Indian business braces for disruption amid massive reform

AFP, *New Delhi*

India is bracing for upheaval as it storms ahead with its most ambitious reform in decades -- transforming the world's fastest growing major economy into a single market for the first time.

The long-awaited goods and services tax (GST) rolls out Saturday even as businesses complain they are ill-prepared for the massive changes about to ripple through India's unwieldy, $2 trillion economy.

The government promises the new regime will not just simplify trade by replacing more than a dozen levies with one tax, but combat corruption and enrich state coffers by bringing the informal economy into the digital era.

Most economists agree the reform -- first proposed in 2006 -- is necessary and long overdue, but warn the initial shock to the economy is likely to drag, rather than stoke, growth in the short term as businesses adjust.

There are already signs the transition could be rocky.

Industries are on strike, others are facing an avalanche of paperwork, while some retailers remain unclear about what to charge just days before the taxes take effect.

"There are different rates for a mobile set, charger and headphones -- all of which come in one box," said Praveen Khandelwal, secretary general of Confederation of All India Traders, pointing to one such example. "What tax rate will be applicable in such a scenario? We don't know yet."

It took more than a decade to get the GST through parliament and political bickering over the particulars now means there are four tax rates instead of one as originally envisioned.

A slew of basic staples like fresh vegetables and milk are exempted, along with less obvious items like temple offerings, the national flag and human hair.

So-called "sin" goods like tobacco will be slapped with extra levies, while states will still be allowed to separately tax some products including alcohol, petrol and aviation fuel.

Some industries have suddenly discovered their products elevated to a higher tax bracket. Fireworks manufacturers are protesting over crackers being taxed at the maximum of 28 percent, while garment and textile workers are crying foul over heightened imposts.

Ayushi Gudwani, who runs online fashion startup Fable Street, supports the creation of a common market but was shocked to learn her taxes had more than doubled. "Our profitability will be hit," she told told AFP.

Costs are also mounting at India's largest logistics firm Safexpress, which has hired 40 new staff to process a mountain of new paperwork.

Under the new regime, companies must file a tax return in every state they pass through -- a nightmare for a trucking company shipping goods nationwide.

For Safexpress, that means instead of filing two annual tax returns they must submit 1,400, said managing director Rubal Jain.

"It's going to be a lot of confusion and chaos and back and forth for the next three months, because no one knows what will happen," he told AFP.

"It'll be great in the long run, but transition will be a pain."

All but the smallest businesses will now be required to declare their earnings online, an effort to broaden India's woefully small tax base, digitise the economy and flush out cash hoarders.

But training employers to log tax information online presents immense challenges in India, where most small and informal businesses don't own computers, let alone access the internet, the trade association said.

Safexpress cannot file its own returns until drivers upload their monthly invoices -- a huge ask for truckers used to delivering goods, not paperwork, Jain said.

Gudwani meanwhile worries her suppliers -- mostly tiny businesses -- will struggle to get the hang of issuing receipts and wind up losing contracts.

India has one of the lowest tax-to-GDP ratios in the world and these changes, though initially painful, will have a "significant impact" on compliance, said Neelkanth Mishra, managing director at Credit Suisse.

"India is like a house under renovation. While the new parts are being built, no one will be happy," he told AFP.

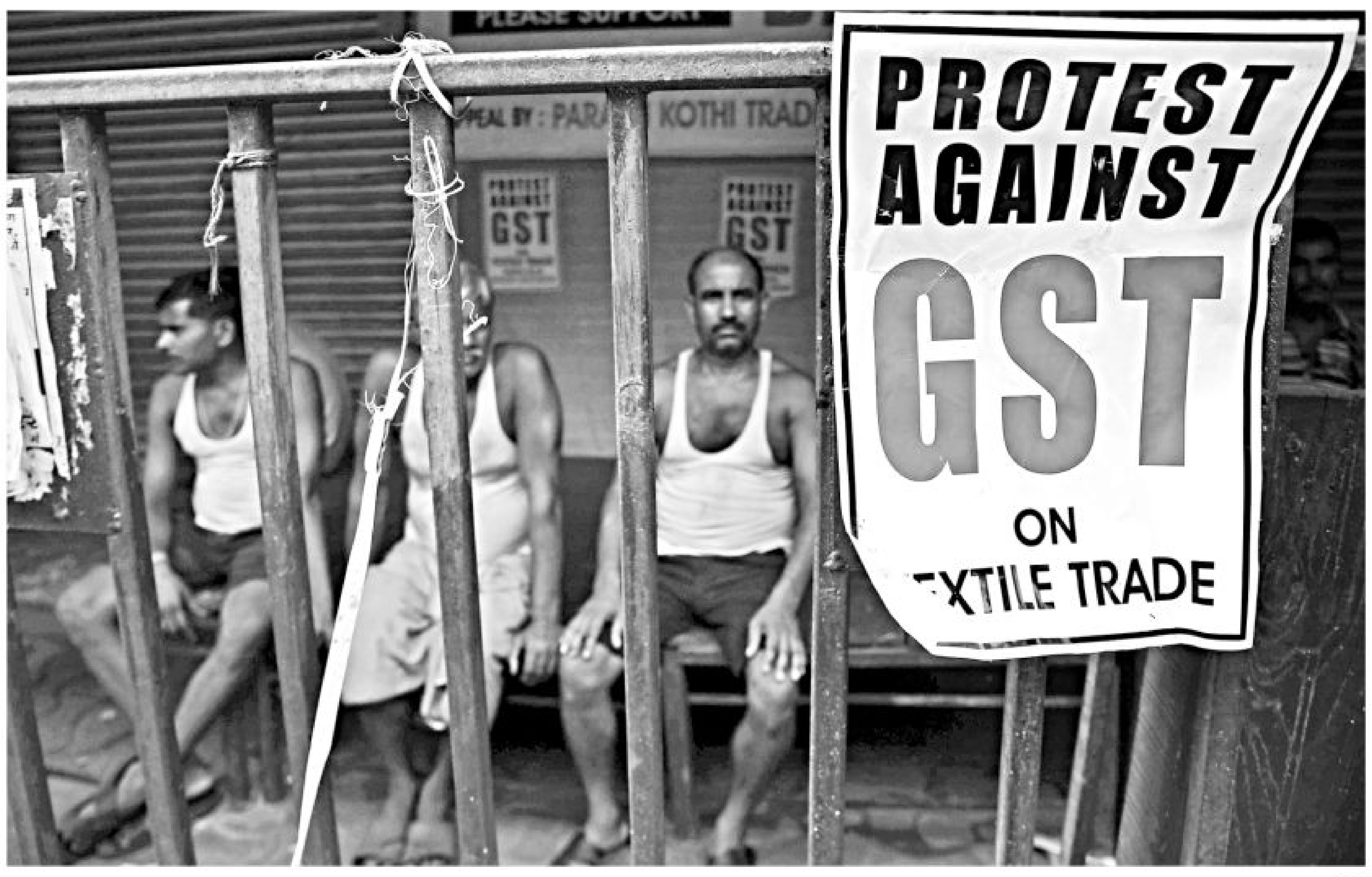
The sweeping reforms comes less than a year after Prime Minister Narendra Modi devalued India's largest banknotes in a sudden move designed to outmanoeuvre tax cheats, but was blamed for a crippling cash shortage and slowing growth.

To avoid a similarly rough landing, the government has trained 60,000 tax bureaucrats and run sessions with private accountants to ensure everyone is up to speed on the finer points of the GST.

A GST Council has spent months thrashing out the final legislation, which was blocked in parliament for a year until an amended version was approved.

"This is a tax reform that was needed," said Sunil Sinha, principal economist at Fitch India.

"We came into existence as a nation in 1947 but never had a common Indian market. GST will make India one."



AFP

The photo taken on June 28 shows Indian labourers looking next to posters protesting against the forthcoming goods and services tax (GST) in Kolkata.

Euro leads currency rally on rate hike talk

AFP, *Hong Kong*

The euro led a broad advance in currencies against the greenback Thursday after a string of central bankers hinted at an end to loose monetary policies that have been in place since the financial crisis.

The single currency powered to more than one-year highs Wednesday after European Central Bank boss Mario Draghi offered a more hawkish outlook for the eurozone than expected, with traders brushing off later attempts by his officials to play down his remarks.

In Asia the euro broke above $1.14 for the first time since June last year as markets bet the ECB, finally seeing a recovery in the eurozone economy after years of weakness, will soon begin winding down its stimulus.

"The market is confused over Draghi sending his minions to unwind his previous night's hawkishness," Greg McKenna, chief market strategist at AxiTrader, said.

"But the rally is actually a continuation of the buy the dip theme we consistently have seen for some time now."

The outlook from the ECB comes as several central bank bosses hint at tightening policies put in place to combat the hammering that the global economy took from the financial crisis that started 10 years ago.

Sterling powered higher after Bank of England chief Mark Carney hinted at a rate hike, which took dealers by surprise and distracted them from British political uncertainty caused by this month's general election.

The pound headed towards $1.30 for the first time in a month.

"This abrupt policy change saw chaotic price action leaving a swath of carnage in its wake. The markets have been trading GBP from the short side given the recent election results, and all the negativity surrounding Brexit," said Stephen Innes, senior trader at OANDA.

REUTERS

A picture illustration of the US dollar, Swiss franc, British pound and euro bank notes.

Vietnam GDP growth surges in second quarter

AFP, *Hanoi*

Vietnam's economy bounced back in the second quarter posting a 6.17 percent growth rate, according to official figures Thursday, a boost driven by gains in the industrial and services sectors.

The export-driven economy saw growth slow last year as the country struggled to recover from a major drought and mass fish kill along its central coast.

Growth in the first three months of this year hit a three-year low of 5.15 percent thanks to a slump in exports from Samsung, the country's leading investor.

But GDP growth rates from April to June jumped to 6.17 percent, according to the General Statistics Office (GSO).

The surge was driven by growth in the industrial and services sectors, though the mining sector dragged growth slightly, the office said.

GSO general director Nguyen Bich Lam said the surge between quarter one and two was the biggest jump since 2011, according to state-controlled Vietnamnet news site.

Analysts were buoyed by the bounceback and predicted strong growth ahead -- even if the official growth target of 6.7 percent is not met.

"The latest numbers are very positive... I think Vietnam can manage about 6.5 percent growth this year," said Luong Hoang from Viet Capital Securities.

Communist Vietnam has enjoyed a reputation as one of the best performing economies in Southeast Asia in recent years, with growth hitting more than six percent over the past two years, though the 2016 figures were down from the previous year.

Overall growth for the first half of 2017 is at 5.73 percent, up from the same period last year as exports surged 18.9 percent compared to the first half of 2016.

AFP

A container vessel (background) waiting to unload at Da Nang port in the central city of Da Nang, Vietnam.

Silicon-on-Seine: world's biggest tech incubator opens in Paris

AFP, *Paris*

Paris takes a step closer Thursday to fulfilling its ambition of becoming Europe's technology capital when President Emmanuel Macron inaugurates Station F, the world's largest start-up incubator on the banks of the Seine.

The 34,000 square-metre (366,000 square-foot) facility which entirely fills an old railway depot is being bankrolled by billionaire Xavier Niel, who revolutionised the French internet and mobile market with his low-cost Free service and is now on a crusade to put French technology on the map.

The cavernous concrete and glass hub, which aims to house up to 1,000 start-ups, will be a "very visible place that creates a strong image for Paris", Niel told AFP.

"The idea is to create a place that acts like a beacon and helps others," he added.

Station F is situated in the fast-changing 13th district -- an airy neighbourhood of modern high-rises, shops and cinemas that is home to the national library.

The space has been designed to create the feel of an American college campus, with entrepreneurs paying 195 euros ($221) a month for a spot in the hub, which is divided into three areas: "create", "share" and "chill".

The incubator is the biggest of around 40 that have sprung up in the French capital, which is competing with London and Berlin for the title of Europe's technology leader.

The 39-year-old Macron, who won election at the head of a liberal grassroots movement often likened to a startup, has pledged to promote entrepreneurship and quash perceptions that France is "unfriendly" to business.

"I want France to be a start-up nation. A nation that thinks and moves like a start-up," he said earlier this month at a tech conference in Paris, where he announced the creation of a 10-billion-euro ($11.3-billion) fund for innovation. "This is the place to be!", he declared.

Facebook, Amazon and Microsoft have already come onboard Station F, to mentor the startups. The entrepreneurs will also partner onsite with top French universities and venture capital funds.

Niel, who launched a no-fees school for computer coders in Paris in 2013 that broke the educational mould, has invested 250 million euros of his own money in Station F.

He envisages a day when "people from the world over will come to create their startup in Paris." Currently, London has the lead in luring international talent.

The French are hoping the pendulum will swing across the Channel when Britain leaves the EU. In the first half of 2016, France squeaked by Britain for the number of start-up financing operations, the EY consultancy found.

By the amount raised, however, Britain was far in the lead at 34 percent, with France in second place at 16 percent, although that was still over one billion euros.

Among those to have received huge capital injections from US investors are BlaBlaCar -- valued at over 1.0 billion euros, making it what is known in the tech sector as a "unicorn" -- and online advertising firm Criteo.

"The dinner table conversation has gone from French bashing to French tech," according to 29-year-old Remy Rousset.

Rousset's start-up Wivaldy, which helps consumers control their electricity consumption, is one of the companies that will occupy a berth in Station F.

AFP

A man looks through a window on the construction site of the world's biggest start-up incubator Station F, formerly known as the Halle Freyssinet, in Paris.

German consumers look forward to good life in summer

AFP, *Berlin*

German consumers are expected to remain cheerful through July, pollsters GfK said Thursday, as the public falls in step with general optimism about Europe's largest economy.

GfK's forward-looking poll of around 2,000 consumers forecast an increase of 0.2 points to reach 10.6 in July, continuing an upward trend observed over the past two months.

"Germans see the domestic economy in excellent shape into the beginning of the summer," the firm commented in a statement.

"Even uncertainty about possible restrictions on trade by the US government or the start of Brexit negotiations can't cloud the picture for now," they went on -- although both could be troubling prospects for citizens of Europe's export powerhouse.

June saw an upturn in all the indexes feeding into GfK's indicator, with consumers expecting a stronger economy and higher incomes as well as being more prepared to spend money.

Low interest rates have contributed to people's inclination to spend over saving, the survey found, while a stronger labour market has boosted confidence.

"Low levels of fear for their own jobs means consumers can plan more securely. That makes them ready to take on bigger purchases with higher financial risks," the pollsters said.

Consumers' positive mood matches that of businesspeople, after the monthly Ifo survey of entrepreneurs mounted to its highest level since 1991 in June.

UK supermarket Tesco axes another 1,200 jobs

AFP, *London*

Supermarket giant Tesco on Wednesday announced plans to cut 1,200 of its head office positions as part of ongoing cost-cutting at Britain's biggest retailer.

"We anticipate reducing our number of roles in the (head) office by around 25 percent, or 1,200 roles" at the group's offices in Hatfield and Welwyn Garden City, a company spokesman told AFP.

He added: "Today we have shared with colleagues across Tesco changes that we plan to make to the way we operate our business.

"This is a significant next step to continue the turnaround of the business." Tesco is undergoing vast cost-cutting under chief executive Dave Lewis and last week revealed plans to axe 1,100 jobs with the closure of a call centre in the Welsh capital Cardiff.

Lewis was parachuted into Tesco in July 2014 in a bid to turn around its fortunes at the group, which posted a record loss in 2014/2015.

He has since launched a deep cost-cutting drive and sold a series of assets.

"Over the past three years we have been making changes to improve the way we serve our shoppers better and are seeing good progress," the spokesman added on Wednesday.

"However, the retail environment remains challenging.

"We have already responded by making changes to simplify the way we operate our stores and distribution, and now we are introducing further changes to improve the way we run our office." Tesco is the world's third-biggest supermarket chain after France's Carrefour, with US giant Wal-Mart in the number one spot.

Lewis had warned earlier this month that Tesco faced "tough market conditions" in Britain, as soaring inflation results in higher shop prices and squeezes consumer spending.