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Corporate tax slashed for domestic companies and new domestic manufacturing companies

Diwali came early for India Inc after the Centre slashed effective corporate tax to 25.17 per cent inclusive of all cess and surcharges for domestic companies. Making the announcement, Finance Minister Nirmala Sitharaman said the new tax rate will be applicable from the current fiscal which began on April 1.

Sitharaman said the revenue foregone on reduction in corporate tax and other relief measures will be Rs 1.45 lakh crore annually.

The move puts India's tax rate on par with Asian peers and will boost efforts to attract investments as companies look for alternative destinations to sidestep supply chain disruptions from the U.S.-China trade war.

RBI Governor Shaktikanta Das welcomed the government announcement, calling it a "bold move.'' Domestic investor wealth soared by Rs 2.11 lakh crore in morning trade on Friday.

Here's what you should know:

Manufacturing companies set up after October 1 to get option to pay 15% tax. Effective tax rate for new manufacturing firms to be 17.01% inclusive of surcharge & tax.

New provision inserted in the income tax act with effect from fiscal year 2019-20, that allows any domestic company to pay income tax at the rate of 22% subject to condition they will not avail any incentive or exemptions.

Listed companies that have announced buyback before July 5, 2019, tax on buyback of shares will not be charged

Higher surcharge will also not apply on capital gains on sale of security including derivatives held by FPIs

Enhanced surcharge will not apply to capital gains arising on equity sale or equity-oriented funds liable to STT stabilise flow of funds into capital markets

To provide relief to companies availing of concessions and benefits, a MAT relief by reducing it from 18% to 15%

CSR 2% spending to include government, PSU incubators and public funded education entities, IITs

New domestic manufacturing companies incorporated after October 1, can pay income tax at a rate of 15 per cent without any incentives. Meaning, effective tax rate for new manufacturing companies will

be 17.01 per cent inclusive of all surcharge and cess. Sitharaman further said companies can opt for lower tax rate after expiry of tax holidays and concessions that they are availing now.

The government has also decided to not levy enhanced surcharge introduced in Budget on capital gain arising from sale of equity shares in a company liable for securities transaction tax (STT).

Also, the super-rich tax will not to apply on capital gains arising from sale of any security including derivatives in hands of foreign portfolio investors (FPIs). “The government has taken a bold and proactive step to bring the much-needed tax reforms, which will boost investment and also aid to private cycle capex. The lowering of corporate tax rates will widen the tax net and gradually bring in more revenues to the government.

Overall, the move will make Indian companies globally competitive, a welcome step to arrest slowdown and lift up the market sentiments,” said Sanjeev Hota, Head of Research, Sharekhan.

In another relief, the minister said listed companies which have announced buyback of shares prior to July 5, will not be charged with super rich tax.

The companies have now also been permitted to use their 2 per cent CSR spend on incubation, IITs, NITs, and national laboratories. Sitharaman expressed confidence that the tax concessions will bring investments in Make in India, boost employment and economic activity, leading to more revenue.

Markets responded with a massive surge. The 30-share Sensex jumped 1,600 points while Nifty topped 11,000-mark.

All the players in the Sensex pack were trading in the green with Tata Steel gaining the most 5.19 per cent. It was followed by Maruti Suzuki (up 5 per cent), HDFC Bank (up 4.86 per cent), YES Bank (up 4.62 per cent) and Reliance Industries (up 3.50 per cent).

Among the sectoral indices on BSE, the Auto index rallied the most 3.69 per cent. Bankex, Capital Goods, Metal, Consumer Durables and Oil & Gas were up between 1.50 per cent and 3.70 per cent.

(Economic Times, 20/9/2019)

Finance Minister Nirmala Sitharaman’s relief measures for exporters; all you need to know

To boost the exports from the country, the government has provided additional credit support of up to Rs 68,000 crore in the priority sector lending.

In a move to boost exports from India, Finance Minister Nirmala Sithraman has announced a slew of measures to benefit exporters in terms of liquidity, technology, credit and, the turnaround time for exports. Nirmala Sitharaman announced additional credit support of up to Rs 68,000 crore in the priority sector lending. Nirmala Sitharaman also underlined that higher insurance cover will be given by banks to lend working capital for exports, which will reduce the burden on exporters. In the press conference addressed by Nirmala Sitharaman, she mentioned that the government looks at improving the use of technology to reduce the turnaround time of exports and to make the refunds speedily, fully electronic refund mechanism for GST will come soon.

Nirmala Sitharaman added that the government will assign a senior official to work closely with the exports organisations to use concessional tariffs in their field. The move is aimed at utilising the special tariffs opportunity and to enhance awareness of preferential duty benefits to generate higher profits from exports.

Measures announced to boost exports:

Scheme for remission for duties or taxes on export products: The FM has announced a scheme for remission for duties or taxes on export products (RODTEP), which will completely replace MEIS. Existing dispensation in textiles, MEIS and old ROSL, will continue till December 2019. Post this period, no MEIS will continue. RODTEP will be effective from January 1, 2020. The centre expects revenue to go up by Rs 50,000 crore the labour-intensive sector is expected to get priority.

Electronic fund mechanism: To make the refunds speedily, fully electronic refund mechanism for GST to come soon.

Export credit insurance scheme: In the field of export credit insurance scheme, higher insurance cover will be given by banks to lend working capital for exports, which will reduce the burden for exporters. The government expects that for USD based lending rates will come down by around 4 per cent and for rupee based lending the rates will come down by 8 percent.

Additional exports credit for priority sector lending: For export credit, an additional Rs 36,000-68,0000 crore will be released for priority sector lending.

Data on export finance will tracked through dashboard: The data on export finance will be monitored by an inter-ministerial working group which can be continuously tracked through a dashboard.

Using technology to reduce time for exports: Nirmala Sithraman said that technology will be upgraded to reduce the time for exports. the turnaround time will also be monitored by an inter-ministerial group.

Mega shopping festivals: FM Nirmala Sithraman added that India should hold mega shopping festivals for different themes such as gems and jewellery, handicrafts, etc by March 2020, to provide global thrust for people to come and see Indian products and eventually boosting the exports.

Tapping the concessional benefits: The government will assign a senior official to work closely with the exports organisations to use concessional tariffs in their field. The move is aimed at utilising the special tariffs opportunity and to enhance awareness of preferential duty benefits.

Adoption of mandatory technical standards: The government has insisted for a time-bound adoption of mandatory technical standards by industries. Nirmala Sitharaman added that a working group on standards will be set up in the Department of Commerce, which would enable Indian exports to avoid non-tariff barriers.

Enabling handicraft industry to harness e-commerce portal: The government has underlined that enabling handicraft industry to harness e-commerce portal can boost to exports as several artisans can directly showcase their products online.

Meanwhile, in the housing sector, the government has provided additional liquidity support to HFCs, increasing the support from Rs 20,000 crores to Rs 30,000 crores. The government has also relaxed the norms of external commercial borrowings (ECBs). For a house building advance, interest rates will be reduced as the rates will be associated with 10-year G-sec yield. Nirmala Sitharman added that an organisation will be established to provide credit enhancement for infrastructure and housing.

(Financial Express, 14/9/2019)

Could France be the new Russia for India?

On the defence front, India has been diversifying away from Russian equipment. But while it has ramped up its defence buys from the US, it is France who seems to be getting some of the big orders.

Could France be taking over the special place Russia has in the Indian system? It’s been about two decades in the making, but this scratch card may be finally showing its combination.

Consider: Isro wants to go to Venus, and send up a manned space mission. France is a partner. In the Indian Ocean region, France and India have agreed to send up almost 12 satellites to enhance maritime domain awareness. France has offered to share its naval bases with India in Reunion, Abu Dhabi, Djibouti. New Delhi and Paris are on the same page on their Indo-Pacific policies.

Russia doesn’t believe in the idea of the Indo-Pacific, and has been quite irritated with India for pushing what Moscow sees as a US line, while Indian policy is rooting itself in the Indo-Pacific. India is slowly moving away from Russian weapons to Russian energy, which is big. But look at Mozambique for a second. ONGC and Total will operate the Rovuma gas block which holds proven reserves of 75 billion cubic feet, possibly India’s largest investment in Africa.

On the defence front, India has been diversifying away from Russian equipment. But while it has ramped up its defence buys from the US, it is France who seems to be getting some of the big orders. Leave aside Rafale for the moment, the surprise story in the defence space appears to be a joint development of a new generation jet engine in a project unimaginatively dubbed “Infra”. This is important, not only in and of itself but because no one else is in this game and unlike with Russia, India isn’t looking over French shoulders at – China.

Frankly, French industry is actually priced out of the market, comparable to selling regular wine for the price of champagne. To grow, they need lower costs, therefore potentially a partner like India. If India can get its defence manufacturing sector up and running, it’s actually a good fit for French companies to do more here, perhaps even grow their currently shrinking market. It’s no coincidence the outgoing French ambassador Alexandre Ziegler is the new boss at Safran, which is working on the jet engine project with India.

The interesting area is climate change – France sees itself as the global mover and shaker of the climate sector, particularly after the US abdicated its place. But again, it needs scale. India provides the numbers and heft. India is a surprisingly active participant in this space, devising ways to reduce HFC pollution, cleaner maritime transportation and other climate goals. Having delinked itself from China in the climate sphere, India is using the platform provided by France to advance its own goals – prima facie, cleaner growth, with leap-frogging cleaner technologies to creating global space for its development agenda, a

favourite of Prime Minister Narendra Modi. At the G7 summit last weekend, President Emmanuel Macron showcased India's voice.

India's climate activism has global political ambitions – international solar alliance, the coming one-planet summit, etc serving to create alliances around affirmative goals with India playing the lead. India as a climate change agent has huge play in the developed world, allowing India to leverage intent and scale for technology as well as feed its leading power ambition.

With the UK out of the EU, India is also moving its European centre of gravity to France. For its part, France is discovering the way to India's heart – tourism and students, and a vegetarian option.

On terrorism, etc France has been more forthcoming than many others including Russia. If earlier India stuck to Russia for UNSC veto support, France is coming forward to play that role, which gives India space. Moreover, France doesn't evoke the same reaction in Washington that Russia does, a relief in New Delhi.

France plays an interesting 'independent' role, part of the Western alliance yet with its 'singularities'. For instance, Macron's attempts to bring Russia back into the G7 or save Iran's JCPOA finds approval in New Delhi. Not for nothing did foreign secretary Vijay Gokhale declare that India would support "all" of France's G7 objectives.

The Indian state still holds Russia in its heart, but Moscow is headed in a direction where India will not go. America is a superpower, not always on India's side. France could become India's Goldilocks option.

(Economic Times, 5/9/2019)

India has an opportunity to benefit from a global economic situation

India, she asserted, needs to project a strong and consistent policy direction that will guide it over the next five years. It needs to create policy and regulatory coherence.

resident of US-India Business Council (USIBC) Nisha Desai Biswal has said India should present its growth vision and why businesses should look to invest in the country at a time when the global economy is beset with challenges. Indian Prime Minister Narendra Modi is scheduled to visit the US later this month. Biswal, 55, said the USIBC members are eager to hear from him.

"The recent economic reforms announced (in India) have assured global investors that the Modi government is very seized with managing this economy and bringing India back into a more robust growth scenario," she said.

Citing media reports of challenges facing the Indian as well as the global economy, Biswal said the same challenges could be seen as opportunities.

"There's a great deal of hope and expectation that Prime Minister (Modi) with the robust mandate that he has and with his track record for being able to make bold, decisive moves — which we've seen on a number of different fronts — India will be able to come out of this in a much stronger position," Biswal, one of the top ranking Indian-American officials in former US President Barack Obama's administration, told PTI in an interview.

“The (next) six to 12 months are going to be really critical. You have a UK that right now is very focused on Brexit. What the impact of Brexit is going to be on the UK economy… There is some economic uncertainty in other major markets as well,” Biswal said.

Though India can benefit from the changing global markets, Biswal noted, it can do so with major reforms. “India has an opportunity to take the broader challenges that are besetting the global economy and say, ‘here’s what we are doing’ and articulate a very clear and compelling vision to attract investment,” she added.

Biswal said some of the protectionist elements in Indian policies could be looked into. She lauded the recent reforms announced by Indian Finance Minister Nirmala Sitharaman, saying they would address concerns about flagging FDI and make the country attractive for investments.

“But what investors are looking for is a certainty and stability of economic policies that project the vision for India’s economy over the next five years and beyond. In this more volatile global climate, investors are looking for a safe harbour for their investment,” Biswal said.

India, she asserted, needs to project a strong and consistent policy direction that will guide it over the next five years. It needs to create policy and regulatory coherence.

Biswal said government reforms should be implemented with great coherence to ensure separate policies are not clashing with each other.

“That policy stability and coherence will reassure investors and attract for investment,” she said. She observed more top-down direction and coordination across the board would reassure the global investor community that India is the bet for the long-term that they should be making right now.

“While we’re still not quite there, I think some really important positive steps have been announced over the past two weeks,” Biswal said.

Observing that the Indian economy is driven by domestic consumption, Biswal said now was the time for the country to foster export-oriented growth

“India would benefit from a more open and liberalised trade policy that allows companies to make in India and export globally that eases restrictions on local content. I think India is taking some steps on that. I know that they announced 100 per cent FDI in contract manufacturing. I think that’s a big step,” Biswal said.

(PTI, 2/9/2019)

India jumps 11 spots on Global Economic Freedom index; it’s good news for sluggish economy

The latest gain is promising news for the Indian economy which is currently reeling under slowdown, Indian think-tank Centre for Civil Society said on Friday.

India has jumped 11 spots on Global Economic Freedom index from last year’s 96th spot to the current ranking of 79. The latest gain is promising news for the Indian economy which is currently reeling under slowdown, Indian think-tank Centre for Civil Society said on Friday. “It is well established that economic

freedom fosters economic growth by affecting incentives leading to efficient use of resources. The freedom to choose and supply resources, competition in business, openness to trade, and legally protected property rights are central ingredients for economic progress,'" said Sudhanshu Neema, Lawyer and Economist, Centre for Civil Society. The Economic Freedom of the World Report 2019 surveyed a total of 162 countries.

India's current ranking is better than one of the major economies of the world — China — which stood at 113th. Two Asian countries viz Hong Kong and Singapore continue their winning streak of last year with 1st and 2nd position respectively. New Zealand, Switzerland, the United States, Ireland, the United Kingdom, Canada, Australia, and Mauritius are in the top 10 and have most economic freedom measured via a gamut of factors including levels of personal choice, ability to enter markets, the security of privately-owned property etc. "According to research in top peer-reviewed academic journals, people living in countries with high levels of economic freedom enjoy greater prosperity, more political and civil liberties, and longer lives," Centre for Civil Society said.

On the other hand, Iraq, Republic of Congo, Egypt, Syria, Democratic Republic of Congo, Angola, Algeria, Sudan, Libya, and Venezuela are at the bottom of the list where economic freedom is most curbed. "Some despotic countries such as North Korea and Cuba can't be ranked due to lack of data," the statement from Centre for Civil Society said.

Here's how India scored on key components of economic freedom.

Size of government: 8.22;

Legal system and property rights: 5.17;

Access to sound money: 8.37

Freedom to trade internationally: 6.08;

Regulation of credit, labour and business: 6.69

(Financial Express, 14/9/2019)

Artificial Intelligence is creating jobs in India, not just stealing them

Five years ago, Hyderabad resident Tulasi Mathi was forced to quit her job as a maths teacher due to health issues and the birth of her two children. But today, the 29-year-old does data labelling and makes up to Rs 15,000 a month. The money isn't much but it's more than she made as a teacher, and enough to pay her kids' school fees and her own expenses.

She chanced on data labelling work through a YouTube video in 2017. Today, she scans videos and marks and labels objects encountered by self-driving cars. Her output is used to train artificial intelligence algorithms powering such cars. All Mathi knows is that it makes her life easier. "I can work from home and don't have to choose between work and family," she says.

Mathi is one of the faceless workers helping companies in the US and Europe perfect their machine learning models. For instance, if you're trying to get a driverless car to correctly identify a stop sign, you

need to feed that algorithm thousands of images correctly labelled as stop signs. Sharmila Gupta of Gurgaon-based AI Touch likens data labelling to training a newborn. “Any AI model requires labelled data to get trained. This is like teaching a small child multiple times till they understand.” It’s a job that only humans can do and since it is quite labour intensive, it is being outsourced to countries with cheap labour like India, Malaysia, the Philippines and Kenya.

There is a new AI workforce, says Ajay Shah of HR company TeamLease Services. From an opportunity point of view, there are about a lakh jobs posted on various portals currently.”

Mary Gray, a researcher and author of the book ‘Ghost Work: How to Stop Silicon Valley from Building a New Global Underclass’, says there are two main reasons why companies are turning to India for data-labelling and annotation. “It has a workforce trained in English as a first language and an internet infrastructure created during the first outsourcing boom that relied heavily on India as an offshore labour market,” says Gray. There is also a growing demand for data-labelling services that are “localised”— both linguistically and culturally relevant to India — and this work can’t be done by workers in the United States.

Playment, a crowdsourced marketplace that trains annotators from scratch, where Hyderabad’s Mathi works, has 25,000 annotators between the age of 18 and 30 years working remotely across India, and its

co-founder Siddharth Mall claims that anyone with a laptop and basic English skills can start working. “Everybody talks about how AI will make people lose their jobs, but there are also new kinds of jobs being created,” he says. These youngsters earn anywhere between Rs 20,000 and Rs 30,000 a month.

It’s not a fortune but it’s helping many annotators — most of them stay-at-home moms, fresh graduates and even students, such as 21-year-old Shiekha Mahara from Nalgonda, Telangana — get by. Mahara, who recently completed a BTech degree, began looking for online work opportunities to help out with her family’s finances. She has earned Rs 1.3 lakh so far while doing occasional projects for Playment over the last year and a half.

Unlike Playment which pays people on a contractual basis, iMerit, a data annotation company with offices in India and the US and data labelling centres in Ranchi, Shillong, Vizag and Kolkata, has 2,500

people on their rolls. What they have in common is an overwhelmingly young workforce. At iMerit, the average age of employees is just 24. Jai Natarajan, VP, marketing and strategic business development, says that nearly 80% of their employees come from underprivileged backgrounds, while 50% are women. “Our employees are positioned for the future because they understand that they have to learn new things, that nothing stays still,” says Natarajan. iMerit’s employees do data labelling for drones in the agriculture sector, medical imagery such as MRI scans, e-commerce, and sports analytics.

Mujeeb Kolasseri, a high school dropout from Mannarkkad in Kerala, founded his own data labelling company Infolks in 2015 after learning the work online. Today, the company employs nearly 250 people, nearly half of them from poor families in Kolasseri’s village. New employees get trained on image annotation tools for two months. “Nearly 80% are freshers. With proper training, anyone can work on image annotation without any technical knowledge — you just need to be a quick learner,” says Kolasseri, who was forced to quit his studies because of his family’s financial problems.

Jitendra Kumar, 27, would agree. Six months ago, Kumar, who used to drive a four-wheeler for weddings and parties in his hometown Etawah, Uttar Pradesh, found a data labelling job with Gurgaon-based firm AI Touch. “Now, I get a salary on time, work in an office and can spend some time with my family as well,” says Kumar.

Kumar’s colleague Satyam Barthwal, a Chinese interpreter, was hired after the company got work from a Chinese AI company. “I hadn’t even heard of data labelling before I got the call,” says Barthwal, who sees the job as a way to earn money till he fulfils his dream of becoming a singer. “The work is easy — we just need to read labels.”

But as machine learning evolves, will it make the work of data labelling redundant in the future? “Since we started in 2013, the precision, nuance and sophistication required has gone up. Sometimes we need domain experts. But even then, you need humans to review, audit and keep track of results. There is going to be a role in AI for humans for a long time,” adds Natarajan of iMerit.

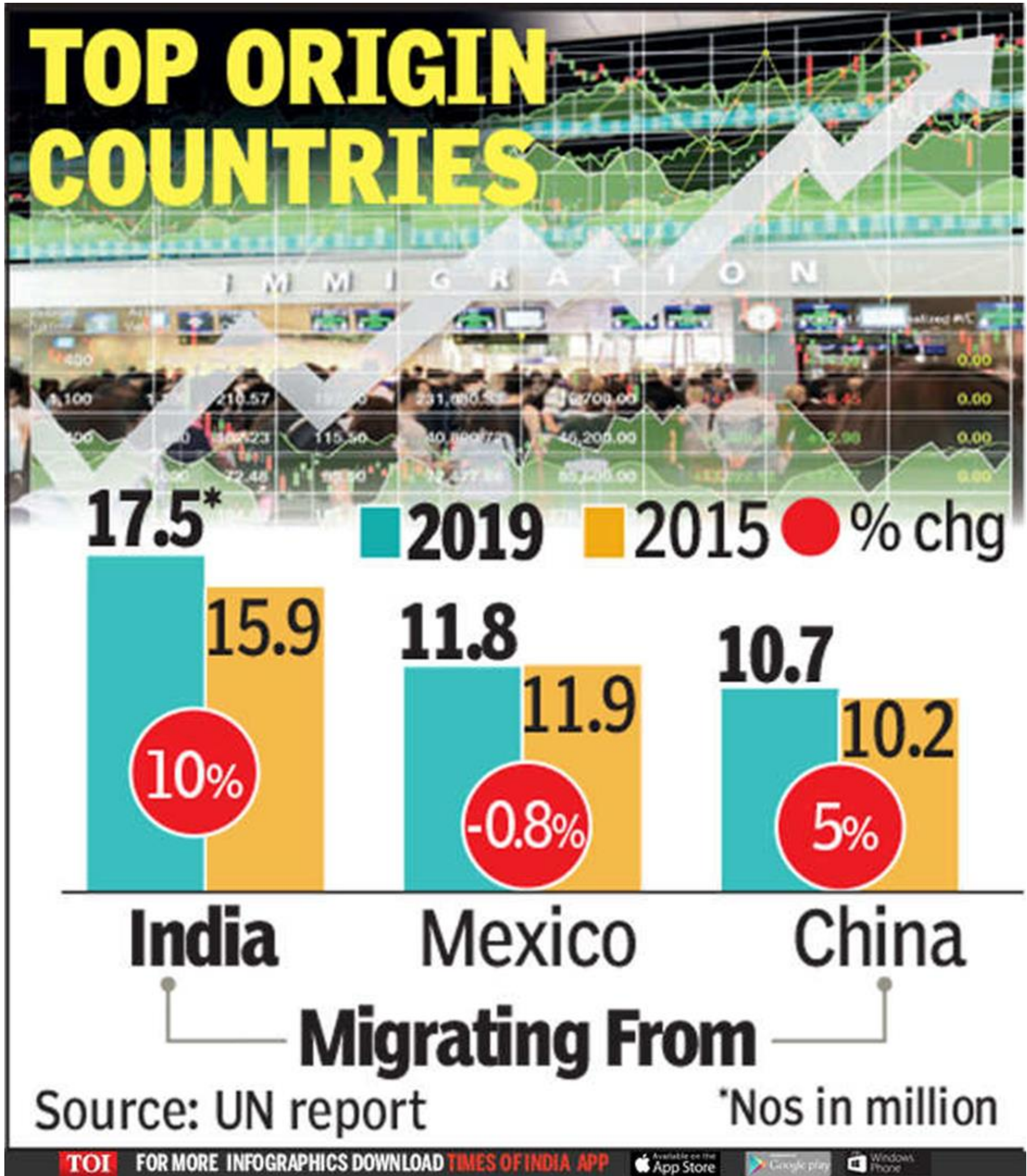
(Economic Times, 8/9/2019)

At 17.5 million, Indian diaspora remains largest in world

At 17.5 million, India’s diaspora continues to be the largest in the world – constituting 6.4% of the total world migrant population of 272 million in mid-2019.

While India’s diaspora in absolute numbers has increased 10% from 15.9 million in 2015, as a share of total world migrant population, it’s remained static, according to the UN’s International Migrant Stock released on Wednesday. And it trails the 12% rise in total migrant population, which was 243 million in 2015.

UAE, US and Saudi Arabia – with 3.4 million, 2.6 million and 2.4 million respectively – were the top three destinations for Indians, according to TOI’s analysis of the data. While the Gulf countries continue to have a high concentration of Indians, they’ve lost some of their drawing power, going by foreign ministry figures.



Another report – also released on Wednesday – by OECD, shows Indians moving up one position to No. 3 in 2017 with an inflow of 3.04 lakh – behind China and Romania.

The number of Indians who got US citizenship in 2017 rose 10% to more than 50,000 over the previous year.

UN figures pegging international migrants worldwide at 272 million reflects a rise of 23% over 2010 data, where the migrant population was 221 million. UN's data set is based largely on collated census figures. UN defines international migrants as anyone who changes their country of usual residence, irrespective of their motive – be it for work or as a refugee.

"Although migration is global, most journeys are taking place within a limited set of countries, with the US, Germany, and Saudi Arabia making up the top three," said a UN press release. The US hosted the largest number of international migrants (close to 51 million), followed by Germany and Saudi Arabia, with nearly 13 million migrants each.

The UN's press release quoted John Wilmoth, director, UN's Department of Economic and Social Affairs (DESA) saying: "The link between migration and development is very well established." "As a general observation, the contribution of migrants both in host countries and countries of origin, includes sending valuable remittances back to countries of origin, and a major social contribution through transmission of ideas," he said.

Another report, released on Wednesday in Paris, by the Organisation for Cooperation and Economic Development (OECD), shows that migration flows to OECD countries rose slightly by 2% in 2018, with around 5.3 million new 'permanent' migrants–this does not include temporary labour migration or international students.

Country-wise data for the year 2017 shows that 'total' inflow of new migrants to OECD countries in 2017 was 6.8 million, a miniscule decline of 1% over the previous year's figure. The top three countries of origin of new immigrants were China, Romania and India.

With 3.04 lakh new immigrants from India, the country occupied third place and accounted for 4.5% of total inflows (as opposed to 3.8% in the previous year). In 2016, owing to a heavy influx of migrants from Syria, India had occupied fourth position. China continued to retain its leadership position, accounting for 8.1% of total OECD inflows in 2017.

Countries continue to adjust the criteria on which their labour migration programs are based to ensure better selection and meeting of their skill gaps. Canada's Express Entry route for skilled labour was modified in late 2017. Australia significantly reformed both its temporary and permanent employer sponsored migration programs for skilled labour in 2018, illustrates OECD's report.

The majority of developed and high-income countries (36 in all) are OECD members. These include European countries, US, Canada, Australia, New Zealand, and Japan. Gulf countries, which are an important destination for Indian immigrants, do not belong to the OECD group.

In 2017, around 18.5 lakh foreign residents in OECD countries acquired the nationality of their host country. This is a sharp drop of 11% compared with 2016 when almost 21 lakh people obtained such citizenship. India's ranking dipped to second in this category, with 1.21 lakh obtaining citizenship of an OECD member country during 2017 as opposed to 1.3 lakh in the previous year. Mexico stole a march

over India and became the main country of origin of new citizens of OECD countries in 2017 with 1.22 lakh citizenships being acquired – the majority being in US.

As regards the Indian diaspora, more than 50,000 acquired US citizenship (a 10% rise over the previous year). Also, 10,000 Indians acquired Canadian citizenship and 17,000 obtained British citizenship. These statistics showed a decline of 40% and 33% respectively.

(Times of India, 19/9/2019)

OECD sees global economy slipping to weakest growth in a decade

The trade war between the United States and China has plunged global growth to its lowest levels in a decade, the OECD said on Thursday as it slashed its forecasts.

The Organisation for Economic Cooperation and Development said that the global economy risked entering a new, lasting low-growth phase if governments continued to dither over how to respond.

The global economy will see its weakest growth since the 2008-2009 financial crisis this year, slowing from 3.6% last year to 2.9% this year before a predicted 3.0% in 2020, the OECD said. In India, the growth is likely to be 5.9 per cent in 2019 and 6.3 per cent in 2020 compared to 6.8 per cent in 2018.

The Paris-based policy forum said the outlook had taken a turn for the worse since it last updated its forecasts in May, when it estimated the global economy would grow 3.2% this year and 3.4% in 2020.

"What looked like temporary trade tensions are turning into a long-lasting new state of trade relationships," OECD chief economist Laurence Boone told Reuters.

"The global order that regulated trade is gone and we are in a new era of less certain, more bilateral and sometimes assertive trade relations," she added.

Trade growth, which had been the motor of the global recovery after the financial crisis had fallen from 5% in 2017 into negative territory now, Boone said.

Meanwhile, trade tensions have weighed on business confidence, knocking investment growth down from 4% two years ago to only 1%.

Boone said that there was evidence that the trade standoff was taking its toll on the U.S. economy, hitting some manufactured products and triggering farm bankruptcies.

The world's biggest economy would grow 2.4% this year and 2.0% next year instead of the 2.8% and 2.3% respectively that the OECD had forecast in May.

China would also feel the pain with the second-biggest economy growing 6.1% in 2019 and 5.7% in 2020, outlooks the OECD cut from 6.2% and 6.0% previously.

The OECD estimated that a sustained decline in Chinese domestic demand of about 2 percentage points annually could trigger a significant knock-on effect on the global economy.

If accompanied with a deterioration in financial conditions and more uncertainty, such a scenario would mean global growth would be cut by 0.7 percentage points per year in the first two years of the shock.

Meanwhile, uncertainty over government policies was also hitting the outlook for Britain as it lurches towards leaving the European Union.

The OECD forecast British growth of 1% in 2019 and 0.9% in 2020, but only if it left the EU smoothly with a transition period, a far from certain conclusion at this stage. The OECD had forecast in May growth of 1.2% and 1.0%.

If Britain leaves without a deal, its economy will be 2% lower than otherwise in 2020-2021 even if its exit is relatively smooth with fully operational infrastructure in place, the OECD said.

The euro area would not be spared from negative spillovers under such a scenario and would see its gross domestic product cut by half a percentage point over 2020-2021.

The OECD trimmed its forecast for the shared currency block, largely due to the slowdown in its biggest economy, Germany, which was estimated to be in a technical recession.

Euro zone growth was seen at 1.0% - down from 1.2% in May - this year and 1.0% in 2020 - down from 1.4% in May.

Boone said Germany's economy had probably shrunk in the second and third quarters with a slump in car manufacturing, which accounts for 4.7% of German GDP, knocking three-fourths of a percentage point off German growth.

(Economic Times, 19/9/2019)

Backlash could cost Xi Jinping's belt and road $800 billion, report says

The most pessimistic scenario is investment might only reach around $560 billion, as per a report.

The World Bank has suggested China’s current spending totals around $575 billion, but predicting future investments by Xi’s notoriously opaque government over a decade is difficult.

A new report suggested the backlash to China’s political and trade policies could shave as much as $800 billion off investment in President Xi Jinping’s signature Belt and Road Initiative, amid mounting concerns about the geopolitical price of doing business with Beijing.

The report published Wednesday from consultancy Silk Road Associates and law firm Baker McKenzie outlined five scenarios for future BRI investment. The most optimistic is a “global cooperation model” that sees China spending more than $1.3 trillion globally between 2020 and 2030.

The most pessimistic is “uni-polar” and weighs the impact of a recession, growing nationalism and more aggressive competition, predicting investment might only reach around $560 billion.

The report’s release came as Hong Kong kicked off a Belt and Road investment summit Wednesday attended by several Chinese officials, one of whom urged the city’s residents to stop protesting and seize the opportunities offered through China’s regional infrastructure spending plans. The Asian financial hub has seen months of unrest that have taken a toll on its economy, including tourism and retail.

With more than 130 countries reported to have signed up to the initiative, estimates for China's current BRI investments vary wildly -- from hundreds of billions of dollars to as much as $8 trillion.

The World Bank has suggested China's current spending totals around $575 billion, but predicting future investments by Xi's notoriously opaque government over a decade is difficult. Political opposition to projects in Sri Lanka and Malaysia, among other countries, has led to some projects being revised, curtailed or cancelled, making investments even more difficult to track.

The Asian Development Bank has previously estimated developing countries in Asia need around $26 trillion worth of infrastructure investments between 2016 and 2030.

These are the five scenarios outlined in the report:

Value: $910 billion. Investments stay on the current trajectory and track closely with the current trend of more projects, but smaller average values.

Value: $1.32 trillion. China learns its lessons, reduces political opposition to big infrastructure projects, and negotiates more multilateral funding sources.

Value: $1.2 trillion. A focus on sustainability helps secure new funding sources and helps Chinese firms win major clean energy and water projects

Value: $1.06 trillion. U.S.-China trade tensions persist, leading to a greater exodus from China. Relocated manufacturing centers in Southeast Asia spur Chinese infrastructure investments there.

Value: $560 billion. Political opposition and trade protectionism limit the size and geographic spread of China's infrastructure investments.

(Economic Times, 13/9/2019)

IPCC report warns India of dangers of extreme oceanic conditions

The latest Intergovernmental Panel on Climate Change (IPCC) Special Report highlights the urgency of timely, ambitious and coordinated action to address unprecedented and enduring changes in the ocean and cryosphere – the parts of Earth covered by glaciers, sea ice and permafrost.

On Wednesday (25 September), the Intergovernmental Panel on Climate Change (IPCC) released a Special Report on the Oceans and Cryosphere in a Changing Climate (SROCC). This new report is the first to exclusively address the impacts of a warming world on the world's oceans and the cryosphere.

The report reveals the benefits of ambitious and effective adaptation for sustainable development and, conversely, the escalating costs and risks of delayed action.

The ocean and the cryosphere – the frozen parts of the planet – play a critical role for life on Earth. A total of 670 million people in high mountain regions and 680 million people in low-lying coastal zones depend directly on these systems. Four million people live permanently in the Arctic region, and small island developing states are home to 65 million people.

Global warming has already reached 1°C above the pre-industrial level, due to past and current greenhouse gas emissions. There is overwhelming evidence that this is resulting in profound consequences for ecosystems and people. The ocean is warmer, more acidic and less productive,

melting glaciers and ice sheets are causing sea levels to rise, and coastal extreme events are becoming more severe, the report points out.

Marine heat waves

The report attributes the emergence of extreme oceanic conditions to increasing carbon emissions, a catastrophe of human origin, that have caused marine heat waves, extreme El Niño oscillations and extremely severe cyclones. These events are new to our world and each of them has far-reaching impacts, especially on India and countries situated along the rim of the Indian Ocean.

In 2015, the world experienced one of the strongest El Niño oscillations in modern instrumental history. The El Niño is a phenomenon associated with currents of warm water in the Pacific Ocean and generally occurs every two to seven years. The occurrence of an El Niño is characterised by warm ocean temperatures in the east Pacific, which then affect global weather.

India depends on the monsoons, and a moderate El Niño can render the monsoons deficient and erratic. When an extreme El Niño hit the world in 2015, India reeled with back-to-back droughts. Ethiopia and South Africa also experienced their worst droughts in 50 years. Together with severe heat-waves, the altered climate caused a 9-million-tonne deficit in the production of cereals, leaving more than 28 million people in need of humanitarian aid, says the report.

Such extreme El Niño events are likely to become more frequent in future, from one event every 20 years in the period 1891-1990 to one every 10 years by the end of the 21st century. Given what we have seen, such intensification is likely to immensely impact future monsoons, and in turn the economy of India specifically and South Asia generally.

The IPCC Special Report on the Ocean and Cryosphere in a Changing Climate, approved on 24 September 2019 by the 195 IPCC member governments, provides new evidence for the benefits of limiting global warming to the lowest possible level – in line with the goal that governments set themselves in the 2015 Paris Agreement.

The report calls for urgent measures for reducing greenhouse gas emissions to limit the scale of ocean and cryosphere changes so that ecosystems and livelihoods depending on them can be preserved.

“The open sea, the Arctic, the Antarctic and the high mountains may seem far away to many people,” said Hoesung Lee, Chair of the IPCC. “But we depend on them and are influenced by them directly and indirectly in many ways – for weather and climate, for food and water, for energy, trade, transport, recreation and tourism, for health and wellbeing, for culture and identity.”

“If we reduce emissions sharply, consequences for people and their livelihoods will still be challenging, but potentially more manageable for those who are most vulnerable,” Lee said. “We increase our ability to build resilience and there will be more benefits for sustainable development.”

The report outlines climate-related risks and challenges that people around the world are exposed to today and that future generations will face and presents options to adapt to changes that can no longer be avoided, manage related risks and build resilience for a sustainable future. The assessment, however, shows that adaptation depends on the capacity of individuals and communities and the resources available to them.

“The world’s ocean and cryosphere have been ‘taking the heat’ from climate change for decades, and consequences for nature and humanity are sweeping and severe,” said Ko Barrett, Vice-Chair of the IPCC. “The rapid changes to the ocean and the frozen parts of our planet are forcing people from coastal cities to remote Arctic communities to fundamentally alter their ways of life,” she added.

“By understanding the causes of these changes and the resulting impacts, and by evaluating options that are available, we can strengthen our ability to adapt,” she said. “The Special Report on the Ocean and Cryosphere in a Changing Climate provides the knowledge that facilitates these kinds of decisions.”

People in mountain regions are increasingly exposed to hazards and changes in water availability, the report said.

Glaciers, snow, ice and permafrost are declining and will continue to do so. This is projected to increase hazards for people, for example through landslides, avalanches, rockfalls and floods.

Smaller glaciers found for example in Europe, eastern Africa, the tropical Andes and Indonesia are projected to lose more than 80 per cent of their current ice mass by 2100 under high emission scenarios. The retreat of the high mountain cryosphere will continue to adversely affect recreational activities, tourism, and cultural assets, the report pointed out.

As mountain glaciers retreat, they are also altering water availability and quality downstream, with implications for many sectors such as agriculture and hydropower.

Glaciers and ice sheets in polar and mountain regions are losing mass, contributing to an increasing rate of sea level rise, together with expansion of the warmer ocean.

While sea level has risen globally by around 15 cm during the 20th century, it is currently rising more than twice as fast – 3.6 mm per year – and accelerating, the report showed.

Rising sea levels

Sea level will continue to rise for centuries. It could reach around 30-60 cm by 2100 even if greenhouse gas emissions are sharply reduced and global warming is limited to well below 2°C, but around 60-110 cm if greenhouse gas emissions continue to increase strongly.

Sea level rise will increase the frequency of extreme sea level events, which occur for example during high tides and intense storms. Indications are that with any degree of additional warming, events that occurred once per century in the past will occur every year by mid-century in many regions, increasing risks for many low-lying coastal cities and small islands.

Without major investments in adaptation, they would be exposed to escalating flood risks, the report shows. Some island nations are likely to become uninhabitable due to climate-related ocean and cryosphere change, the report said, but habitability thresholds remain extremely difficult to assess.

Increases in tropical cyclone winds and rainfall are exacerbating extreme sea level events and coastal hazards. Hazards will be further be intensified by an increase in the average intensity, magnitude of storm surge and precipitation rates of tropical cyclones, especially if greenhouse gas emissions remain high.

Warming and changes in ocean chemistry are already disrupting species throughout the ocean food web, with impacts on marine ecosystems and people that depend on them, the report said.

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Saudi Arabia to invest $100 billion in India

Saudi Ambassador Dr. Saud bin Mohammed Al Sati has said India is an an attractive investment destination for Saudi Arabia and it is eyeing long-term partnerships with New Delhi

Saudi Arabia, the world's biggest oil exporter, is looking at investing $100 billion in India in areas of petrochemicals, infrastructure and mining among others, considering the country's growth potential.

Saudi Ambassador Dr. Saud bin Mohammed Al Sati has said India is an an attractive investment destination for Saudi Arabia and it is eyeing long-term partnerships with New Delhi in key sectors such as oil, gas and mining.

"Saudi Arabia is looking at making investments in India potentially worth USD 100 billion in the areas of energy, refining, petrochemicals, infrastructure, agriculture, minerals and mining," Mr. Al Sati told PTI in an interview.

He said Saudi Arabia's biggest oil giant Aramco's proposed partnership with Reliance Industries Ltd reflected the strategic nature of the growing energy ties between the two countries.

The envoy said investing in India's value chain from oil supply, marketing, refining to petrochemicals and lubricants is a key part of Aramco's global downstream strategy.

"In this backdrop, Saudi Aramco's proposed investments in India's energy sector such as the USD 44 billion West Coast refinery and petrochemical project in Maharashtra and long term partnership with Reliance represent strategic milestones in our bilateral relationship," he said.

The envoy said the 'Vision 2030' of Crown Prince Mohammed bin Salman will also result in significant expansion of trade and business between India and Saudi Arabia in diverse sectors.

Under 'Vision 2030', Saudi Arabia plans to diversify the Saudi economy while reducing its economic dependence on petroleum products.

Saudi Arabia is a key pillar of India's energy security, being a source of 17% or more of crude oil and 32% of LPG requirements of India.

The envoy said more than 40 opportunities for joint collaboration and investments across various sectors have been identified between India and Saudi Arabia in 2019, adding the current bilateral trade of USD 34 billion will undoubtedly continue to increase.

“There is huge untapped potential available in merchandise trade, particularly in non-oil trade and we are enhancing cooperation in economic, commercial, investment, cultural and technological fields,” he said.

Asked about Saudi Arabia’s plan to issue initial public offering of Aramco’s stock, being seen as world’s largest IPO, he said it will open up the company to the wider world.

“Consistent with the Vision 2030 goals, Saudi Aramco is pursuing new opportunities toward creating a world leading downstream sector in Saudi Arabia,” he added.

On future energy ties with India, he said the bilateral energy ties have grown beyond the supply of crude oil, refined products and LPG to a more comprehensive partnership that focusses on investments and joint ventures in petrochemical complexes and cooperation in exploration.

“India’s invitation to Saudi Arabia to invest in its strategic petroleum reserve reflects the trust and goodwill the two countries share,” he said.

‘Vision 2030’

Talking about ‘Vision 2030’, Mr. Al Sati said Saudi Arabia is working towards transforming its economy and looking at a post-oil age of world-class technological research, start-up and entrepreneurial vigour.

“The entire development strategy of the kingdom rests on three pillars - to build a vibrant society, a thriving economy and an ambitious nation,” he said.

“The World Bank too has ranked the kingdom as the fourth largest reformer within G20. The number of foreign investment licenses granted in Saudi Arabia in the first quarter of 2018 increased by 130 per cent,” he said.

The envoy also talked about Saudi Arabia’s new residency permit scheme for qualified international expatriates.

“This move is expected to attract leading global innovators and investors to live and work in Saudi Arabia, and help drive the private sector growth needed to realise the goals set out in Saudi Vision 2030,” he said.

Asked whether Saudi Arabia will increase oil supply to India to address the shortfall due to curb on import of oil from Iran, the envoy said his country is committed to India’s energy security and will meet any shortfall that may arise due to disruptions from other sources.

“As one of the world’s leading energy producers, the kingdom will continue working constructively with other producers within and outside OPEC (Organization of the Petroleum Exporting Countries) to maintain market stability, thus protecting all the interests of producers and consumers alike,” he said.

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