

Daily Economic News Summary: 11 August 2016

1. India writes to Singapore, Japan, South Korea to tweak investment

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

India has turned its attention to comprehensive economic partnership agreements with Singapore, Japan and South Korea after having fixed the loop-holes in the much abused investment treaties with Mauritius and Cyprus. The government has written to the three nations, seeking recast of the existing investment deals to allow for national treatment to foreign investors only after they have established their businesses in India, officials said.

The current pre-establishment provision in these agreements allows foreign investors to be treated on a par with domestic companies even before they invest in India, putting the country at risk of international litigation by potential foreign investors. Singapore, Japan and South Korea are likely to be big investors in India's infrastructure in the coming years. *"We want to align all bilateral agreements with the new draft. The commerce Ministry is staking up the issue with all trade partners with whom we have comprehensive partnership agreements to ensure they are in line with the new model,"* said a senior government official.

2. Tweak in rules now permits export of small arms from India with due permission

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

Top small arms manufacturers from across the globe are looking to set up shop in India with a critical tweak in rules by the government that has enabled the private sector to set up manufacturing units and even cater to export orders after due permissions. The revised Arms Rules 2016, which have been notified by the government last month, have brought clarity to the sector, giving clear rules on how private players can set up shop, bring in foreign investment and sell small arms. Till now, only state owned public sector units were manufacturing arms for the Indian forces. With a massive requirement stretching across the three armed forces, paramilitary forces and state police, a large quantity of small arms like rifles, carbines and side arms were being imported annually. *"These revised rules will disperse the clouds of ambiguity that had engulfed the Small Arms and ammunition manufacturing sector thereby enabling the private sector to not only help meet domestic demand but enter the regional export market in a significant manner,"* says Ankur Gupta, Vice President at EY India.

In a recent tweak in FDI rules, the government for the first time brought in small arms under the defence ambit. This has opened the way for an automatic route for FDI investments up

to 49 per cent in the sector. Industry insiders say that several top manufacturers, like Colt, Heckler and Kotch and IWI are in advanced talks with Indian players to set up facilities after the recent tweak. As per the notified rules, Indian companies will be granted a seven year license after due vetting and will be allowed to set up units in special economic zones. No facility will be allowed to come up near border areas.

3. India's gold demand to revive on surplus monsoon rains

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

India's gold demand may rise in the second half of 2016 after falling to the lowest in seven years in the first half as beneficial monsoon rains will spur rural demand during the peak festive season, the World Gold Council said. Two-thirds of demand in India, the world's second-biggest gold consumer, comes from villages, where jewellery is a traditional investment. Consumption of the yellow metal should rise as farmers reap the benefit of this year's monsoon and that should further support the global bullion price that is trading near the highest since March 2014. *"We anticipate gold demand to return to normalcy during the peak season of weddings and festivals closer to Diwali, supported by good monsoons that will positively impact rural demand,"* Somasundaram P. R., managing director of the WGC's Indian operations, said on Thursday.

4. Passenger vehicle sales rise 13th month in a row

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

After a five-year hiatus, passenger vehicle sales are set for double-digit growth in the current fiscal year owing to a better-than-expected monsoon, strong buying sentiment and an increase in salaries due to implementation of the Seventh Pay Commission's recommendations. Sales of passenger vehicles, which include cars, utility vehicles and vans, rose 16.78% in July to 259,658 units—increasing for the 13th month in a row and the fastest since October. Sales in the four months ended June grew 9.23% to 956,839 units.

Passenger vehicle sales grew 25.67% in 2009-10 and 29.16% in 2010-11 before slowing to 4.66% in 2011-12 and 2.15% in 2012-13. Sales fell 6% in 2013-14, and then grew 3.90% in 2014-15 and 7.24% in 2015-16. The Society of Indian Automobile Manufacturers (Siam), an industry body, on Wednesday said that it is likely to revise upwards its earlier forecast of 6-8% growth for the year. *"We should be more than this... We are almost double-digit now,"* Sugato Sen, deputy director general of Siam, said in an interview. *"One of the reasons that we had to issue a lower forecast was because Maruti had cited supply issues during the year. But it seems*

that they can ramp up production in the last quarter of this fiscal. That will be really helpful,”
Sen added.

5. Amazon India launches used book store

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

Amazon India, Amazon.com Inc.’s local unit, on Wednesday said it has launched a used books store on its platform with over 100,000 titles across genres such as literature, romance, biography and textbooks. The books come from sellers on Amazon. These books are graded by the sellers under categories such as “new”, “good” and “acceptable”, based on their condition. This information is visible to the customers at the time of purchase. Amazon, currently, has over 9,400 book sellers on its platform. *“Over the years, we have witnessed a growing demand for books from customers and our constant effort has been to bring them more buying choices. With this launch, reading enthusiasts across the country can now buy used books with the same ease and convenience as buying new books,”* said Noor Patel, director, category management, Amazon India.

It’s unclear how cheap the used books will be. As a launch offer, Amazon is offering free shipment to customers who purchase used books for over Rs.399 from the same seller. Second-hand books are also sold by a number of smaller start-ups in India. Bengaluru-based portal for used and new books AbeRuk run by Quarto India Internet Pvt. Ltd raised an undisclosed amount in angel funding from HongKong-based Swastika Company Pvt Ltd, VCCircle reported on 20 July. Besides used and new books, Amazon also sells e-books. In December, it said its Kindle India business, which includes e-readers and e-books, tripled last year, *Mint* reported.

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