Europe India Chamber of Commerce

Newsletter

Issue: 140 Volume: 14 **June 2020**

Europe's moment: Repair and prepare for the next generation

Today, the European Commission has put forward its proposal for a major recovery plan. To ensure the recovery is sustainable, even, inclusive and fair for all Member States, the European Commission is proposing to create a new recovery instrument, Next Generation EU, embedded within a powerful, modern and revamped long-term EU budget. The Commission has also unveiled its adjusted Work Programme for 2020, which will prioritise the actions needed to propel Europe's recovery and resilience.

The coronavirus has shaken Europe and the world to its core, testing healthcare and welfare systems, our societies and economies and our way of living and working together. To protect lives and livelihoods, repair the Single Market, as well as to build a lasting and prosperous recovery, the European Commission is proposing to harness the full potential of the EU budget. Next Generation EU of €750 billion as well as targeted reinforcements to the long-term EU budget for 2021-2027 will bring the total financial firepower of the EU budget to €1.85 trillion.

European Commission President Ursula von der Leyen said: “The recovery plan turns the immense challenge we face into an opportunity, not only by supporting the recovery but also by investing in our future: the European Green Deal and digitalization will boost jobs and growth, the resilience of our societies and the health of our environment. This is Europe's moment. Our willingness to act must live up to the challenges we are all facing. With Next Generation EU we are providing an ambitious answer.”

Commissioner Johannes Hahn, in charge of the EU budget, said: “Our common budget is at the heart of Europe's recovery plan. The additional firepower of Next Generation EU and the reinforced multiannual financial framework will give us the power of solidarity to support Member States and the economy. Together, Europe will arise more competitive, resilient and sovereign.”

Vice-President Maroš Šefčovič, in charge of interinstitutional relations and foresight, said: “The recovery will need strong policy direction. The adapted Work Programme, reflecting the new reality, shows that we will focus all our actions on overcoming the crisis, jumpstarting our economy and putting the European Union firmly on a resilient, sustainable and fair recovery path. It will help us rebound stronger.”

INVESTING FOR THE NEXT GENERATION

Complementing national efforts, the EU budget is uniquely placed to power a fair socio-economic recovery, repair and revitalise the Single Market, to guarantee a level playing field, and support the urgent investments, in particular in the green and digital transitions, which hold the key to Europe's future prosperity and resilience.

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettewie, (bte. 18), 1080 Brussels
Tel+Fax: 3224692677, 02-8402800 Web : www.europeindia.eu E-mail: info@europeindia.eu
Editor: **Secretary General**

Next Generation EU will raise money by temporarily lifting the own resources ceiling to 2.00% of EU Gross National Income, allowing the Commission to use its strong credit rating to borrow €750 billion on the financial markets. This additional funding will be channelled through EU programmes and repaid over a long period of time throughout future EU budgets – not before 2028 and not after 2058. To help do this in a fair and shared way, the Commission proposes a number of new own resources. In addition, in order to make funds available as soon as possible to respond to the most pressing needs, the Commission proposes to amend the current multiannual financial framework 2014-2020 to make an additional €11.5 billion in funding available already in 2020.

The money raised for Next Generation EU will be invested across three pillars:

1. Support to Member States with investments and reforms:

A new Recovery and Resilience Facility of €560 billion will offer financial support for investments and reforms, including in relation to the green and digital transitions and the resilience of national economies, linking these to the EU priorities. This facility will be embedded in the European Semester. It will be equipped with a grant facility of up to €310 billion and will be able to make up to €250 billion available in loans. Support will be available to all Member States but concentrated on the most affected and where resilience needs are the greatest.

A €55 billion top-up of the current cohesion policy programmes between now and 2022 under the new REACT-EU initiative to be allocated based on the severity of the socio-economic impacts of the crisis, including the level of youth unemployment and the relative prosperity of Member States.

A proposal to strenghten the Just Transition Fund up to €40 billion, toassist Member States in accelerating the transition towards climate neutrality.

A €15 billion reinforcement for theEuropean Agricultural Fund for Rural Development to support rural areas in making the structural changes necessary in line with the European Green Deal and achieving the ambitious targets in line with the new biodiversity and Farm to Fork strategies.

2. Kick-starting the EU economy by incentivising private investments:

A new Solvency Support Instrument will mobilise private resources to urgently support viable European companies in the sectors, regions and countries most affected. It can be operational from 2020 and will have a budget of €31 billion, aiming to unlock €300 billion in solvency support for companies from all economic sectors and prepare them for a cleaner, digital and resilient future.

Upgrade InvestEU, Europe's flagship investment programme, to a level of €15.3 billion to mobilise private investment in projects across the Union.

A new Strategic Investment Facility built into InvestEU– to generate investments of up to €150 billion in boosting the resilience of strategic sectors, notably those linked to the green and digital transition, and key value chains in the internal market, thanks to a contribution of €15 billion from Next Generation EU.

3. Addressing the lessons of the crisis:

A new Health Programme, EU4Health, to strengthen health security and prepare for future health crises with a budget of €9.4 billion.

A €2 billion reinforcement of rescEU, the Union's Civil Protection Mechanism, which will be expanded and strenghetend to equip the Union to prepare for and respond to future crises.

An amount of EUR€94.4 billion forHorizon Europe, which will be reinforced to fund vital research in health, resilience and the green and digital transitions.

Supporting Europe's global partners through an additional €16.5 billion for external action, including humanitarian aid.

Other EU programmes will be strengthened to align the future financial framework fully with recovery needs and strategic priorities. Other instruments will be reinforced to make the EU budget more flexible and responsive.

Reaching a rapid political agreement on Next Generation EUand the overall EU budget for 2021-2027 at the level of the European Council by July is necessary to give new dynamism to the recovery and equip the EU with a powerful tool to get the economy back on its feet and build for the future.

THE POLICY FUNDAMENTALS OF THE RECOVERY

Relaunching the economy does not mean going back to the status quo before the crisis, but bouncing forward. We must repair the short-term damage from the crisis in a way that also invests in our long-term future. All of the money raised through Next Generation EU will be channelled through EU programmes in the revamped long-term EU budget:

The European Green Deal as the EU's recovery strategy:

A massive renovation wave of our buildings and infrastructure and a more circular economy, bringing local jobs;

Rolling out renewable energy projects, especially wind, solar and kick-starting a clean hydrogen economy in Europe;

Cleaner transport and logistics, including the installation of one million charging points for electric vehicles and a boost for rail travel and clean mobility in our cities and regions;

Strengthening the Just Transition Fund to support re-skilling, helping businesses create new economic opportunities.

Strengthening the Single Market and adapting it to the digital age:

Investing in more and better connectivity, especially in the rapid deployment of 5G networks;

A stronger industrial and technological presence in strategic sectors, including artificial intelligence, cybersecurity, supercomputing and cloud;

Building a real data economy as a motor for innovation and job creation;

Increased cyber resilience.

A fair and inclusive recovery for all:

The short-term European Unemployment Reinsurance Scheme (SURE) will provide €100 billion to support workers and businesses;

A Skills Agenda for Europe and a Digital Education Action Plan will ensure digital skills for all EU citizens;

Fair minimum wages and binding pay transparency measures will help vulnerable workers, particularly women;

The European Commission is stepping up the fight against tax evasion and this will help Member States generate revenue.

BUILDING A MORE RESILIENT EU

Europe must enhance its strategic autonomy in a number of specific areas, including in strategic value chains and reinforced screening of foreign direct investment. To increase crisis preparedness and crisis management, the Commission will reinforce the European Medicines Agency and give a stronger role to the European Centre for Disease Control (ECDC) in coordinating medical responses in crises.

The recovery must unequivocally be based on fundamental rights and full respect of the rule of law. Any emergency measures must be limited in time and be strictly proportionate. The Commission's assessment will be included in the first report under the rule of law mechanism.

We can and must learn the lessons from this crisis, but this can only be done by involving our citizens, communities and cities. The Conference on the Future of Europe will play an important role in further strengthening Europe's democratic foundations in the post-coronavirus crisis world.

RESPONSIBLE GLOBAL LEADERSHIP

The EU is committed in leading international efforts towards a truly global recovery, notably though joint coordination with the United Nations, the G20 and G7, the International Monetary Fund, the World Bank or the International Labour Organisation. The EU will continue working particularly closely with its immediate neighbourhood in the East and South and its partners in Africa.

(European Commission, 27/5/2020)

India's Rs 20 lakh crore Covid relief package one among the largest in the world

The package works out to roughly 10 per cent of the GDP, making it among the most substantial in the world.

The mega Rs 20 lakh crore stimulus package announced on Tuesday by PM Narendra Modi includes previously announced measures to save the lockdown-battered economy, and focuses on tax breaks for small businesses as well as incentives for domestic manufacturing. The combined package works out to roughly 10 per cent of the GDP, making it among the most substantial in the world after the financial packages announced by the United States, which is 13 per cent of its GDP, and by Japan, which is over 21 per cent of its GDP.

The Rs 20 lakh crore package includes Rs 1.7 lakh crore package of free foodgrains to poor and cash to poor women and elderly, announced in March, as well as the Reserve Bank's liquidity measures and interest rate cuts. While the March stimulus was 0.8 per cent of GDP, RBI's cut in interest rates and liquidity boosting measures totalled to 3.2 per cent of the GDP (about Rs 6.5 lakh crore).

"A special economic package is being announced to make India self-reliant," PM Modi said in his third address to the nation over COVID-19 pandemic. "This package, taken together with earlier announcements by the government during COVID crisis and decisions taken by RBI, is to the tune of Rs 20 lakh crore, which is equivalent to almost 10 per cent of India's GDP."

Most economic activity in the country had come to a standstill after the government imposed a 21-day nationwide lockdown beginning March 25 to check the spread of coronavirus. The lockdown has since been extended twice through May 17, with some relaxations to allow the resumption of economic activity.

The package, he said, will focus on land, labour, liquidity and laws. It will cater to various sections, including cottage industry, MSMEs, labourers, middle class, and industries.

The Prime Minister did not share details saying FM Nirmala Sitharaman will over the next few days spell out details for each sector.

But going by the previous figures, it would seem that an additional Rs 12 lakh crore will be pumped into the economy.

He, however, dropped hints that the package may include tax relief for small, micro and medium enterprises and incentives to boost domestic manufacturing as well as attracting investments.

Proposals such as giving full tax exemption to companies making new investment of a minimum threshold in sectors such as medical devices, electronics, telecom equipment and capital goods was said to be under consideration of the government. Investments in infrastructure are may also form part of the package.

Easy access to land as well as labour reforms may also form part of the package to lure companies leaving China.

The package is seen as a government attempt to check the world's fifth-largest economy hurtling towards its first full-year contraction in four decades. According to estimates, lockdown may have led to 12.2 crore people losing jobs in April and consumer demand evaporating.

He said that a self-reliant India will stand on five pillars viz economy, which brings in quantum jump and not incremental change; infrastructure, which should become the identity of India; technology-driven system; vibrant demography; and demand.

As part of the Rs 1.70 lakh crore Pradhan Mantri Garib Kalyan Package (PMGKP), the government announced free wheat or rice plus pulses to poor as well as a cash payment to women and poor senior citizens and farmers over a period of three months till June.

According to the latest government data, Rs 34,800 crore financial assistance using digital payment infrastructure were provided to about 39 crore beneficiaries.

Under the Pradhan Mantri Garib Kalyan Ann Yojana 67.65 lakh MT of foodgrains have been lifted by 36 states/UTs for April 2020. Around 16 LMT of foodgrains have been distributed, covering 60.33 crore beneficiaries by 36 states/UTs for April 2020.

About 6 LMT of foodgrains have been distributed, covering 12.39 crore beneficiaries by 22 states/UTs for May 2020. 2.42 LMT of pulses have also been dispatched to various states/UTs. Pulses have been distributed so far to 5.21 crore household beneficiaries out of 19.4 crore such beneficiaries.

(Economic Times, 13/5/2020)

India PM announces 270 billion U.S. dollars virus economic package

India's Prime Minister Narendra Modi unveiled Tuesday a stimulus package worth 10 percent of the country's GDP to boost laborers and small businesses as the economy reels from the coronavirus pandemic and a weeks-long lockdown.

The 20-trillion-rupee (266 billion U.S. dollars) relief plan for Asia's third-largest economy came as the country enters its 50th day under the world's biggest shutdown on Wednesday.

The economic package "will give a new momentum to India's development journey and put India on the road to self-reliance," Modi said in a special television address to the nation.

"It is for the cottage, small and medium-scale industries."

The government has credited its strict shutdown of almost all activity in the country of 1.3 billion people for limiting the number of virus cases, which currently stands at just over 70,000 infections, including 2,293 deaths.

But the livelihoods of tens of millions of people have been badly hit, particularly the poor and migrant workers, many of whom have lost their jobs.

"Day labourers, migrant workers have suffered much in this period. It is our duty now to do something for them," the prime minister said.

The funding announcement includes a smaller relief package announced at the start of the lockdown in late March and stimulus efforts by the central bank, Modi said.

Finance Minister Nirmala Sitharaman would unveil further details in the next few days, he added.

The Indian leader stressed the need for the country to be self-reliant, and for people to buy local products to help the economy.

"The corona crisis has also taught us the importance of local supply chains... we have to now think local," he said.

The president of Indian industry body FICCI, Sangita Reddy, welcomed the package and said it would "address the needs of the poor and needy, MSMEs (micro, small and medium enterprises) and also the industry and common man."

Analysts said the package was a "much-needed boost for the Indian economy".

"This is a good and bold step... as different sectors and small-scale businesses were desperate for relief," State Bank of Baroda chief economist Sameer Narang told AFP.

Economic woes

India was already battling a liquidity crisis, bad loans and rising unemployment even before the pandemic arrived in India.

Some 122 million Indians lost their jobs last month, data from Mumbai-based think tank Centre for Monitoring Indian Economy showed, with small traders and daily wage earners accounting for the bulk of losses.

The nation's key services sector plummeted in April, indicating a severe slowdown in the economy.

Efforts to re-start activity in several industries as the lockdown was gradually eased have meanwhile stumbled amid a shortage of labour.

Many migrant workers have fled or are leaving India's cities on foot or on special train services to their home villages after struggling to feed themselves and their families amid the lockdown.

Modi said the next stage of the lockdown, which is due to be lifted on May 18 after being extended twice, "will be different in many ways".

"It will be based on suggestions received from states," he said, adding that an announcement would also be made in coming days.

"Corona will be part of lives for a long time. But we cannot allow that our lives will just revolve around the corona crisis."

Apart from some relaxations for industry and agriculture last month, offices this week were allowed to operate with one-third capacity while the country's massive rail network re-started Tuesday with limited services.

Source(s): AFP (13 May)

Centre announces Rs 3 lakh crore collateral free automatic loan for MSMEs

NEW DELHI: Finance minister Nirmala Sitharaman on Wednesday unveiled the first tranche of the mega economic stimulus package aimed at uplifting the economy battered by the ongoing nationwide lockdown to combat the spread of the novel coronavirus.

In a big push to revive the economy, PM Modi announced a Rs 20 lakh crore package while addressing the nation on the coronavirus situation. The package combines the government's recent announcements on supporting key sectors as also measures rolled out by the Reserve Bank of India (RBI).

Here are the key points of Sitharaman's address:

* With effect from May 14 till March 31, 2021, TDS/TCS (tax deducted at source/tax collected at source) has been reduced by 25% of the existing rate and is applicable to all payments. It will release Rs 50,000 crore in the hands of the people instead of paying them as taxes.

* Due date of all income-tax return for FY 2019-20 will be extended from July 31, 2020 & October 31, 2020 to November 30, 2020 and Tax audit from September 30, 2020 to October 31, 2020.

* Government announces Rs 3 lakh crore collateral free loans for MSMEs, having a 4 year tenure and moratorium of 12 months. These loans will be available till October 31, 2020 and will be 100 per cent credit guaranteed. This will help 45 lakh units to resume activity and safeguard jobs.

* To provide stressed MSMEs with equity support, government will facilitate provision of Rs 20,000 crore as subordinate debt.

* MSMEs definition has been changed so that they need not worry about growing in size and still avail of the benefits.

* Investment limit which defined an MSME has been revised upwards to Rs 1 crore as compared to Rs 25 lakh earlier.

* For MSMEs needing handholding, a Rs 50,000 crore fund of funds (FoFs) through mother fund - daughter fund framework is being created, to expand their capacity and to get listed on markets which they choose.

* Global tenders will be disallowed in government procurement for tenders up to Rs 200 crore. This will make self-reliant India, will also then be able to serve 'Make in India'.

* Seamless e-market linkages across the board will be provided to MSMEs, considering their inability to participate in trade fairs due to COVID-19. All pending payments to MSMEs, from central govt. bodies & PSUs to be done within the next 45 days.

* EPF support for business and workers has been extended for the next 3 months, providing liquidity relief of Rs 2,500 crore. Statutory PF contribution for those not covered earlier is being reduced to 10 per cent from 12 per cent. The reduction is not for Central government.

* Period of Vivad se Vishwas Scheme for making payment without additional amount extended to December 31, 2020.

* Special liquidity scheme of Rs 30,000 crore for NBFCs/HFCs/MFIs has been launched. Investments in both primary and secondary markets, to buy even investment-quality debt papers. This will ease the flow of credit.

* One time liquidity infusion of Rs 90,000 crore has been made for all power distribution companies. This will be against receivables and will enable Discoms to pay generation companies. They will eventually pass on benefits to customers.

* All pending refunds to charitable trusts and non-corporate business and professions to be issued immediately.

* Government announces Rs 45,000 crore liquidity infusion through a Partial Credit Guarantee Scheme 2.0 for NBFCs.

* In a major relief to contractors, all Central agencies to provide an extension of up to 6 months, without cost to contractor, to obligations like completion of work covering construction and goods and services contracts.

* Ministry of housing and urban affairs will issue advisory to states and UTs enabling invocation of force majeure / Act of God measure during COVID-19 period, for all registered real estate projects expiring on or after March 25, 2020. This will bring flexibility in contract enforcement.

* Essentially the package is to spur growth and enhance demand and to create an atmanirbhar (self-reliant) India.

* PM laid out a comprehensive vision, and that vision was laid out after wide consultations with several sections of the society.

* Five pillars of a self-reliant India are: Economy, infrastructure, system, demography and demand.

(Times of India, 13/5/2020)

Nirmala Sitharaman speech highlights: Second tranche has relief for migrant workers, small farmers & poor

Finance Minister Nirmala Sitharaman announced the second tranche of Covid stimulus of Rs 20 lakh crore aimed at the migrant workers, small farmers, street vendors and affordable housing.

On Wednesday, the FM, who was flanked by finance ministry officials and MoS Anurag Thakur, announced the first set of measures that focussed on relief to MSMEs, NBFCs, power discoms among others. MSMEs were extended lines of credit worth Rs 3 lakh crore, Rs 30,000 crore was announced for the NBFCs and Rs 90,000 crore for the beleaguered discoms. India Inc had welcomed the steps announced under the first tranche.

During her address today, the finance minister also noted the steps announced by the government for migrant workers and farmers in the post-Covid period.

Key Highlights:

Help for farmers and migrant workers in the Post-Covid period:

- 3 crore marginal farmers availed loans at concessional rates. These 3 cr farmers had already benefited from Rs 4 lakh crore of loans given to them. The RBI moratorium has also benefited them.
- Interest subvention and prompt repayment incentive on crop loans, due from March 1, extended up to May 31, 2020. 25 lakh new Kisan Credit Cards sanctioned with a loan limit of Rs 25,000 crore.
- Central govt released Rs 11,002 crore in advance to states to augment the SDRF funds for helping states to set up shelters for migrant workers and provide them food.
- 12,000 SHGs at urban centres comprising urban poor have produced 3 crore masks and 1,20,000 litres of sanitisers. 7,200 new SHGs of urban poor have been formed during the period starting March 15, 2020.

For migrant workers who have returned to their homes, work is being made available through MGNREGS. Till May 13, 14.62 cr person-days of work generated. Work offered to 2.33 crore wage seekers yesterday in 1.87 lakh gram panchayats. 40-50% more workers given work compared to May last year. States have been advised to provide them work. Annual expenditure till date is Rs 10,000 crore. Average wage rate has risen to Rs 202 from Rs 192 in last fiscal.

A total of nine steps have been announced today. These steps include three for migrant workers, one for MUDRA Shishu Loan, one for street vendors, one for housing, one for employment generation for tribals and two related to small farmers.

1. Free food for migrants

For those migrants who don't have NFSA cards or state cards, 5 Kgs of wheat or rice per person and one kg channa per family per month for next two months to be provided and it will reach through the state governments. This will entail Rs 3,500 crore and is likely to benefit around 8 crore migrants.

2. One Nation, One Ration Card

National Portability Ration Cards can be used in any ration shops that will be applicable across the country. By Auguist 2020, 67 cr beneficiaries in 23 states or 83% of all PDS beneficiaries will get covered. By March 2021, 100 per cent will be covered.

3. Rental accomodation

Under PM Awas Yojaan, scheme for rental housing for migrant workers. Under the scheme incentives will be offered to private manufacturing units and industrial units to develop affordable housing, converting govt funded houses into affordable renting accommodations for migrant workers. Shall be done on PPP on concessionaire basis. State government agencies will also be incentivised to develop affordable housing.

4. MUDRA Shishu loan

Those who have availed loans up to Rs 50,000, an interest subvention of 2% for next 12 months after the moratorium period extended by RBI ends. Three crore people will get benefit of Rs 1500 crore.

5. Street Vendor

Special scheme for street vendors to avail Rs 5,000 crore loan facility. Will be given Rs 10,000 of working capital.

6. Affordable Housing

Credit-linked subsidy scheme for middle income households in the income group Rs 6-18 Lakh extended to March 2021. The CLSS scheme was operationalised from May 2017 and extended up to March, 2020. Now, it has been extended till March 2021. This will lead to investments of Rs 70,000 crore in housing and kickstart sectors like steel, cement and create jobs.

7. For Tribals

Rs 6,000 cr worth of proposals have come from states under CAMPA funds. Tribal people will get employment in forest managament, wildlife protection/management and other forest related activities.

For Small/Marginal Farmers

8. The government is extending Rs 30,000 crore additional capital emergency funds through NABARD for post-harvest Rabi and Kharif related activities for small and marginal farmers.

9. Under the PM Kisan Credit Card, Rs 2 lakh crore of concessional credit to boost farming activities and it will benefit 2.5 crore farmers. Those in animal husbandry and fisheries will also be included.

(Economic Times, 14/5/2020)

Nirmala Sitharaman speech highlights: Third tranche offers support to farmers along with governance reforms

FM proposes an amendment to Essential Commodities Act to enable better price realisation for farmers.

FM Nirmala Sitharaman announced the third tranche of the mammoth Rs 20 lakh crore stimulus package today.

The eleven measures announced today dealt with upgrading farm infrastructure, animal husbandry & fisheries and governance reforms. The finance minister said that the three tranches of stimulus announced so far is aimed at empowering people to help them become self-sufficient and earn livelihoods.

The finance minister, flanked by MoS Anurag Thakur and secretaries in the finance ministry, started her daily rounds of press conference from Wednesday unveiling the Modi government's mega Covid stimulus of Rs 20 lakh crore.

During her first interaction on Wednesday she focussed on the MSME sector, NBFCs and power discoms. India Inc welcomed the measures announced for the beleaguered MSME sector saying that they will mitigate the pain and help in saving jobs.

The second set of relief measures were announced on Thursday particularly aimed at migrant workers and urban poor. The finance minister announced free ration for those who do not have a ration card in the states they are residing. She also announced a single ration card that will be applicable across the country. Also, incentives for providing rental accommodation for migrant workers were announced the press conference on Thursday.

She also rolled out a special credit facility worth Rs 5,000 crore for street vendors and offered concessional credit through Kisan Credit Cards to small and marginal farmers. The extension of Credit linked Subsidy Scheme till March 2021 will provide a Rs 70,000 crore booster shot to the affordable housing segment.

Key Takeaways

The third tranche deals with framers, food processing and allied activities. Eleven measures have been announced today. Eight are related to strengthening infrastructure, the rest three will deal with governance and administrative reforms.

Also, in the last two months, the government took following steps to provide relief to agriculture and dairy sector:

Rs 74,300 crore of purchases based on MSP happened during lockdown.

Rs 18,700 crore transferred to farmers under PM Kisan.

Under Fasal Bima Yojana, Rs 6,400 cr claims processed

For Animal Husbandry:

Dairy industry was under severe difficulty. Around 560 lakh litres of milk per day was procured by Co-operatives. Rs 5,000 cr additional liquidity has been transferred to dairy farmers. A total of 111 crore litres of milk was procured.

New scheme utilised for interest subvention for 2% for dairy farmers. Additional 2% for prompt service.

New Announcements:

For Upgrading Infrastructure

1. One lakh crore fund for strengthening the farm gate infrastructure like cold chains, post harvest storage infrastructures etc.

2. Rs 10,000 crore fund for micro food scheme will be executed with cluster based approach. Will benefit 2 lakh Micro Food Enterprises. For instance, Bihar can have Makhana cluster, Kashmir can have Kesar cluster, Telangana can have Turmeric cluster, Andhra can have chilli cluster.

3. Govt will launch Pradhan Mantri Matsya Sampada Yojana for development of marine and inland fisheries. Rs 20,000 crore will be spent to fill the gaps in value chains. This will lead to an additional fish production of 70 lakh tons in next five years and provide employment to 55 lakh people.

4. Rs 13,343 crore for vaccination of livestock in India to eradicate foot and mouth disease.

5. Rs 15,000 crore will be spent on ramping up the dairy infrastructure. Also, investments will be made in cattle feed.

6. Rs 4,000 crore for growing of herbal and medicinal plants. Ten lakh hectares of land will be used for growing medicinal and herbal plants and will provide income of nearly Rs 5,000 crore for farmers.

7. Rs 500 crore have been allocated for beekeeping. This will help 2 lakh beekeepers.

8. TOP to TOTAL: Rs 500 crore for Operation Greens that will be extended beyond tomatoes, potatoes and onion and will applicable to all vegetables.

Governance Reforms:

9. Propose amendment to Essential Commodities Act to enable better price realisation for farmers. Food stuffs including edible oils, oilseeds, pulses, onions and potato will be deregulated. And stock limits will be imposed only under exceptional circumstances like famine and surge in prices.

Agriculture Marketing Reforms

10. A central law will be formulated to provide

Adequate choices to sell produce at attractive price.

Barrier free inter-state trade.

Framework for e-trading of agriculture produce

Agriculture Produce Price and Quality Assurance

11. Facilitative legal framework will be created to enable farmers for engaging with processors, aggregators, large retailers, exporters etc. in a fair and transparent manner. Risk mitigation for farmers, assured returns and quality standardisation shall form integral part of the framework.

(Economic Times, 15/5/2020)

Coal to aviation: Finance minister Sitharaman announces structural reforms in 8 key sectors

Finance minister Nirmala Sitharaman on Saturday announced bold structural reforms in eight key sectors in the fourth tranche of economic stimulus package with an aim to boost growth and create jobs. These include coal, minerals, defence, civil aviation, power distribution, space and atomic energy sector.

Here the sector-wise reforms announced by the finance minister:

* Commercial mining in coal sector

Government announced commercial mining of coal by the private sector, thereby ending government monopoly. Commercial mining will be done on revenue sharing mechanism instead of the regime of fixed rupee/tonne.

Nearly 50 blocks will be offered for bidding and the government will invest Rs 50,000 crore for building evacuation infrastructure.

* Enhancing private investment in mineral sector

500 blocks of minerals will be auctioned in a composite exploration-cum-mining-cum-production regime. A joint auction of bauxite and coal blocks would be done to enhance the aluminium industry's competitiveness. This will help the aluminium industry reduce electricity costs.

Besides, government said the distinction between captive and non-captive mines will be removed to allow the transfer of mining leases and sale of surplus unused minerals, leading to better efficiency and production.

* Increased FDI limit in defence manufacturing

To boost Make in India in defence production, government has hiked FDI (foreign direct investment) limit in defence manufacturing from 49 per cent to 74 per cent. However, it will be subject to security clearance norms. In addition, some weapons and platforms have been banned for imports and can only be purchased from within the country.

Sitharaman said there will be indigenisation of some imported spares and separate budget provisioning for domestic capital procurement will be done.

* Easing of restrictions on ultilisation of Indian air space

The finance minister announced easing of restrictions on utilisation of Indian air space, benefiting civil aviation sector by about Rs 1,000 crore per year. This would help reduce time and save on fuel.

Further, six more airports will be auctioned for private participation and an additional investment of Rs 13,000 crore will be made by private players in 12 airports auctioned in first and second rounds.

Tax regime for aircraft maintenance, repair and overhaul (MRO) has also been rationalised. The government expects aircraft component repair and airframe maintenance to increase from Rs 800 crore to Rs 2,000 crores in three years.

* Privatisation of discoms in union territories

Electricity distribution companies in Union Territories (UTs) will be privatised by the governement. This is expected to provide a model to be replicated in states later to improve efficiency and attract investment.

Privatisation of discoms will lead to better service to consumers and improvement in operational and financial efficiency in power distribution, Sitharaman said.

* Viability gap funding for social infrastructure projects Centre will provide Rs 8,100 crore as viability gap funding (VGF) for development of social infrastructure. The finance minister said social infrastructure projects suffer from poor viability. Therefore, the government will enhance the quantum of viability gap funding up to 30 per cent each of the total project cost as VGF by central and state/statutory bodies.

* Boosting private participation in space activities

For boosting private participation in space activities, government will provide level playing field for private companies in satellites, launches and space-based services. Private sector will also be allowed to use ISRO (Indian Space Research Organisation) facilities and other relevant assets to improve their capacities.

Future projects for planetary exploration and outer space travel would be open for private sector, while liberal geo-spatial data policy will provide remote sensing data to tech-entrepreneurs.

* Atomic energy related reforms

In atomic energy, a research reactor in PPP mode for the production of medical isotopes that can be used for affordable treatment for cancer and other diseases will be established by the Center.

FM Sitharaman speech today Live: Fifth and final tranche moves to further easing of curbs in doing business

Finance minister Nirmala Sitharaman unveiled the final tranche of the mega Covid stimulus today with focus on ushering in reforms in Companies Act and relaxing the curbs on ease of doing business. The final set of announcements had more for states as their borrowing limit has been increased from 3% to 5% of GSDP.

During the previous four tranches, the finance minister laid the foundation of a more resilient economy with a focus on empowering people to help them earn their livelihoods. The announcements aim at ushering in reforms in sectors where India can attain self-sufficiency and also cut down on imports.

From providing relief to the MSME sector in the first set of announcements to unleashing structural reforms in key sector like mining, aviation, defence manufacturing and space in the fourth tranche on Saturday, the finance minister has touched almost all important areas of manufacturing and services where India can become self-reliant.

The Finance Minister also provided much needed relief to migrant labourers and street vendors through free ration and special credit facility in her second tranche while she announced some substantive steps for upgrading the farm-gate infrastructure and proposed much-needed governance reforms in the third tranche.

Prime Minister Narendra Modi had announced a Rs 20 lakh crore stimulus package amounting to nearly 10 per cent of India's GDP in his last address to the nation.

Key Takeaways

Because of technology-driven Direct Benefit Transfer, the government transferred money directly into accounts of beneficiaries. Here's a break up of how much money has been transferred up to May 16, 2020.

Rs 2000 each has reached 8.19 crore farmers amounting to Rs 16,394 crore

Under NSAP, first instalment of Rs 1,405 crores and second instalment of Rs 1,402 crore with a target of Rs 3,000 crore achieved

20 crore Jan Dhan account holding women got Rs 10, 025 crore

2.2 crore building and construction workers got Rs 3,950 crore

6.81 free cylinders to beneficiaries have been given under Ujjwala Yojana

Over 12 lakh EPFO members got online withdrawals of advances

Today, the FM announced seven steps. These are: MGNREGS, health & education, businesses & Covid, decriminalisation of companies act, ease of doing business, PSUs related matters and resources related to states governments.

MGNREGS: Additional funding of Rs 40,000 crore to the scheme over and above the Budgetary Estimate.

Health: All districts will have infectious disease hospitals while at the block-level, public health labs will be set up.

Education: PM eVidya programme to be launched immediately. Each Classroom from 1 to 12 will have one TV channel. Special e-content for visually & hearing impaired. Top 100 universities will be permitted to start online courses by May 30, 2020.

IBC reforms: Covid-related debt to be excluded from definition of default under the IBC. No fresh insolvency for next one year. Minimum threshold to initiate insolvency raised to Rs one crore from Rs one lakh earlier.

Decriminalising Companies Act: Violations under most of the Companies Act to be decriminalised. This will ease the burden on courts and tribunals. Seven compoundable offences under Companies Act being dropped, 5 offences to be dealt under alternative framework.

Listing norms: Companies can now list securities directly in foreign jurisdictions

New Public Sector Policy: Public sector enterprise policy: All sectors are open to the private sector while public sector enterprises will play an important role in defined areas. Govt will notify strategic areas and in them at least one PSE will remain but private sector will be allowed. In other sectors, PSEs will be privatsied.

Additional resources to States: Centre has decided to increase borrowing limit of states from 3% to 5% for FY21. This will give extra resources of Rs 4.28 lakh crore to states. This despite, states having borrowed only 14% of the limit authorised to them. 86% remains unutilised. The additional borrowing limit has been linked with initiating reforms.

(Economic Times, 17/5/2020)

USD 575 billion investment opportunity in transport infra in next 5 yrs: Kearney

The report said the concessionaires and contractors need to explore strategic partnerships, identify the right markers for decision-making, and ensure the quality and timeline of project delivery with the growing infrastructure investments and greater participation from the private sector.

Transport infrastructure sector in India holds an investment opportunity of USD 575 billion in the next five years, according to a report. Although the country has improved its transportation landscape over the last two decades, much remains to be done to meet the increasing demand now and in the years ahead, the report by management consulting firm Kearney said on Wednesday.

India holds an investment opportunity of USD 575 billion in transport infrastructure sector in the next five years, the report said.

"Roads and Railways constitute 80 per cent of the total investment opportunity driven by investments in flagship projects such as Bharatmala Pariyojana, Dedicated Freight Corridor, High Speed Rail, etc," the report titled 'Harnessing the opportunities in India's transportation infrastructure' said.

However, it identified delays in land acquisition, clearance, constraints in funding for infrastructure projects, lack of efficient dispute resolution mechanism as key challenges in realising the investment opportunity.

"Significant opportunities exist in various transportation infrastructure in India, prioritizing the most important ones is of paramount importance.

"Although there are obstacles to realizing the vast potential, these challenges can be overcome with a concerted and coherent strategy across the key stakeholders: government authorities, concessionaires and contractors, and financial institutions," Manish Mathur, Partner and Head Asia Pacific, Transportation and Infrastructure Practice for Kearney, said.

Outlining key steps for overcoming the obstacles and maximizing the opportunities, it said the government authorities need to focus on identifying the right funding model, ensuring robust cash flow management with comprehensive viability assessment, and enabling a vibrant ecosystem of concessionaires and contractors while designing their transport infrastructure development strategies.

The report said the concessionaires and contractors need to explore strategic partnerships, identify the right markers for decision-making, and ensure the quality and timeline of project delivery with the growing infrastructure investments and greater participation from the private sector.

About financiers it said: "In addition to re-evaluating the risk-reward spread in the infrastructure sector, financial institutions should collaborate with government authorities and concessionaires to develop innovative products for financing."

"With a concerted effort, today's challenges can be transformed into an opportunity that will not only boost organic growth, drive job creation, and aid a whole gamut of industries but also help fulfil one of the most basic tenets of economic and social activity: mobility to serve the common good," added Mathur.

Kearney is a leading global management consulting firm with offices in more than 40 countries. The firm focusses on strategic and operational CEO-agenda issues facing businesses, governments, and institutions around the globe. Founded in 1926, Kearney has been ranked among the top management consulting firms globally.

Kearney India is among the largest and fastest growing Kearney units in Asia. It works across industry verticals including Automotive, Aerospace, Industrial Goods, Transportation, Consumer Products, Retail, Healthcare, Oil & Gas, Metals & Mining, Chemicals, Communications, Media, Technology, IT & BPO, Private Equity, among others.

(Economic Times, 21/5/2020)

FDI in India jumps 13% to record $49.98 billion in 2019-20

Sectors which attracted maximum foreign inflows during 2019-20 include services ($7.85 billion), computer software and hardware ($7.67 billion), telecommunications ($4.44 billion), trading ($4.57 billion), automobile ($2.82 billion), construction ($2 billion), and chemicals ($one billion), the the Department for Promotion of Industry and Internal Trade (DPIIT) data showed.

NEW DELHI: Foreign direct investment into India rose 13% to a record $49.97 billion in FY20 from $44.36 billion a year earlier, official data released on Thursday showed. FDI inflows were $13.2 billion in the quarter ended March.

Singapore remained the top source of FDI, accounting for $14.67 billion, followed by Mauritius at $8.24 billion, according to the data released by the Department for Promotion of Industry and Internal Trade. India’s FDI inflows had dipped 1% in FY19. Services, computer software and hardware, trading, telecommunications, and hotel & tourism were the top five sectors for FDI.

Services garnered FDI worth $7.85 billion while investments in computer software and hardware were $7.67 billion, and in trading were $4.57 billion. Telecommunications drew FDI worth $4.44 billion in FY20, and hotel & tourism attracted $2.93 billion of foreign inflows.

January saw the highest inflow of $5.57 billion and February the least at $3.36 billion.

Among states, Maharashtra garnered the highest share of FDI at 30% with investments clocking $7.26 billion. Karnataka and Delhi followed with 18% and 17% share, respectively.

While FDI through FIPB route/RBI's Automatic Route/Acquisition Route rose 13% on year, total FDI that also includes equity capital of unincorporated bodies, reinvested earnings and other capital was up 18% on year to $73.45 billion, more than double from $36.04 billion in 2013-14.

(Economic Times, 29/5/2020)

Centre likely to fast-track changes for uniform flexi labour laws

The Centre could tweak labour law changes and fast-track their implementation to supersede ordinances issued by three BJP-ruled states to ensure uniform regulations that offer flexibility to new and existing businesses across the country.

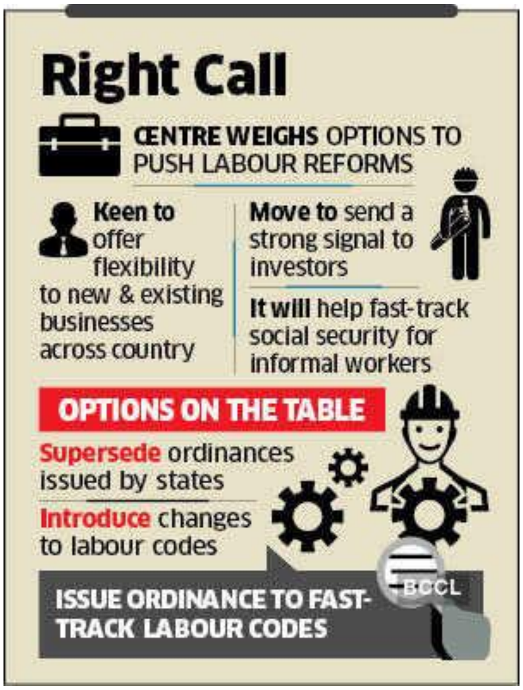
Top policymakers have begun discussions on a framework that will attract investors looking to shift manufacturing to India, a senior government official told ET.

"This is needed as multinational companies looking at relocating from China to India would prefer flexible central laws over state laws for uniformity of operations across different locations," the official said.

BJP-ruled Uttar Pradesh, Madhya Pradesh and Gujarat have passed executive orders exempting new establishments from most labour rules. While all of them had allowed businesses to extend shift hours to 12 from eight hours as part of the reforms, UP rescinded the decision after strong protests by RSS-affiliated labour union Bharatiya Mazdoor Sangh.

Existing businesses in these states are upset as they don't get the benefit of the easier regulations. They have now sought similar flexibility.

The labour ministry initiated consultations with stakeholders soon after announcing the ₹20 lakh crore Covid-19 relief package to understand what more was needed to attract investments, underscoring the importance of the initiative for the government.



'Right Ecosystem for Employers'

"Industry has requested the government to create a right ecosystem for employers to grow while keeping in mind the wellbeing of workers," said one person familiar with deliberations on the matter.

The person said restricting exemption from labour laws to just new establishments, as proposed by some states, was not justified.

One of the proposals being examined is speeding up the reform measures, said another official.

"Ordinance route could be adopted to enact the labour codes," the official said.

The labour code on wages has been notified by the government though not implemented yet.

Three other codes — on industrial relations, on occupational safety, health and working conditions, and on social security — are at different stages in Parliament.

The four labour codes, formed by subsuming as many as 44 labour laws, have given powers to the appropriate state and central authorities to make changes to suit industry requirements through simple notifications.

Fast-tracking these codes will also ensure the expeditious rollout of universal social security for all workers, particularly those in the informal sector.

Unorganised workers have been hit the hardest by the Covid-19 outbreak and the subsequent nationwide lockdown that forced businesses to halt operations, leading to job losses and pay cuts.

Left without any income, many walked and cycled thousands of kilometres to their homes.

(Economic Times, 25/5/2020)

Covid-19: India looks to lure more than 1,000 US companies out of China

India is seeking to lure US businesses, including medical devices giant Abbott Laboratories, to relocate from China as President Donald Trump's administration steps up efforts to blame Beijing for its role in the coronavirus pandemic.

The government in April reached out to more than 1,000 companies in the US and through overseas missions to offer incentives for manufacturers seeking to move out of China, according to Indian officials who asked not to be identified, citing rules on speaking with the media. India is prioritizing medical equipment suppliers, food processing units, textiles, leather and auto part makers among more than 550 products covered in the discussions, they said.

Trump's move to blame China for its handling of the Covid-19 outbreak, which has killed more than a quarter-million people worldwide, is expected to worsen global trade ties as companies and governments move resources out of the world's second-largest economy to diversify supply chains. Japan has earmarked $2.2 billion to help shift factories from its neighbor, while European Union members plan to cut dependence on Chinese suppliers.

For Indian Prime Minister Narendra Modi, a surge in investment would help shore up an economy battered by an eight-week nationwide lockdown to control the Covid-19 outbreak, and help him make up ground hitting a target to grow its manufacturing sector to 25% of gross domestic product by 2022 from 15%. The need to create employment is now even more urgent after the pandemic left 122 million people jobless and forced India to shut down all major cities.

It could also present India with a chance to finally push through long-stalled reforms on land, labor and taxes that have hindered investment for years. Modi's second term has been marred by nationwide protests and slow growth since his party scored a landslide election victory a year ago, presenting a risk for companies planning to move.

"There are opportunities for India to try to gain a place in global supply chains, but this will require serious investments in infrastructure and governance," said Paul Staniland, an associate professor at the University of Chicago who writes about India's politics and foreign policy. "India faces tough competition from elsewhere in South and Southeast Asia."

Officials have told companies that India is more economical in terms of securing land and affordable skilled labor than if they moved back to the US or Japan, even if overall costs are still higher than China. They have also offered an assurance that India will consider specific requests on changes to labor laws, which have proved a major stumbling block for companies, and said the government is considering a request from e-commerce companies to postpone a tax on digital transactions introduced in this year's budget.

Tax, labor laws

India's trade ministry has sought detailed feedback from US companies on changes needed to make the country's tax and labor laws more favorable to companies, said one of the officials. Modi's federal government is working with states to ensure long term solutions, the official added, including developing land banks to ensure a quick start for units.

India expects to win over US companies involved in healthcare products and devices, and is in talks with Medtronic Plc and Abbott Laboratories on relocating their units to the country, an official said. Medtronic spokesman Ben Petok and Abbott spokeswoman Darcy Ross didn't immediately respond to emails seeking comment.

Both Medtronic and Abbott have a presence in India, which may make it easier for them to move their China supply chains to the country, according to an official. They're based out of financial center Mumbai and already work with large Indian hospital groups.

India's trade ministry spokesman didn't respond to an email seeking comment on the effort to lure US companies.

The push by Modi's government comes as India tries to regain lost ground after many companies chose countries like Vietnam over India as an alternative destination when Trump started his trade war with China. Modi has tried to shore up US investments and improve ties through corporate tax cuts, two massive public rallies with Trump in Houston and India, and a $3 billion defense deal.

Secretary of State Michael Pompeo last month said the US was working with India, Australia, Japan, New Zealand, South Korea and Vietnam on how to "restructure these supply chains to prevent something like this from ever happening again." The administration was "turbocharging" an initiative to remove global supply chains from China, Reuters reported this week, with one official saying it's pushing for an "Economic Prosperity Network" of trusted partners.

'Replace China'

"My read is that the network, if it pans out, will look to India and Vietnam to replace China in the global supply chain network," said Derek Grossman, researcher at the Washington-based RAND Corporation who held positions in the US Intelligence Community for more than a decade. "This would be a rough fit in terms of replacing China's immense manufacturing capabilities, but perhaps the US has high hopes that India and Vietnam can quickly ramp up to at least equal Chinese capacity."

India in April partially lifted a ban on the export of hydroxychloroquine and paracetamol following a request from Trump. It also approved 130 billion rupees ($1.7 billion) worth of investments to make more bulk drugs and medical devices, and to boost local manufacturing of drug intermediates and active pharmaceutical ingredients to cut dependence on imports from China.

"India is a bigger market than Vietnam or Cambodia so it should be a bigger draw for investors looking to move operations out of China," said Ajay Sahai, director general and chief executive officer of the Federation of Indian Exporters. "But apart from ensuring land, water and sewerage, the most important change India needs to make is to give a clear guarantee that the government will not introduce retrospective tax amendments."

Some states including Maharashtra have ensured that supply chains for foreign manufacturers remained functional through India's national virus lockdown. Others like Tamil Nadu in the south and Uttar Pradesh in the north have offered concessions for those planning to move.

"There's abundant capital in the US that's looking for geographies outside, and we can see India responding," said Mukesh Aghi, president of the US-India Strategic and Partnership Forum, a Washington-based group that advocates for policies that further business ties between the countries. "Companies realize that while large supply chains in China may have been economical, there's no point in keeping all your eggs in one basket."

(Times of India, 7/5/2020)

India offers land twice Luxembourg's size to firms leaving China

India is developing a land pool nearly double the size of Luxembourg to lure businesses moving out of China, according to people with the knowledge of the matter.

A total area of 461,589 hectares has been identified across the country for the purpose, the people said, asking not to be identified because they aren't authorized to speak to the media. That includes 115,131 hectares of existing industrial land in states such as Gujarat, Maharashtra, Tamil Nadu and Andhra Pradesh, they said. Luxembourg is spread across 243,000 hectares, according to the World Bank.

Land has been one of the biggest impediments for companies looking to invest in India, with the plans of Saudi Aramco to Posco frustrated by delays in acquisition. Prime Minister Narendra Modi's administration is working with state governments to change that as investors seek to reduce reliance on China as a manufacturing base in the aftermath of the coronavirus outbreak and the resultant supply disruption.

At present, investors keen on setting up a factory in India need to acquire land on their own. The process, in some cases, delays the project as it involves negotiating with small plot owners to part with their holding.

A call to the spokesman of the Ministry of Commerce and Industry went unanswered.

Providing land with power, water and road access may help attract new investments to an economy that was slowing even before the virus hit, and is now staring at a rare contraction as a nationwide lockdown hit consumption.

The government has hand-picked 10 sectors -- electrical, pharmaceuticals, medical devices, electronics, heavy engineering, solar equipment, food processing, chemicals and textiles -- as focus areas for promoting manufacturing. It has asked embassies abroad to identify companies scouting for options. Invest India, the government's investment agency, has received inquiries mainly from Japan, the U.S., South Korea and China, expressing interest in relocating to the Asia's third-largest economy, the people said.

The four countries are among India's top 12 trading partners, accounting for total bilateral trade of $179.27 billion. The foreign direct investments by the four nations between April 2000 and December 2019 stands at over $68 billion, government data shows.

Making unused land available in special economic zones, which already have robust infrastructure in place, is also being examined. A detailed scheme for attracting foreign investments is expected to be finalized by end of the month, the people said.

States have been separately urged to evolve their own programs for bringing in foreign investments. The Prime Minister held a meeting on April 30 to discuss steps to fast-track strategies for wooing investors.

Andhra Pradesh, a southern Indian state, is in touch with several companies from Japan, the U.S. and South Korea.

“We have the advantage of coastline and ready-made industrial parks with necessary clearance,” Rajat Bhargava, special chief secretary of the state’s revenue department, said by phone. “We are focusing on certain sectors like IT and related manufacturing, food processing, and chemicals and have been holding video conferences with investors.”

The northern state of Uttar Pradesh is also developing an online system for land allotment for all industrial and commercial purposes and is in talks with global companies for attracting investments in sectors such as defense and aerospace.

(Economic Times, 4/5/2020)

PM Modi signals push to attract firms that exit China to India

Modi has hinted at a major push to boost investments and capture part of supply chain that may move out of China.

Prime Minister Narendra Modi on Thursday signalled a major push to boost investments in the country and capture a part of the supply chain that is expected to move out of China as global corporations look to diversify their production base in the aftermath of Covid-19.

Modi discussed strategies with his top ministerial colleagues, paving the way for a comprehensive strategy paper to be formally cleared by the cabinet in the coming weeks. The meeting comes days after the PM spoke about the need to make India self-dependent following supply lines for crucial drugs, electronic goods and chemicals getting affected in February when production around Wuhan was disrupted.

Plug-and-play model on cards to woo cos

Although the government had been working on a 'China plus One' strategy for the past few months, it has gathered momentum amid signals that countries will also encourage their companies to look at manufacturing facilities outside the Asian giant. In fact, countries such as the US are already working to accelerate this drive, with secretary of state Mike Pompeo stating on Thursday that the Trump administration was trying to “mesh the supply chains that both countries (India and the US) have access to”, especially in areas crucial for national security (See accompanying story).

A sharp increase in wages in China had already prompted many MNCs to look at alternative bases for production and India was seeking to tap into the rush. The global rethink about China being the dominant source of supply in the wake of outrage over its links to the virus has expanded the potential opportunity. A key theme of the plan will be a plug-and-play model in industrial estates that has been in the works for several months, a facility that will allow investors to identify potential sites and quickly set up plants. The department for promotion of industry and internal trade is putting in place a GIS-based platform, which currently covers around a dozen states, allowing investors to decide their location.

A single-window platform is being put in place to allow for all central as well as state clearances with an electronic tracking and monitoring system. “While portals are already in place, the technology issues are being sorted out,” an official said. In the Budget, the government had also announced an investment clearance cell, which is a step in this direction. In addition, the government is looking to provide additional financing, an official statement said, with officials suggesting that the money will be utilised to create new estates and economic zones on the lines of Dholera and Greater Noida, which are part of the industrial corridor.

Further, sources said, the PM and ministers discussed the possibility of leveraging the comparative advantage that states have and a renewed attempt at Centre-states partnership. So Himachal Pradesh, Uttarakhand and Gujarat, which have a pharma base, can be leveraged to attract more investment in the sector. Similarly, UP, which has emerged as a base for electronics, can also be used for agro-based industries.

(Economic Times, 1/5/2020)

EU forecasts 'recession of historic proportions' this year

The European Union predicted Wednesday "a recession of historic proportions this year" due to the impact of the coronavirus as it released its first official estimates of the damage the pandemic is inflicting on the bloc's economy.

The 27-nation EU economy is predicted to contract by 7.5% this year, before growing by about 6% in 2021. The group of 19 nations using the euro as their currency will see a record decline of 7.75% this year, and grow by 6.25% in 2021, the European Commission said in its Spring economic forecast.

"It is now quite clear that the EU has entered the deepest economic recession in its history," EU Economy Commissioner Paolo Gentiloni told reporters in Brussels. As the virus hit, "economic activity in the EU dropped by around one third practically overnight," he said.

More than 1.1 million people have contracted the virus across Europe and over 137,000 have died, according to the European Centre for Disease Prevention and Control. Unclear outbreak data, low testing rates and the strain on health care systems mean the true scale of the pandemic is much greater.

With the spread slowing in most European countries, people are cautiously venturing out from confinement and gradually returning to work, but strict health measures remain in place amid concern of a second wave of outbreaks and any return to something like normal life is at least months away.

The pandemic has hurt consumer spending, industrial output, investment, trade, capital flows and supply chains. It has also hit jobs. The unemployment rate across the 27-nation EU is forecast to rise from 6.7% last year to 9% in 2020 but then fall to around 8% in 2021, the commission said. Beyond that, Gentiloni said, "we will have a massive drop in hours worked."

Globally, the pandemic is expected to cause the deepest recession in living memory, with the International Monetary Fund forecasting a 3% decline this year. The UN says that is expected to cause a drop in work hours equivalent to 305 million full-time jobs.

Inflation in Europe is also set to be significantly weaker as consumer prices fall amid a sharp weakening of demand and drop in oil prices. Investment too is likely to contract, with firms expected to postpone or cancel their investment plans amid the uncertainty. Exporters will not be spared, with continued disruption to movements of people, goods and services likely.

Italy and Spain - two of the countries hardest hit by the virus - and to a lesser extent France are among the economies that will suffer most. Greece, which largely escaped the disease but whose economy was ravaged previously by its debt crisis and which relies heavily on tourism, is also high on the economic hit list.

France's economy is expected to shrink by about 8.2%, while Germany will endure a moremoderate contraction than most and recover better. Still, it is set to experience this year its worst recession since World War II, with exports notably hit, with a drop in output of 6.5%.

While the virus hit every member country, the extent of the damage it ultimately inflicts will depend on the evolution of the disease in each of them, the resilience of their economies and what policies they put in place to respond.

Gentiloni said that the depth of the recession and the strength of recovery will be uneven across the world's biggest trading bloc.

Much will depend, he said, on "the speed at which lockdowns can be lifted, the importance of services like tourism in each economy and by each country's financial resources. Such divergence poses a threat to the single market and the euro area - yet it can be mitigated through decisive, joint European action."

How quickly things can change. On Feb. 13, the commission had predicted "a path of steady, moderate growth" this year and next of 1.2%. At that time, uncertainty over U.S. trade policy and a Brexit trade deal plus tensions in Latin America and the Middle East were the main threats.

The coronavirus outbreak in China was noted at the time as "a new downside risk" but the commission's assumption less than three months ago was "that the outbreak peaks in the first quarter, with relatively limited global spillovers."

(Economic Times, 7/5/2020)

Apple may take a bigger bite of India's manufacturing pie

iPhone maker examining the possibility of shifting nearly a fifth of its production to India.

New Delhi: Several meetings between Apple's senior executives and top ranking government officials over the last few months have paved the way for the iPhone maker examining the possibility of shifting nearly a fifth of its production capacity from China to India and scaling up its local manufacturing revenues, through its contract manufacturers, to around $40 billion over the next five years, say officials familiar with the matter.

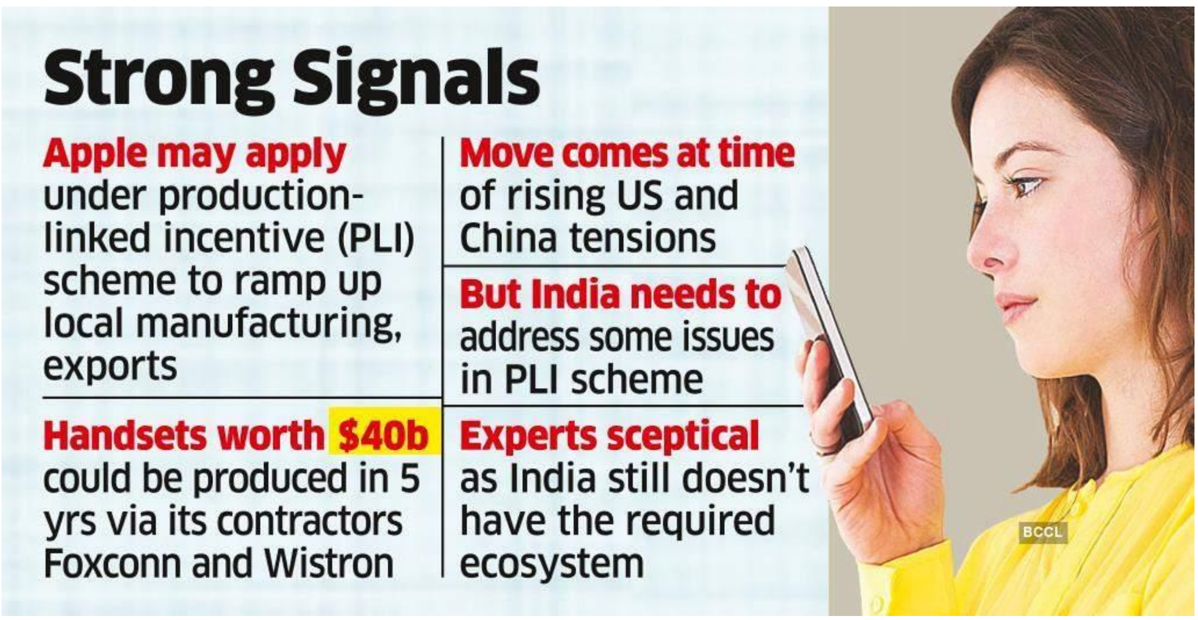
If this happens, iPhone maker could become India's largest exporter, say experts.

"We expect Apple to produce up to $40 billion worth of smartphones, mostly for exports through its contract manufacturers Wistron and Foxconn, availing the benefits under the production-linked incentive (PLI) scheme," a senior government official told ET.

Cupertino-based Apple didn't respond to ET's emailed queries.

However, sources close to the company's plans said there were some irritants in the government's ambitious PLI scheme — recently announced to incentivise local handset manufacturing and exports — which still needed to be ironed out.

"There are some problems with some of the clauses. For instance, valuing the entire plant and machinery already in use in its plants across China and other places at 40% of that value and the extent of the business information sought under the scheme are some of the irritants," a person said.



Govt Keen to Address Concerns

Officials in the government say they will look into all the concerns as the Centre is focussed on bringing hitech manufacturing to India. Prime Minister Narendra Modi met top executives of Apple, Samsung and homegrown phone maker Lava on December 28 last year, which kick-started the process.

"India isn't a big market for Apple as the company sells only a fraction of its total output in India. It is actually looking at India as a base to manufacture and export, essentially diversifying its production out of China," the official said.

Currently, Apple sells phones worth some $1.5 billion in India, of which less than $0.5 billion is locally manufactured, and has market share of some 2-3%. In contrast, Apple is a top investor in China. In 2018-19, it produced merchandise valued at $220 billion in China, of which it exported goods worth $185 billion, according to industry experts. It directly and indirectly employs about 4.8 million people there.

According to market research firm IDC, Apple in 2018-19 held a 38% market share of global handset exports, followed by Samsung with a 22% share.

India is looking for a bigger slice of the global exports pie, another senior government official said. The PLI scheme had been designed to address disadvantages global supply chains faced in India vis-à-vis say China and Vietnam.

COS MAY APPLY SOON

"…we are expecting companies to start applying from next week, when the guidelines are out and then the scheme kicks in from August 1. This is the fastest ever planning to execution undertaken by the Indian government," another government official told ET.

The PLI scheme for large-scale electronics manufacturing was notified on April 1 and offers a production-linked incentive to boost domestic manufacturing and attract large investments in mobile phone manufacturing and specified electronic components, including Assembly, Testing, Marking and Packaging (ATMP) units.

"We realised companies weren't relocating manufacturing to India because there were disabilities of almost 10%, so PLI addresses about 6% disabilities, the RoDTeP scheme another 0.27%, and the corporate rate tax cuts address the balance," said the second official. RoDTeP or Remission of Duties and Taxes on Exported Products is another scheme to incentive exports.

The official expects applications from Apple's component and contract manufacturers, Samsung and a clutch of Chinese investors such as Vivo and Oppo in the next few weeks for the PLI scheme.

EYEING EXPORTS WORTH $100B

"With such incentives, we expect mobile phone exports out of India to cross $100 billion by 2025, it could be earlier than that…," the first official said. Mobile phone exports out of India were around $3 billion for 2019-20.

According to government data, India's total exports are estimated to have been $446 billion for April 2019 to January 2020. Out of this, the largest category is petroleum products which alone clocked $36 billion in exports. Reliance Industries in its latest earnings statement said exports from India in FY20 were at Rs 202,830 crore ($26.8 billion).

A company must manufacture at least $10 billion worth mobile phones in a phased manner between 2020 and 2025 to avail the benefits of the PLI scheme. The selected applicant is required to meet targets on a yearly basis.

The scheme, which has a corpus of Rs 40,995 crore, provides incentive of 4-6% on incremental sales (over base year) of goods manufactured in India and covered under target segments to eligible companies, for a period of five years subsequent to the base year as defined.

AMBITIOUS TARGETS

But market experts are sceptical of the government's ambitious targets.

"We don't have ecosystem ready, which could support any large-scale deployment. The ecosystem right from skilling to ancillaries is almost negligible. This weakens confidence of anyone wanting to plan big and long term," said Faisal Kawoosa, founder at research agency TechArc.

He added that instead of positioning 'Make in India' as a competing programme, India should have projected it as complimenting the global supply chain.

(Economic Times, 11/5/2020)
