

## Daily Economic News Summary: 4 February 2016

### 1. India, Iran will try to resolve proposed Chabahar Port issue at foreign office consultation

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

Officials representing India and Iran at Thursday's foreign office consultation in New Delhi will attempt to resolve contentious issues related to the proposed Chabahar Port in Iran. Two Indian government officials familiar with the development and part of negotiations attributed the delays to Iran changing terms and conditions for the port, and India seeking a better deal after initially giving in. The officials who declined to be identified said Iran did not disclose that it had leased out Chabahar Port to an Iranian company Arya Bandar at the time of signing the memorandum of understanding on May 6, 2015.

The officials mentioned above said several things have changed since the MoU (memorandum of understanding) has been signed and this is what is delaying a final agreement, despite three rounds of negotiations and two deadline extensions. The latest deadline is 6 March 2016. The discussions now centre on resolving conditions that both sides consider each other to be imposing. They said, "We are keen to close the deal, but Iran is not trying to agree to our terms. It has to be win-win situation for both the countries." The consultation will also take up the International North South Transport Corridor (INSTC) project linking India with Central Asia and other countries, and regional and international issues such as the rise of the Sunni militant Islamic State and peace talks in Afghanistan. The INSTC is a project to link India and Iran via the sea route and then through Iran to the Caspian sea onwards to Central Asia.

The Indian delegation will be led by foreign secretary S Jaishankar while the Iranian side is to be led by deputy foreign minister Ibrahim Rahimpour. This is one of the first interactions between the two countries since crippling sanctions imposed by the international community on Iran for its suspect nuclear programme were lifted last month. India and Iran agreed in 2003 to develop a port at Chabahar on the Gulf of Oman, near Iran's border with Pakistan, but the venture has made little progress because of Western sanctions on Iran. India is going to take development of Chabahar Port in two phases. Phase I involves installation of equipment and operating the two fully constructed berths (a container terminal of 640 metres and a multi-purpose cargo terminal of 600 metres) and Phase II where India would construct, operate and maintain a container terminal. After signing MoU, an Indian team that visited Iran in July 2015 was surprised by an Iranian announcement that the port had been let out in February last year on a long lease to Arya Bandar, a private Iranian company. This was something that was not disclosed at the time of signing of the MoU.

## **2. India's Iran oil imports fall in January, but February arrivals to surge**

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

India's oil imports from Iran fell more than a quarter in January from the previous month, although incoming shipments are expected to pick up in February as post-sanctions crude starts arriving, preliminary tanker data obtained by *Reuters* shows. Indian buyers of Iranian oil had been holding their purchases in check during the final months of international sanctions, anticipating a big marketing push by Tehran. Now, with January's removal of the international curbs on Tehran's oil, banking, insurance and shipping sectors, Indian refiners are talking to the National Iranian Oil Company (NIOC) about raising their crude imports.

Two of the refiners, Essar Oil and Mangalore Refinery and Petrochemicals Ltd, have already booked three cargoes for arrival in February that would bring India's Iran purchases for the first-half of the month to nearly 300,000 barrels per day (bpd), the tanker data shows. *"India has asked for 6 million barrels more than the nominations they had made earlier, which means about 230,000-250,000 bpd more for February,"* an NIOC source told Reuters last month, although without saying what the initial nominations had been for the month. In January, India received 170,700 bpd of oil loaded from Iran mostly while sanctions were still in place, a decline of 27% from December and down 38% from a year ago, the preliminary tank arrival data obtained by Reuters showed.

In the first ten months of the fiscal year that began on 1 April 2015, India's imports from Iran fell 9.5% to 228,600 bpd from the same period of the previous year. In January, state refiner MRPL was India's biggest oil client of Iran, shipping in 103,400 bpd, followed by Essar Oil, which received about 67,200 bpd. Post-sanctions Iran wants to raise its oil output by 500,000 bpd as quickly as possible to meet demand from new and existing customers, with about 200,000 bpd of that to go to Europe. An Iranian source has said Tehran is targeting India, Asia's fastest-growing oil market, as the main destination for its resurgent oil exports, which has been backed up by shipping schedules.

## **3. Finance Minister to inaugurate India Investment Summit 2016 on 4<sup>th</sup> February**

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

The Union Finance Minister, Shri Arun Jaitley will inaugurate the two-day India Investment Summit 2016 on Thursday, 4th February, 2016. The Finance Minister Shri Jaitley will also unveil the logo of National Infrastructure and Investment Fund (NIIF) beside delivering Inaugural Address on the occasion. A film on NIIF will also be shown during the Session. H.H. Sheikh Hamid Bin Zayed Al Nahyan, Managing Director, Abu Dhabi Investment Authority will deliver the Special Address during the Inaugural Session. The two day India Investment Summit 2016 is being held in the national capital on 4th & 5th February, 2016. Shri M. Venkaiah Naidu, Union Minister of Urban Development will deliver the Opening Address in the First Session on

Current Status, Outlook and Investment Opportunities in Developing Urban Infrastructure. Other Panelists during this Session will include Dr. Nandita Chatterjee, Secretary, Ministry of Housing and Urban Development Alleviation, Dr. Samir Sharma, Additional Secretary, Ministry of Urban Development and Smt. Arundhati Bhattacharya, Chairperson, State Bank of India.

Other Sessions on the First Day of the Summit include a Session on Current Status Outlook and Investment Opportunities in Power and Renewable Energy which will be addressed by Shri Pradip Kumar Pujari, Secretary, Ministry of Power, Government of India and Shri Upendra Tripathi, Secretary, Ministry of New and Renewable Energy, Government of India among others. Another Session will be on the Current Status Outlook and Investment Opportunities in Road Transport, Highways and Ports which will be addressed by Shri Nitin Gadkari, Union Minister for Road Transport & Highways and Shipping. Other Panelists during the Session include Shri Rajive Kumar, Secretary, Ministry of Shipping, Government of India, Shri Sanjay Mitra, Secretary, Department of Road Transport and Highways, Government of India and Shri Raghav Chandra, Chairman, National Highway Authority of India (NHAI). The Second Day of the Summit will start with a Session on Regulatory Architecture which will be addressed by Shri Jayant Sinha, Minister of State for Finance, Government of India along with Dr. Arvind Subramanian, Chief Economic Adviser (CEA), Shri H.R. Khan, Deputy Governor, RBI and Shri S. Raman, Member, Security and Exchange Board of India (SEBI) among others.

#### **4. Govt to take more steps to boost exports: Nirmala**

Source: **Deccan Herald** ([Link](#))

The government is committed to making more moves to clear environment norms faster, work towards better rail-road connectivity and faster tax refunds as these are enablers to improving exports which have seen 13 consecutive months of decline. *“Many of the issues which are enablers to better exports have been identified, issues which may have a bearing on the forthcoming Budget were also raised,”* Commerce and Industry Minister Nirmala Sitharaman said on Tuesday.

The minister, who met export promotion councils, said her ministry will follow up with environment, textiles and finance for improving ease of doing business in the country and boost exports. Foreign trade agreements with Asean countries were also discussed with the stakeholders as these have been hurting Indian exports. Exporters who participated in the meeting, said they suggested long term solutions to perk up exports with the government.

## 5. US moves to ease investment climate with India

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

In a major move to boost the bilateral business environment, the US has announced that it will begin accepting from February 16 requests for bilateral advance pricing agreements (bilateral APAs) between the two countries for the taxation of multinational companies. The US Internal Revenue Service (IRS) said that the Advance Pricing and Mutual Agreement office (APMA), a representative office of the US competent authority, will begin accepting requests for bilateral APAs between the United States and India.

This announcement represents an important step forward in strengthening ties between the two governments in the taxation of multinationals. Bilateral APAs provide greater predictability in taxation, easing the uncertainty of doing business in each country, said a US embassy press statement on Tuesday. *“We appreciate the efforts of the Indian Competent Authority and his team, as well as the IRS team, for working to reach common understandings and procedures for resolving differences fairly,”* said IRS Commissioner John Koskinen. *“Multi-national firms operating in both the US and India are the beneficiaries of this effort.”* The US will accept APA applications “covering information technology-enabled services, software development services, or other issues for whose resolution transfer pricing principles are relevant,” the IRS said.

An APA is an agreement between the IRS and a taxpayer covering issues arising under section 482 of the Code or other issues for whose resolution transfer pricing principles are relevant. Last week, India's Central Board of Direct Taxes said that both sides have solved over 100 transfer pricing disputes for sectors such as information technology (software development) services (ITS) and information technology-enabled services (ITeS) over a one-year period. The move is aimed to pave the way for greater transfer pricing cooperation between the two countries, and enhance foreign investment flow. More cases are expected to be solved by the end of the financial year, the CBDT said. In January 2015, India signed the framework agreement with the US revenue authorities to resolve about 200 transfer pricing cases. The framework was finalised under the mutual agreement procedure (MAP) provision contained in the India-USA Double Taxation Avoidance Convention (DTAC).

## 6. Boeing CEO pitches F/A 18 Super Hornet fighter jet to India

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

US aircraft maker Boeing Co. is in a “conversation” on manufacturing its F/A-18 Super Hornet fighter jet in India, chief executive officer (CEO) Dennis Muilenburg was quoted on Wednesday as saying on his first visit to the country. *“We see the Super Hornet as an opportunity ... to tie directly into the ‘Make in India’ strategy,”* Muilenburg told the *Hindustan Times* in an interview whose authenticity was confirmed by the company. Prime Minister

Narendra Modi's 'Make in India' drive is designed to expand India's industrial base. Boeing was willing to back the project with billions of dollars in investment to India to meet its operational needs, according to Muilenburg's comments in the interview.

India is locked in talks with France's Dassault Aviation SA to buy 36 French-built Rafale combat jets at a price said to be close to \$200 million apiece. But an earlier tender to buy 126 Rafales collapsed. Plane makers are queuing up to fill the shortfall with revised offers, stressing their readiness to locate production in India, with Saab AB of Sweden also pushing its single-engine Gripen aircraft. The twin-engine Super Hornet was eliminated in India's original tender for Medium Multi-Role Combat Aircraft (MMRCA), however, and the future of its production facility in St Louis is uncertain.

## **7. Govt to infuse about Rs 5000 crore in PSU banks this quarter**

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

The government will infuse about Rs.5,000 crore capital in the public sector undertaking (PSU) banks in the current fiscal to strengthen their balancesheet. "As committed, banks will get fund infusion in the fourth quarter. Banks will get about Rs.5,000 crore," financial services secretary Anjuly Chib Duggal said on the sidelines of an event.

Funds would be infused after Parliament approves third supplementary demand for grants in the upcoming budget session. Last year, the government announced a revamp plan "Indradhanush" to infuse Rs.70,000 crore in state-owned banks over four years, while they will have to raise a further Rs.1.1 trillion from the markets to meet their capital requirements in line with global risk norms Basel III. As per the blueprint, PSU banks will get Rs.25,000 crore this fiscal and also in the next fiscal. Besides, Rs.10,000 crore each would be infused in 2017-18 and 2018-19. Of the Rs.25,000 crore earmarked for 2015-16, the government has pumped in about Rs.20,088 crore in 13 public sector banks so far. Talking about various initiatives taken by the government to deepen the social security net, Duggal said banks are addressing last mile connectivity issues. The department of financial services is having discussions with banks on a regular basis to sort out the issues as soon as possible, she said.

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**By Harsha Hazarika**