

## Daily Economic News Summary: 18 January 2016

### 1. New opportunities for India as Iran curbs nuclear ambitions

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

As Iran emerged from years of economic isolation over the weekend when key countries lifted crippling sanctions in return for the Islamic Republic complying with a deal to curb its nuclear ambitions, analysts said the development presents India with new opportunities as well as challenges. The UN atomic watchdog announced late Saturday that Iran had complied with the terms of last July's landmark deal aiming to scale down its nuclear programme. The International Atomic Energy Agency (IAEA) said Tehran had put in place all nuclear measures required under the deal reached with six world powers. Iran has always been an important country in India's geo-political and economic calculus.

For starters, Iran is seen as a key energy partner in India's neighbourhood given its huge fuel reserves, with some estimates suggesting that Iran holds 10% of the world's proven oil and 15% of gas. India, Pakistan and Iran have been looking at a natural gas pipeline from the Islamic Republic to Asia's third largest economy. Despite US-led international sanctions that forced India to cut its oil imports from Iran, India has remained one the largest buyers of Iranian crude. Of the 189.43 million tonnes (mt) per annum of crude oil sourced by India in 2014-15, 109.76 mt came from West Asia. Of this, Iran supplied 10.95 mt, making up 5.78% of Indian crude oil imports. India, the world's fourth largest energy consumer, imports 77% of its energy needs. Its energy import bill of around \$150 billion is expected to double to \$300 billion by 2030. India also sees Shia-dominated Iran as a gateway to landlocked Afghanistan and Central Asia. Though the majority of Indian Muslims are Sunni, India does have an influential, though small, Shia community who wield significant amount of influence in the country.

### 2. India 2<sup>nd</sup> largest fruit producer in world

Source: **Times of India** ([Link](#))

The green revolution of the 1960s and 1970s ended chronic food deficits and while cereals still command the attention of policy makers, fruit production has surged impressively, making India the second largest global producer behind China. Annual growth in horticulture has seen fruit production grow faster than vegetables though the latter constitute the largest segment of this sector of agriculture.

The stellar performance of fruits has attracted attention of statisticians with the agriculture ministry's 'horticultural statistics at a glance 2015' noting that India was making its presence felt as the second largest producer of vegetables and fruit. *"Grapes occupy the premier position in exports with 107.3 thousand tonnes valued at Rs 1,086 crore in 2014-15. Other fruits which attained significant position in exports are banana and mango,"* the handbook said. India's success in horticulture lies in small towns and districts. In 2012-13, Chittoor and Anantapur in Andhra Pradesh, Baramula in Jammu and Kashmir, Nalgonda in Telangana, Sagar and Shahdol in Madhya Pradesh, Darjeeling in West Bengal and Pune, Aurangabad, Jalgaon and Sangli in Maharashtra shone on India's fruit map.

### **3. India elected to Board of Directors of China backed AIIB**

Source: **The Hindu** ([Link](#))

India, one of the founding members of the AIIB, has been elected to the board of directors of the China-sponsored Asian Infrastructure Investment Bank which is expected to begin loan approvals before the end of this year. The bank, however, said the Vice President the post for which India as the second largest shareholder aspired for will be selected on merit. *"With regard to senior positions like Vice President and Director Generals the basic principle is meritocracy. This can never ever be compromised,"* former Chinese Finance Minister Jin Liqun who was elected to be the President of the bank told the media here. *"I would try to avoid creating senior positions just for the sake meeting the needs of some other countries because that would lead to redundancies in future,"* Jin said.

Earlier, Dinesh Sharma, Additional Secretary of Ministry of Finance was elected to the 12-member board for which a secretballot was held yesterday, Indian officials said. This will be the first board of directors for the new bank in which 57 members joined founding members. Noting that people "up the standard" will be selected for the post, Jin said the interests of the smaller shareholders also can not be ignored. Jin, a former Chinese Finance Minister was elected to head the bank based in Beijing after Russia withdrew its candidate.

### **4. India will have seven world class automotive design and testing centres by 2016 end**

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

India will have seven world class automotive design and testing centres being set up by National Automotive Testing and R&D Infrastructure Project (NATRiP) by the end of this year. The government has already made it mandatory for vehicle manufactures in the country especially cars for complying with best international standards for safety of driver and

passengers and has set October 2017 deadline to comply with new norms. The centers will have infotronics laboratory and crash testing labs. The high-speed testing track will come up in two years. The centers are coming up at Manesar, Bangalore, Rai Bareli, Silchar, Indore, Pune and Chennai under NATRiP are the best in the world for carrying out all safety tests including frontal and side crash test for vehicles.

## **5. India and France to focus in Rafale deal, more defence projects in pipeline during Francois Hollande's visit**

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

While much attention has been on the mega Rafale fighter aircraft contract, India and France are likely to focus on several defence projects during French President Francois Hollande's visit for the Republic Day celebrations, including the possibility of extending the Scorpene submarine line with additional orders. The first of the six Scorpene submarines, under construction at the Mazgaon Dock Ltd (MDL) in Mumbai in partnership with French group DCNS, is set to enter service in October and the navy is seriously considering a plan to enhance the order by another two. Besides, discussions on a point defence missile system to be developed jointly are also likely to progress. Officials from India and France have told ET that a proposal to keep the MDL line running beyond 2020 - when the last of the current six on order is delivered - is a distinct possibility given the underwater fleet requirements of the Indian Navy.

The Indian Navy is looking at an Air Independent Propulsion (AIP) system, which would increase underwater endurance, for the additional submarines. Work on an Indian AIP is underway with the system being developed by the Defence Research and Development Organisation (DRDO). A land prototype of the AIP is currently being constructed by L&T and if successful, would be considered for an enhanced Scorpene order.

## **6. World Bank to be anchor investor in Rail Development Fund: Suresh Prabhu**

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

The World Bank would be the anchor investor in the new Railway Development Fund, which would be used to fund modernisation of Indian railways, Union minister Suresh Prabhu has said. *"We have decided to work with the World Bank on creating a Railway Development Fund. This was already initiated. But now, we have taken it forward,"* Prabhu said in Washington after his meeting with World Bank officials. Noting that the World Bank would be anchor investors in this new fund, along with other co-investors, Prabhu said, *"This fund would be kick started soon as there is unanimity in the World Bank leadership"*. He also said the World Bank leadership has realized that based on the performance in the past one year, Indian Railways

is in the “right direction”. However, Prabhu did not divulge the size of the fund, but indicated that it would be the largest ever provided by the World Bank to the Indian railways.

Prabhu is here to attend a World Bank meeting on transportation. During his stay in the US capital, he also met officials of the International Finance Corporation, the US Transportation secretary Anthony Renard Foxx, and some of the think-tanks. The International Finance Corporation (IFC) would look into the possibility of revenue generation through non-railway operation, he said. *“To help us monetization issues, bringing in the global best practices. Globally railways get 30-40% of their income from non-railway operations. In India it is not even 2%. So this is going to be challenging time particularly when Indian railways would have to bear the additional burden of the pay commission,”* he said.

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**By Harsha Hazarika**