

## Daily Economic News Summary: 20 June 2016

### 1. Government announces sweeping reforms to FDI rules, clears the way for Apple to open stores

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

Government announced on Monday sweeping reforms to rules on foreign direct investment, opening up its defence and civil aviation sectors to complete outside ownership and clearing the way for Apple to open stores in the country. The reforms also loosen restrictions on inbound investments in pharmaceuticals and retail. Apple is expected to be a beneficiary of a three-year relaxation India is introducing on local sourcing norms with an extension of up to five years possible if it can be proven that products are "state of the art". Other single-brand retailers like furniture giant IKEA are also expected to benefit. Defence contractors that have been reluctant to transfer technology to manufacture equipment in India would get the right to own local operations outright, up from 49 percent previously.

### 2. Government allows 100% FDI in trading of food products

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

The government today allowed 100 per cent FDI in trading of food products, including through e-commerce, to boost food processing sector in the country. The decision was taken at a meeting chaired by Prime Minister Narendra Modi. The government had in Budget this year announced that 100 per cent FDI would be allowed through FIPB route in marketing of food products produced and manufactured in India. *"It has now been decided to permit 100 per cent FDI under government approval route for trading, including through e-commerce, in respect of food products manufactured or produced in India,"* an official statement said. The food processing sector has attracted USD 5,285.66 million FDI during April 2012 to December 2015 period. Food Processing Minister Harsimrat Kaur Badal had recently said the foreign direct investment in the food processing sector could cross USD 1 billion in the next two years, helped by reforms in FDI space and streamlining of regulations by food safety regulator FSSAI.

### **3. Government allows 100% foreign direct investments in airlines**

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

Foreign investors, barring overseas airlines, can now have up to 100 per cent stake in local carriers, the government today said unveiling significant reforms. Besides, the norms for foreign direct investment in brownfield airports have been relaxed. Aimed at attracting more funds into the aviation sector which has high growth potential, the NDA government's latest measure comes less than a week after the unveiling of the National Civil Aviation Policy. The announcement also comes against the backdrop of persisting concerns over ownership and control at local carriers where foreign players have a substantial stake.

Now, 100 per cent foreign investment will be allowed in "scheduled air transport service/domestic scheduled passenger airline and regional air transport service", an official release said. Only non-airline players will be allowed to bring in 100 per cent FDI in local carriers. Under the new set-up, 49 per cent will be through the automatic route and for anything beyond, government nod will be required. At present, up to 49 per cent FDI is permitted in scheduled airlines.

### **4. Govt allows agents in defence deals but with strict oversight**

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

Foreign defence firms can now appoint 'agents' to market their products to the armed forces and the government but with strict oversight which includes opening up of company's books to scrutiny besides not allowing any success bonus or penalty fees among other measures. The government will also have the veto power to reject or accept, at any point of time, an agent proposed by the company. The new set of guidelines are now part of the Defence Procurement Procedure (DPP), 2016 that was put out in public last week as the government works on ensuring transparency in the murky world of defence deals.

While previous DPPs also had a window for foreign companies to hire agents, it is for the first time that a detailed set of guidelines has come out. The previous mechanisms had failed to ensure transparency even though defence agents continued to play crucial roles in defence contracts. In an interview earlier, Defence Minister Manohar Parrikar had drawn a distinction between agents and middlemen, saying the government will not leave room for any "hanky-panky". "Agents do not mean middlemen. There will be scope for a company to appoint an agent to represent it or to get over technical difficulties by paying him or her reasonable fees which will have to be mentioned upfront," Parrikar had said. As per the new guidelines, the vendor is required to disclose full details of any such person, party, firm or institution engaged by them for

marketing of their equipment in India, either on a country specific basis or as a part of a global or regional arrangement.

## **5. Centre plans mega coastal zones for Tsunami for jobs**

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

With the government facing flak for not creating adequate number of jobs, PM Narendra Modi and his core team of economic policymakers got down to preparing an action plan on the issue on Saturday . One of the key themes emerging is to focus on an export-led, port-driven strategy, akin to the one followed by China, especially when labour is more expensive across the border and manufacturers are looking to shift to lower cost destinations.

Sources told TOI that the NITI Aayog has strongly pitched for mega coastal economic zones to drive India's export-led growth strategy and create thousands of jobs. In a presentation, the panel's vicechairman Arvind Panagariya pointed to the experience of Japan, South Korea and China and argued how exports played a key role in sustained rapid growth by these three Asian giants and made a strong case for creating these mega zones to help India win the exports game in world markets. The Modi government, which has completed two years, is scrambling to create millions of jobs for the youth entering the workforce. The idea is to build these zones along with the Sagarmala project which aims to modernise the country ports.

NDA was voted in on the plank of boosting growth and creating jobs. But two consecutive years of drought have dented those ambitions as the farm sector has slowed. The slowdown in the construction industry has also hurt jobs. To start with, the government could look at setting up the zones on the Andhra coast and Gujarat. The idea is to limit these zones to two or three and create clusters around them. This would also help set up new cities and boost demand as well. The view which is emerging is that depending on the domestic market may not help the country achieve its ambition of a sustained 8-10% growth.

## **6. Sea-Link to open route to bet Dwarka's revamp**

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

Days after Union Minister for Road Transport, Highways and Shipping Nitin Gadkari approved a multi-crore proposal for constructing a sea-link between Okha and Bet Dwarka islands in Gujarat's Devbhumi Dwarka district, the Urban Development Ministry has started exploring ways to develop infrastructure in the religious pilgrimage site under one of its Central schemes. Bet Dwarka is an island in the Arabian Sea off the coast of Dwarka. According to

legend, Bet Dwarka, considered as the original residence of Lord Krishna, was the old port during the ancient times of Krishna before Okha port was developed in Dwarka.

Union Urban Development Secretary Rajiv Gauba told The Pioneer that a team of officials headed by Joint Secretary B Anand is on a visit to the island to assess the possibility of development works that can be undertaken in the region. *“Once the team submits its report, we will decide the further course of action in the matter,”* said Gauba.

Sources in the UD Ministry said that fund might be allocated under the Heritage City Development and Augmentation Yojana (HRIDAY), which was announced early last year with a focus on holistic development of heritage cities. An official from the Gujarat Tourism Ministry said the Central Ministry’s intervention would ensure better amenities like roads, pavements and public facilities to the visitors. About 10,000 people visit the place per day during festivals. Gujarat’s Dwarka is already covered under the scheme that aims to preserve and revitalise the soul of the heritage city to reflect the city’s unique character by encouraging an aesthetically appealing, accessible and secure environment.

