

## Daily Economic News Summary: 26 July 2016

### 1. India seeks investment pacts with individual European Union Members

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

In a move that could create further fissures between the two sides, India is planning to push for delinking the investment chapter from the proposed Bilateral Trade and Investment Agreement (BTIA) with the European Union (EU), negotiations for which remain stalled amidst the uncertainty triggered by the UK voting to leave the EU. India wants to sign investment agreements bilaterally with individual EU member countries based on its model Bilateral Investment Treaty (BIT) draft though the EU is opposed to the idea. Currently, the finance and commerce ministries are in talks over the modalities to be followed to delink the investment chapter from the BTIA—a long-delayed free trade agreement. A finance ministry official said various options are being considered and a final decision is yet to be taken.

However, the official, speaking on condition of anonymity, said India would like to negotiate BITs separately with individual member countries of the EU. “The EU has to go through a major governance reform and the Brexit has exposed its loopholes. It is very difficult to negotiate an agreement with the EU as it has many stakeholders with diverse interests,” he added. The Indian cabinet in December last year approved the revised text of the model BIT which excluded matters relating to taxation. This would help India avoid getting dragged to courts by multinational companies over tax disputes. Multinational companies will now be required to first exhaust all domestic legal options before taking recourse to international arbitration against the government in case of a dispute. India intends to replace 83 existing Bilateral Investment Promotion and Protection Agreements (BIPAs) with the BIT through renegotiation.

### 2. India looks to boost energy ties with UK

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

Oil minister Dharmendra Pradhan is set to meet his counterpart in the new UK cabinet Greg Clark as well as British industry executives in September, pitching for investments in India’s hydrocarbon sector as part of New Delhi’s desire for closer trade and investment ties with the nation after its decision to leave the European Union. At the proposed meeting with the secretary of state for business, energy and industrial strategy, Pradhan will also explore areas of give and take in the energy sector that could later become part of a broader trade and investment agreement between the countries, said a person privy to the plan, who asked not to be named.

The UK has many oil and gas services firms, especially in Aberdeen in Scotland, considered the oil capital of Europe. India has been scaling up its engagement with nations that have expertise in exploration and production of natural resources in addition to investing in hydrocarbon assets abroad to secure its energy supply both from domestic and overseas sources. India has set a target of reducing its import dependency in oil and gas by 10 percentage points to 67% by 2022. That seems an ambitious goal as domestic consumption has been growing, prompting the oil ministry to seek avenues to increase supplies. India consumed 183 million tonnes of various fuels derived from petroleum in 2015-16, 10% more than a year ago, as per official figures.

### **3. India to be a five million car market by 2020: Maruti Suzuki's RC Bhargava**

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

Maruti Suzuki India Ltd, India's largest car maker, said that the local car market will reach 5 million units in annual sales by 2020, making the country the fourth-largest market in the world. The estimates were given by Maruti Suzuki chairman R.C. Bhargava at an auto parts conference on Monday. *"At five million cars by 2020, we will be just about number four (in the global pecking order),"* Bhargava said in his address on *Changing Trends in Automotive Supply Chain*, organized by the Auto Components Manufacturers of India.

Maruti's forecast is in line with the central government's Auto Mission Plan II that forecasts the passenger vehicle (PV) market to more than triple to 9.4 million units by 2026 from 2.8 million now if the economy grows at an average rate of 5.8% a year. If the economy grows at an average yearly pace of 7.5%, the size of the passenger vehicle market is forecast to rise to 13.4 million units, making it the world's second largest after China. Bhargava added the Indian automotive sector is poised for solid growth and "demand for cars will grow faster than in the last two years" when a market slowdown impacted sales.

### **4. Government to provide benefits to small tea growers: Nirmala Sitharaman**

Source: **Indian Express** ([Link](#))

To encourage small tea growers and give them better price for their products, the government has proposed to amend a 2003 order to define mini and micro factories and provide various benefits to them. Minister of State for Commerce Nirmala Sitharaman said in Lok Sabha that a proposal has been mooted to amend the Tea (Marketing) Control Order 2003 so as to define mini and micro factories and exempt them from obtaining no objection certificate for manufacturing tea.

Listing out various benefits and assistance being provided to the small tea growers, Sitharaman said during Question Hour that in order to ensure better price to small tea growers, who supply tea leaves to factories, price sharing formulas have been notified for different tea growing states. Payment of green leaf to the growers is closely monitored by the district green leaf price monitoring committees, she said. The Tea Development and Promotion Scheme implemented by the Tea Board has a separate component for development of small tea growers.

## **5. Epayments add \$6 BN to India's GDP: Study**

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

Migration to electronic payments has added \$6 billion (approximately Rs 40,000 crore) to India's GDP and created 1.4 million additional jobs, as per a study conducted by Moody's Analytics on behalf of card major Visa. The study analysed the impact of electronic payments on economic growth across 70 countries between 2011 and 2015. While card usage in the 70 countries cumulatively added \$269 billion in global consumption, in India the increased use of electronic payment products, including credit, debit, and prepaid cards, added \$6.08 billion to the GDP over the same period, the study said.

It added 10.4 million jobs globally, with the second highest increase in India, adding 1.4 million jobs from 2011-2015, it said. Real consumption grew at an average of 2.3 per cent from 2011 to 2015, of which 0.01 per cent is attributable to increased card penetration. This implies that card usage accounted for about 0.4% of growth in consumption. Since consumption growth is, on average, faster in emerging economies, those countries have more to gain by increasing card usage, said the study.

## **6. Solar power tariffs expected to fall to as low as Rs 3.50 a unit in 3 years**

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

Solar power tariffs in India, which have fallen below Rs.5 per unit since November, are expected to fall further as the industry doubles volumes every year and the cost of producing power continues to decline. At least three industry experts *Mint* spoke to said that tariffs will fall to as low as Rs.3.5 per unit in three years owing to better use of technology, higher volumes, increased competition and a favourable regulatory environment. *"There is no question about whether they (tariffs) will go down or not. Typically we are seeing a 3-4% increase in efficiency and about 3-4% reduction in costs. So we expect that solar tariffs will continue to go down by 5-8% year-on-year,"* said Vikram Kailas, managing director at renewable energy producer Mytrah Energy Ltd. Solar module prices have already fallen sharply, down by 10% in the first half of

2016 , leading to higher margins and reviving projects which were termed unviable earlier, *Mint* reported on Monday.

## **7. Amazon India launches Prime membership in 100 cities**

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

Online marketplace Amazon India has launched its Amazon Prime membership program in more than 100 cities, offering free one-day and two-day delivery on lakhs of products on its platform. Amazon will initially offer a free trial period of 60 days on Prime. Thereafter, the company will charge a discounted annual subscription fee of Rs.499, compared with the list price of Rs.999.

Apart from fast delivery, Amazon will offer Prime members early access products in the “Lightning Deals” category every day. The company will also offer exclusive deals to Prime members from select brands and sellers. The launch of Prime may boost Amazon India’s growth by building customer loyalty. Amazon has invested in some 27 warehouses across the country and has the largest warehousing capacity among all online retailers in India. In June, Amazon said it will invest an additional \$3 billion in India after the company exhausted its earlier investment pledge of \$2 billion, as it goes for the kill in the market share war with local rival Flipkart.

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