

Daily Economic Newsletter: 9 July 2015

1. Russia wants to make India a global hub for submarine upgrade, maintenance and repair

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

Russia says that it wants to make India a global hub for the upgrade, maintenance and repair of conventional submarines and its leading shipyard is in final talks to select an Indian joint venture partner for a mega project to set up facilities here. With contracts worth several thousand crores in the offing for the upgrade of Russian origin diesel electric submarines — several from the Indian Navy itself — the joint venture has the potential of making the selected Indian shipyard a serious player in the international market.

Officials from the state-run Zvyozdochka shipyard said that a memorandum of understanding could be signed within a month as it is in final talks with an Indian partner for the project. Russian engineers have already visited the Indian yard and advised it on changes to be made as well as investments needed to execute the project.

2. Indo-Mauritius pact may lower tax on interest income from bonds

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

Mauritius, which serves as the gateway to Dalal Street for most foreigners, will be back in news soon. India and the tax haven are believed to be close to finalising a revised tax treaty that would lower tax on interest income of overseas investors betting on Indian debt papers. The move could make Mauritius as attractive a destination as Singapore for investors putting money in Indian debt securities.

The revised treaty, however, would lay down new conditions that investors would have to fulfil. Better known as "limitation of benefits" (LoB) in international tax parlance, it could require investors to spend a certain amount every year in Mauritius for enjoying tax benefit, two persons familiar with the negotiations told ET.

The move could temporarily impact inflow of foreign money into Indian securities as the terms of LoB may put off many non-serious players and make round-tripping of money tougher. Non-resident investors coming in through Mauritius pay no tax on their capital gains on equity investment. But the double taxation avoidance treaty is silent on interest earnings from rupee debt securities like bonds and non-convertible debentures which attract significant foreign inflow

due to higher yields. Thus, the applicable tax on interest income could be as high as 41% for foreign investors after June 2017 when the period for lower withholding tax comes to an end.

3. Modi visit: India, Kazakhstan ink deals on uranium supply, defence

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

India and Kazakhstan on Wednesday focused on boosting trade, energy, defence and security cooperation as Prime Minister Narendra Modi held talks with Kazakh President Nursultan Nazarbayev here.

The two sides inked five agreements, in defence, railways and uranium supply, sports and transfer of sentenced prisoners after the talks held at the Akorda presidential palace.

In his media statement, Modi said Kazakhstan was India's biggest economic partner in Central Asia but the economic ties have been modest. *"We will work together to take economic ties to a new level."* He said India inked a "much larger second contract" for the purchase of uranium from Kazakhstan, the world's largest producer of the mineral.

On cooperation in the hydrocarbons sector, Modi said Nazarbayev *"responded positively to my request to consider additional mature blocks for Indian investments"*.

4. India sees stable growth momentum, China slowdown likely: OECD

Source: **NDTV** ([Link](#))

India is seeing "stable growth momentum" even as economic activities are expected to slow down in China, the US and many other major economies, according to the Organisation for Economic Cooperation and Development (OECD).

The readings are based on composite leading indicators (CLIs) that are designed to anticipate turning points in economic activity relative to trend. Paris-based think tank OECD said the indicators continue to point to firming growth in the euro area, including France and Italy, and to stable growth momentum in Germany, Japan and India.

5. India to contribute \$18 billion to BRICS's \$100 billion foreign exchange reserves pool

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

India will contribute \$18 billion to the \$100 billion foreign-exchange reserves pool that is being set up by five nations of the BRICS grouping to help each other "in case of any problems

with dollar liquidity". Brazil, Russia, India, China and South Africa have signed an agreement to set up the \$100 billion pool, with maximum \$41 billion coming from China.

India's contribution of \$18 billion to the Pool will be same as that of Brazil and Russia. South Africa would chip in \$5 billion. *"The central banks of Brazil, Russia, India, China and South Africa have signed Operational Agreement on July 7, 2015 in Moscow. The Agreement outlines the terms of mutual support for member states in the framework of the Agreement on BRICS Pool of Conventional Currency Reserves,"* the Russian Central Bank said in a statement.

6. Confidence level in Indian economy continues to rise: S&P

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

The confidence level in India continues to rise amid indications of slower growth ahead for the Asia-Pacific region, said a report by global rating firm Standard & Poor's.

Weaker global trade and a Chinese economy still weighed down by the property sector suggest slower growth ahead for the Asia-Pacific region, said the report titled 'Asia-Pacific Could Be Entering A Steady State Of Slower Growth'.

However, it added the Asia-Pacific growth story is not all gloom and doom though. *"In India, confidence continues to rise despite concerns about investment quality. Our forecasts of 7.4 per cent growth for 2015 and 8.2 per cent for 2016 are the highest in the region,"* it said.

7. Indian Association of Tour Operators asks for cap on maximum air fares for domestic flights

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

Pitching for capping of maximum air fares for domestic flights, a tourist operators body, IATO today said that the airlines should not be allowed to charge ticket prices beyond a limit. *"The Government must fix an upper limit for domestic air fares. We don't say that they should charge less or equal to their direct operating cost. But the fares should also be not beyond the reach of a common man,"* Indian Association of Tour Operators (IATO) president Subhash Goyal said here at a function to announce the dates for the 31st IATO Convention at Indore.

8. US Ex-Im bank suspends \$1 Billion loan for energy in India

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

The US Export-Import Bank's \$1 billion programme to boost India's clean-energy industry has been suspended after the institution's lending authority lapsed, an Indian government official working on the project said.

Indian Renewable Energy Development Agency Ltd (Ireda), signed a memorandum of understanding with the US export credit bank in November covering the programme. The funding wasn't finalized when the Ex-Im Bank's charter expired on 30 June. *"It was only a memorandum of understanding (MoU) so you may consider it over for all practical purposes as of now,"* K.S. Popli, chairman and managing director of the Indian agency, said in a phone interview from New Delhi.

The credit line would be revived if the Ex-Im bank regains its authority, Tarun Kapoor, joint secretary at the ministry of new and renewable energy, said by phone. The US Congress, divided about whether to renew the bank's charter, allowed the institution's lending authority to lapse at the end of June.

By Harsha Hazarika