other important states which have abolished the check post include Uttar Pradesh, Bihar, Haryana, Gujarat, Madhya Pradesh, Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. With the abolition of check posts, the long queues often witnessed at state borders will not be seen.

C) INDIA RANKS 23RD AMONG 165 NATIONS IN CYBER SECURITY INDEX

India is ranked a high 23rd out of 165 nations in a global index that measures the commitment of nations across the world to cyber security. India is ranked 23rd on the index with a score of 0.683 and has been listed in the "maturing" category, which refers to 77 countries that have developed complex commitments to cyber security and engage in cyber security programmes and initiatives. The index has been topped by Singapore with a 0.925 score. According to the report about 38% of countries have a published cyber security strategy and an additional 12% of governments are in the process of developing one. The agency said more effort is needed in this critical area, particularly since it conveys that governments consider digital risks high priority. The top 10 most committed countries to cyber security are Singapore, United States, Malaysia, Oman, Estonia, Mauritius, Australia, Georgia, France and Canada. Russia is ranked 11th.

D) INDIA TO OVERTAKE JAPAN IN STEEL PRODUCTION IN 2 YEARS"

India would overtake the world's second largest steel producer Japan in the next couple of years and the country has targeted to produce 300 million ton of steel by 2025-30. India is currently producing 90 to 95 million ton of steel per annum against the world no.2 steel producer Japan, which produces around 103 million ton. The steel sector has started improving, and it contributes 1 to 1.5% in the country's GDP.

E) RS 19,000 CRORES INVESTED ON NATIONAL HIGHWAYS IN THE NORTH EAST

An investment of Rs.14,916 crore under the Special Accelerated Road Development Programme for North East (SARDP-NE) and Rs.4,095 crore under National Highway (Original) were made during the last two years for strengthening the road infrastructure in the north eastern region of the country. The roads under SARDP-NE were approved by the Cabinet Committee on Economic Affairs while the development of highways under NH (O) are taken up on the basis of inter-se priority, traffic volume and availability of funds.

F) INDIA TOPS GROWTH RATE AMONG LEADING CAR MARKETS

India is the only country among the top seven car markets to grow at a double-digit rate in the first five months of 2017. The world's fifth-largest market for passenger vehicles (cars, vans and

utility vehicles) expanded by over 11 % over the year-ago period. This came when the top two markets - China and the US - saw a declining trend. The only market that came close to India's growth rate is Japan, the world's third-largest passenger vehicle (PV) market, which grew at 9%. China, the largest PV market, registered a decline of 2.59%, while the US's shrunk by 10%. The fourth-largest market, Germany, grew at less than 5 %. India, with sales of 1.33 million vehicles, is not much far from Germany's 1.45 million in volumes. India's 11.34% growth was led by companies like Maruti Suzuki, Hyundai, Honda, and Tata Motors. Three large car makers have announced plans to enter the Indian market since January this year. In January, French car maker PSA, which makes cars under the Peugeot brand, announced an India entry by joining hands with Hindustan Motors. Three months later, Korean car maker Kia said it would invest \$1.1 billion to set up a greenfield manufacturing unit in Andhra Pradesh, with a capacity to make 300,000 cars a year. Last month, Chinese car maker SAIC said it would use GM's now closed Halol plant to manufacture cars in India. Managing Director for Detroit-based automobile consultancy Urban Science in India, said the inadequate public transportation system in India was a major factor driving people to personal ownership. Top global brands like Volkswagen, Ford and Nissan are sitting on a low single-digit share. Maruti, Hyundai and M&M dominate the Indian market with a combined share of about 73%; the other dozen players have the rest. A number of these global brands are now exporting more vehicles from here than they sell in the local market.

4. GOVERNMENT IMPOSES 10% CUSTOMS DUTY ON CHARGERS AND ADAPTERS

The government has imposed a 10% basic customs duty (BCD) on imported chargers and adapters, while exempting parts or raw material used for making these products out of the duty ambit. The move would create a duty differential in the current tax regime which was being offered pre-GST by imposing a countervailing duty of 12.5% on imports. The world's largest charger maker, Salcomp, is already making these products in India, and plans to expand its operations in the country with an additional investment of ₹30 million (Rs 220 crore) over the next year.

5. GLOBAL BUZZ

A) AIRBUS SELLS 140 PLANES WORTH \$23 BILLION TO CHINA

Airbus has signed an agreement to sell 140 aircraft to China, in a deal worth almost \$23 billion at list prices. The agreement, signed during a visit by Chinese President Xi Jinping to Germany, is for 100 A320 family aircraft and 40 A350 planes. The planes will be purchased by state-owned China Aviation Supplies Holding Company, which will then allocate them to Chinese airlines. The A320 planes will be a mixture of the older CEO and the new NEO version with revamped engines, while the majority of the A350 orders are for the -900 model. The deal is flexible pending negotiations with the airlines. Enders said he expected up to 50% of the A320 family planes would come from the Airbus final assembly line in China. Enders also said the group was in talks with the Chinese over the A380 superjumbo, which has suffered slow sales.

B) INDIA TO BECOME LARGEST MILK PRODUCER IN 2026

India, projected to be the most populous country over the next decade, will be the world's largest milk producer by 2026 and will account for the biggest increase in wheat production globally, according to a report by the UN and OECD.

C) VIETNAM EMERGES AS A BIG MILITARY EQUIPMENT MARKET

Vietnam is considered by most global defence contractors as a market with great potential. The country's defence expenditure is increasing strongly and the government is determined to enter into strategic partnerships with new allies, which means its traditional reliance on Russia is gradually diminishing. Its list of military requirements, meanwhile, is long. Major Western defence firms are actively engaged in trying to break into Vietnam as part of strategies to enhance their presence in the Asia Pacific region. With the defence sectors in most of these countries estimated to grow over the coming decade, Vietnam will certainly remain a target market for companies looking to expand in the region. Vietnam regards its defence budget to be a state secret and rarely discloses information about how much military finance there is, or how it is allocated. However, some predictions can be made using as a baseline some of the occasional figures issued by the Ministry of Finance. Using this method, it can be assessed that Vietnam's 2017 defence expenditure will be about VND110 trillion (USD4.9 billion). It can be forecast that by 2021 Vietnam's defence budget will increase by about 23% to USD6 billion equating to yearly average increases of about 5.4%, which is slightly behind the forecast expansion in the country's economy during 2017-21. In recent years, Vietnam's defence budget has been allocated about 2.2% of national GDP, and this share is more or less likely to remain same in the near future unless the government recognizes rapidly mounting strategic threats. Such a situation would also lead to a further emphasis on military investment through the country's defence procurement budget. This received about 17% of the core defence expenditure in 2017: a proportion that is not likely to change much in the near term. In monetary terms, procurement spending is USD846 million in 2017 and is estimated to increase to about USD1 billion by 2021. Despite the fact that the VPA land force is the leading service, spending on army procurement is not expected to be prioritized by the government. This mirrors the country's commitment to secure offshore territory and assets, including energy, the land forces will be allocated, on average, about 24% of the annual procurement budget, with the air force and navy receiving about 40% and 33%, respectively.

D) U.K.'S NEW £10 NOTE GETS A FRESH FACE: JANE AUSTEN

Queen Elizabeth II is the only woman now pictured on currency in England and Wales. That is about to change. The Bank of England on Tuesday unveiled the final design for a 10-pound bank note bearing the likeness of the novelist Jane Austen, timed to mark the 200th anniversary of her death. (Unlike the United States, no bank notes are issued in England and Wales for less than a "fiver." Instead, the Royal Mint produces £1 and £2 coins; a 12-sided £1 coin was introduced in March). The new £10 bills, set to enter circulation in September, are made from a thin plastic material designed to last longer than traditional paper notes, and able to withstand a washing-machine cycle.

E) JAPAN SLAPS EMERGENCY TARIFFS ON IMPORTS OF FROZEN US BEEF

Japan is slapping emergency tariffs of 50 per cent on imports of frozen U.S. beef after shipments surged. Under World Trade Organization rules, Japan can introduce such safeguard tariffs when imports rise more than 17% year-on-year in any given quarter. Beef imports have risen quickly as

prices fell as the U.S. livestock sector recovered from drought. But the U.S. also faces stiff competition from Australia, whose free trade agreement with Japan means it does not face the same emergency tariffs. The Finance Ministry reported 89,253 metric tons of frozen beef were imported so far this

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