Daily Economic News Summary: 11 February 2016

1. Time to deepen US-India ties through smart cities project: US official

Source: **Economic Times** (Link)

US and India should deepen their already strong "commercial relationship" by collaborating on initiatives like smart cities, a senior US government official said today. *"The sheer size and dynamism of our two economies means that there is tremendous opportunity to expand bilateral trade and investment even further. Now is the time to deepen our already strong commercial relationship through collaboration on initiatives like smart cities,"* US Department of Commerce's Deputy Secretary Bruce Andrews said. Noting that the relationship between the two countries is already "thriving", he said, *"The two-way trade almost tripled in the last decade. American exports to India reached USD 37.2 billion in 2014 and imports (from India) totaled USD 65.7 billion,"* he said in his address at the 'Smart Cities - The Way Forward' conference, organised by the Indo-American Chamber of Commerce.

2. India steel output to grow by 7% in 2016: Platts

Source: **Economic Times** (Link)

Steel production in the country will continue to grow by almost 7 per cent in 2016, according to Platts. The statement comes in the wake of latest data by World Steel Association (WSA) which shows India is the only country among major steel producing nations such as China, Japan, South Korea and the US, that witnessed growth in production in 2015.

Production in the world's third largest steel producer -- India -- rose by 2.6 per cent to 89.6 million tonnes (MT) in 2015 as against 87.3 MT in 2014, according to WSA data. "In 2015, out of the 10 largest steel production countries in the world, nine saw production cuts, the exception was India. In 2016, we continue to see Indian steel production growing by almost 7 per cent," Editor-in-Chief, Platts Steel Business Briefing, Henry Cooke said today. Platts sees long desired and much needed new investments in infrastructure projects such as roads, railways, ports, power and water infrastructure are a key driver for steel consumption.

3. With TPP advancing, India pins hopes on China-backed trade bloc

Source: **Live Mint** (Link)

India, concerned at being sidelined from the US-led Trans-Pacific Partnership (TPP), is stepping up efforts to reach agreement with an alternative trade bloc centred around China, and hopes to reach a deal this year. New Delhi has long been seen by many countries as an intransigent player at the World Trade Organization (WTO), a multilateral forum that has struggled to find the consensus it needs to move forward. Now, after 12 advanced economies accounting for 40% of the global economy signed a TPP deal this month, India's trade negotiators feel they need to get a move on. Prime Minister Narendra Modi has backed an export-focused 'Make in India' drive as the path to prosperity for Asia's third-largest economy, where per capita output is $1,688 a year, one fifth that in China.

With TPP out of reach—India was not invited to join—India's negotiators are focussing instead on a Chinese-led grouping called the Regional Comprehensive Economic Partnership (RCEP) that would improve its access to Asian markets. Trade representatives meet in Brunei from 15-19 February to iron out differences on tariffs. A senior New Delhi official, who asked not to be named, told *Reuters* that India was hopeful of striking a tariff-cutting deal this year, in the clearest indication yet that India wants to accelerate progress on a bloc first launched in 2012.

Ganeshan Wignaraja of the Asian Development Bank (ADB) said a breakthrough on RCEP would help mitigate the competitive disadvantage of India being absent from the TPP. *"Concluding an RCEP agreement would mark a key milestone for the Modi government,"* he said. Experts caution that India has shown little appetite to open its market to imports, even as it seeks to ramp up exports, not least because of a gaping trade deficit with China. *"India is worried about opening up to China,"* said professor Bernard Hoekman, a trade expert at the Robert Schuman Centre for Advanced Studies in Italy, adding he very much doubted an RCEP deal would happen this year.

4. Trade, security cooperation to be focus of PM Modi0AL Nahyan talks

Source: **Economic Times** (Link)

Boosting trade ties by ramping up UAE's investment in India and stepping up defence and security cooperation in the wake of rising threat of ISIS are set to be the major focus of talks between Abu Dhabi's Crown Prince Sheikh Mohamed bin Zayed Al Nahyan and Prime Minister Narendra Modi tomorrow. Economy of UAE, one of the leading producers of oil, has been hit hard by falling crude prices and it is expected that the Gulf nation would like to invest significantly in India's energy and infrastructure sectors from its sovereign wealth fund of around USD 800 billion. India has been eying the fund, being managed by the Abu Dhabi Investment

Authority, for its infrastructure sector including for railways, ports and roads. Joint production of defence equipment is another key area where both the countries are working hard. Under the initiative, UAE may make investment for manufacturing such equipment in India and get the products' supply.

5. UAE to store crude oil in Mangalore petroleum reserve

Source: **Live Mint** (Link)

The United Arab Emirates' (UAE) Abu Dhabi National Oil Company (ADNOC) will store crude oil in India's 1.5 million tonnes-Mangalore strategic petroleum reserve using it as a wholesale storage capacity and sell to the Indian refiners whenever needed, oil minister Dharmendra Pradhan said after a meeting with visiting energy minister Suhail Mohammed Al Mazrouei. India also informed Al Mazrouei that state-run companies ONGC Videsh Ltd (OVL), Indian Oil Corp. Ltd (IOCL), Bharat Petroleum Corp. Ltd (BPCL), Hindustan Petroleum Corp. Ltd (HPCL) and Oil India Ltd were interested in taking stakes in oil fields that are under production and in securing hydrocarbon exploration permits in the Persian Gulf country.

An oil ministry statement quoted Pradhan as saying Indian companies were also interested in acquiring a stake in Abu Dhabi Company for Onshore Petroleum Operations Ltd. (ADCO), another company held by the UAE through ADNOC. Pradhan also offered New Delhi's idea of a strategic reserve is primarily to tide over any possible supply disruption due to geopolitical reasons, rather than to build up an inventory of cheap oil, officials privy to the development explained.

ISPRL is also building two other reserves at Visakhapatnam in Andhra Pradesh and at Padur in Karnataka. The three facilities have a total storage capacity of 5 million tonnes of crude, which could meet a few days' requirement. India imported 189 million tonnes of crude in 2014-15, about 80% of its total requirement. ADNOC will store about half of the capacity in the Mangalore reserve. Former foreign secretary Kanwal Sibal described the development as a significant breakthrough. "We have been talking to the UAE on this matter for a number of years. It is only after Prime Minister Narendra Modi's visit (in August) that various aspects of the relationship (including the strategic oil reserve) have begun to move forward. It should be seen as a foreign policy success," said Sibal.

Pradhan also sought investments from the UAE on the ongoing state-run projects in India such as ONGC Petro Additions Ltd's petrochemical project at Dahej in Gujarat, and HPCL's refinery-cum-petrochemical plant in Andhra Pradesh. The UAE is expected to invest in the newly created National Investment and Infrastructure Fund (NIIF) aimed at increasing infrastructure financing in the country. Discussions on a pact were concluded after India agreed to have a UAE representative on the board of NIIF, a government official said, speaking on condition of anonymity. In December, the Indian government announced steps to set up NIIF. The government budgeted a contribution of Rs.20,000 crore for the fund in fiscal year 2015-16 while another Rs.20,000 crore is expected to be raised from sovereign wealth funds. It is unclear, at the moment how much the UAE proposes to invest in NIIF.

6. North East at the centre of NDA's hydrocarbon strategy

Source: **Live Mint** (Link)

India is planning projects totalling Rs.1.3 trillion in public and private investments in the north-eastern region to double oil and gas output in the next 15 years with an eye on markets such as Bangladesh, Nepal, Bhutan and Myanmar, said a document released on Tuesday by oil minister Dharmendra Pradhan in Guwahati. At present, the country produces 223 million tonnes of petroleum products and 33 billion standard cubic metres of natural gas a year. The document, which the petroleum ministry described as an "actionable road map with inputs from state governments" prescribes Rs.80,000 crore in investments in upstream oil and gas exploration and production, Rs.20,000 crore in midstream refining capacity and another Rs.30,000 crore in downstream polymer capacity. A strong network of crude oil and natural gas pipelines would be set up as part of the plan.

It also proposes expanding the fuel marketing infrastructure in the region and opening up retail facilities in neighbouring countries with local partners, said a petroleum industry executive who asked not to be named. *"North-east India would be a gateway of South-East Asia in future,"* Pradhan tweeted on Tuesday morning. *"Achieving this vision calls for collaborative efforts of central and state governments with the determination to bring a developmental shift that the people of north-east deserve,"* an official statement issued later in the day said, quoting the minister. A highlight of the plan is a three-fold increase in the three-million-tonne-a-year refinery capacity of Numaligarh Refinery Ltd (NRL), owned by Bharat Petroleum Corp. Ltd (BPCL), Oil India Ltd (OIL) and the Assam government. The project entails a cost of about Rs.19,000 crore. Indian Oil Corp. (IOC) has three refineries at Digboi, Guwahati and Bongaigaon with a total output of four million metric tonnes.

7. Govt tightens curbs on steel imports as global glut hurts mills

Source: **Live Mint** (Link)

India imposed a minimum import price on steel products to help stem a surge in cheaper shipments coming from overseas. Minimum prices for inbound shipments range from $341 a metric ton to as much as $752 per ton across various grades of steel, the commerce ministry said in a statement on Friday. The floor prices, which would make hot-rolled coils from overseas 19% more expensive than the locally made product, will be valid for six months. Imports into India surged 29% to 8.39 million tons in the nine months to December, according to the steel ministry.

An economic slowdown in China, the biggest producer and consumer of metals, has hurt the global steel industry as it exports its surplus amid weak domestic demand. Tata Steel Ltd., India's biggest maker of the alloy, posted a third-quarter loss on Thursday, while JSW Steel Ltd. swung to a record quarterly loss. Japan's three biggest producers have all cut full-year profit forecasts due to deteriorating markets. Steel exports from countries such as China, Russia, South Korea and Japan have surged to all-time highs on the back of lack-luster domestic demand, excess capacity and competitive currencies, Tata Steel said on Thursday. Steel secretary Aruna Sundararajan had said in December that India plans to step up measures to protect its debt-laden domestic steelmakers by imposing a minimum price on steel imports and studying loan restructuring. India's latest measures come after a 20% import tax on hot-rolled coils for 200 days imposed in September, and anti-dumping duties on cold- rolled flat products of stainless steel for five years levied in December.

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