

Daily Economic News Summary: 5 October 2015

1. Merkel, Modi meet to resurrect trade talks

Source: **Business Standard** ([Link](#))

The logjam in the India-European Union (EU) free trade agreement (FTA) talks might get finally broken when German Chancellor Angela Merkel and Prime Minister Narendra Modi sit for yet another bilateral meeting. Germany is India's largest trading partner in the EU and Merkel is undoubtedly the EU's most influential leader. India believes it is only the Chancellor who can inject a fresh life into the talks that started eight years ago.

However, for the talks to start, it is essential both sides find a resolution to the issue of pharmaceutical exports from India to the EU, which is often subjected to intense scrutiny and several other non-tariff barriers. *"Germany and India share a special and cordial relationship. I am sure Chancellor Merkel will revive the talks and create a conducive atmosphere for the negotiations to take place. The issue of banning of drugs from India needs to be solved. Both the leaders will discuss the matter and the talks will resume soon, I believe,"* Minister of State (Independent Charge) for Commerce and Industry Nirmala Sitharaman told Business Standard.

2. Indian islands to be developed under Swiss challenge model

Source: **Business Standard** ([Link](#))

The Centre is going to implement a comprehensive plan to develop Andaman & Nicobar and Lakshadweep islands, for an integrated modernisation of the region, under its 'Sagarmala' initiative. The plan is to develop these islands under the 'Swiss challenge system', where third parties make offers (challenges) for a project within a designated period to avoid exaggerated project costs. As a step forward in this direction, the government will soon appoint an island development consultant to identify opportunities for each of the shortlisted island clusters and prepare a detailed project report. The consultant will also manage the bidding process for the clusters and set up a cell to monitor the project implementation process.

Islands with more than two sq km in area are to be taken up for commercial activities like tourism, agriculture, fisheries and handicraft. According to government data, India has 1,238 islands, of which only 104 are inhabited. Of the 46 inhabited ones that are bigger than two sq km, 27 are located in the Andaman & Nicobar Islands and Lakshadweep.

"These islands' remote location and small size make many forms of economic activity unviable. However, the Andaman & Nicobar and Lakshadweep islands are home to over 440,000

people. Therefore, there is a need to study the holistic development of Indian islands," said an official who did not wish to be named.

3. Indian to pay another \$700 million to Iran on October 12

Source: **Economic Times** ([Link](#))

India on October 12 will pay another USD 700 million to Iran to clear part of past oil dues, the second payment since the Persian Gulf nation reached a historic nuclear deal with western powers. Essar Oil, Mangalore Refinery and Petrochemicals Ltd (MRPL), Indian Oil Corp (IOC) and Hindustan Petroleum Corp (HPCL) had on September 30 paid the first tranche of USD 700 million to clear a chunk of the USD 6.5 billion they owe to Iran for past oil purchases. A second tranche is scheduled to be paid on October 12, officials at the refiners said.

4. Indo-US Trade Policy Forum meet on October 28-29

Source: **Business Standard** ([Link](#))

The Indo-US trade Policy Forum will start its two-day meeting on October 28 in America where India is expected to press for greater market access to agri-products and removal of non-tariff barriers.

Trade Policy Forum is the principle trade dialogue body between India and the US. The other issues which are expected to figure in the meeting include ways to promote investments, intellectual property rights (IPR), increasing cooperation in services sector and about the forthcoming meeting of the World Trade Organisation (WTO) in Nairobi in December, an official said.

The meeting will be held between Commerce and Industry Minister Nirmala Sitharaman and US Trade Representative Michael Froman. The current meet will be the ninth round of TPF. The last round was concluded here in November last year. The meeting assumes on the back of recently concluded first India-US Strategic and Commercial Dialogue last month in Washington.

Both sides have decided to further deepen their economic cooperation and increase bilateral trade five-fold to \$500 billion. The current two-way trade stood at around \$100 billion.

5. Cabinet set to clear interest subsidy scheme for exporters

Source: **Live Mint** ([Link](#))

The Union cabinet is set to clear an interest subsidy scheme for exporters for a period of five years, after the finance and commerce ministries resolved their differences over the matter. The move is expected to provide relief to exporters after shipments contracted for the ninth consecutive month in August.

The interest subvention scheme, through which government makes cheaper rupee credit available to exporters, expired on 31 March 2014, along with the five-yearly foreign trade policy. After the National Democratic Alliance government took over in May 2014, it engaged in extensive consultations with stakeholders and finally announced a new trade policy for 2015-20 on 1 April this year with a gap of one year and promised to quickly relaunch the interest subsidy scheme. However, the commerce and finance ministries could not agree over the tenure of the scheme.

“The scheme will be announced for a period of five years. A review of the scheme will be carried out after initial three years. This is expected to give confidence to the exporters that there will be continuity in policy. A cabinet note for the same has been moved,” a government official said, requesting anonymity.

6. Volkswagen India sales down after 7 months of growth

Source: **Business Standard** ([Link](#))

The domestic sales of German auto major Volkswagen's India unit is learnt to have dropped in September, a decline after seven months of consistent growth. This could be because of the impact of a global emission-fudging crisis involving the company since September 18. The wholesale dispatches to dealers by Volkswagen India, which sells products like Polo, Jetta and Vento, is estimated to have declined 21 per cent last month.

September is usually a month of high dispatches for car makers, as dealers stock adequately for festival demand in the following months. The company, which had been sharing monthly data for several past months, did not announce the numbers for September. But industry watchers pegged the sales number for the month at about 3,230 units, the lowest in 15 months. This was 21 per cent lower than the company's sales in the same month a year ago.

By comparison, the overall passenger vehicle industry's domestic sales during the month were 4.6 per cent more than those in September 2014. It was the first time since January that Volkswagen India's year-on-year sales growth in a month was lower than the industry's growth. *“The customer's confidence in a brand is shaken when such incidents (the data-fudging row in*

this case) take place. That reflects in sales eventually," said a senior marketing executive at a rival car manufacturer. Volkswagen India had not replied to an emailed questionnaire sent by *Business Standard* till the time of going to press.

7. Peugeot plans Indian return, in-talks with Tata Motors to form partnership

Source: **Economic Times** ([Link](#))

PSA Peugeot Citroen and Tata MotorsBSE 6.70 % are in talks to form a partnership that might result in Tata producing and distributing the French giant's cars in the Indian market, several people close to the development said. The two firms may also share engine technology, they added. If talks fructify, Tata Motors could make PSA's cars at its Sanand plant in Gujarat. The factory was set up to produce the Nano, the minicar, whose sales fell short of Tata's expectations and worsened its position in a sluggish auto market.

PSA, which has emerged stronger under chairman Carlos Tavares after a French-Chinese bailout, is reviewing its foreign plans. These include exploring the possibility of launching the 208 hatchback, 308 sedan and the 2008 crossover in India, a market the French company exited a decade-and-half ago after making a brief appearance. ET spoke with five people close to the development and they said that PSA wants to tieup with a reputed local carmaker with a strong product and spare parts distribution reach and popular brand recall.

By Harsha Hazarika