

Daily Economic News Summary: 5 August 2015

1. Gold jewellery imports from ASEAN get tougher as government asks for bank guarantee

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

India has clamped down on gold jewellery imports from ASEAN under the free trade agreement (FTA) it has with the 10-nation bloc, suspecting the influx of the yellow metal is from third countries taking advantage of a lower customs duties regime through this route. Revenue authorities suspect that these imports are in violation of rules of origin specified under the FTA that insist on a 35 per cent value addition by an ASEAN member before a third-country product is exported to India. Importers now have to furnish a bank guarantee in lieu of the duty benefits they avail under the free trade pact until the country-of-origin certificate of the ASEAN nation is verified.

Gold jewellery imports under the India-ASEAN FTA face 2 per cent import duty against 10 per cent through the normal trade channel, offering an attractive arbitrage opportunity. India signed the FTA in goods with ASEAN in 2009. A bank guarantee acts as a deterrent since it cuts down the duty advantage offered by the FTA by raising the cost of imports and increasing working capital. Besides, verification of the country of origin certificate by revenue authorities acts as a check on third-country imports.

2. Foxconn vows \$2 billion push to Make in India; plans to set up manufacturing plants over next 5 years

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

Foxconn Technology Group is set to invest over \$2 billion (Rs 12,800 crore) initially to establish manufacturing plants in India over the next five years to produce mobile devices, TVs, electronic products, batteries and key electronic components, among others, which could make it the biggest foreign investor in the government's 'Make in India' programme so far.

"They are planning to make some 400 million handsets here. Half of these will be manufactured for the Indian market and the rest for exports to Middle East, Africa and Russia," a top official familiar with the matter told ET.

3. Fiat to make Jeep in India, SUV to cost Rs 15L

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

It's good news for lovers of the famed American SUV brand Jeep. Fiat Chrysler, the parent of the brand, is planning to make India a hub for a low-cost right-hand SUV under Jeep brand, which could cost you around Rs 15 lakh. However, the SUV will be launched in the second quarter of 2017. At present, if you import an SUV under Jeep brand, it will cost you over Rs 50 lakh.

Fiat Chrysler plans to manufacture the new 'C SUV' — as it is codenamed now — in India to avoid the pinching import duty of 180%. This will help the company keep costs under check. Fiat Chrysler also wants to make India one of the global manufacturing hubs to export the right-hand version to several countries. This will also help the company achieve economies of scale. Company sources said, to start with, C SUV will be exported to South Africa, Britain, Australia and some of the south-east Asian countries. *"It begins in 2017, and we will scale up gradually."*

4. Australia court overturns approval for Adani's Carmichael coal mine

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

Australia's federal court on Wednesday overturned Tony Abbott government's environmental approval for Adani Mining's Carmichael coal mine under construction in Queensland. This follows a legal challenge by Mackay Conservation Group protesting against the government's approval to the controversial proposal to dig the country's largest coal mine in north Queensland's Galilee Basin.

Adani Mining is a part of an infrastructure conglomerate controlled by billionaire Gautam Adani. *"The court has ruled the environment minister, Greg Hunt, ignored his own department's advice about the mine's impact on two vulnerable species, the yakka skink and the ornamental snake,"* said a report in *The Guardian*.

The decision leaves Adani, which is yet to secure sufficient financial backing for Carmichael and recently slashed its workforce on the project, without legal authority to begin construction, the report added.

5. GAS to form joint venture with Reliance brands to expand India business

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

GAS, a premium apparel and denim brand from Italy, is forming a joint venture company with Reliance Brands to consolidate and expand its business in India. At present, the fashion arm of Reliance Industries runs exclusive GAS outlets while the brand's wholesale and distribution business is handled by GAS Jeans India, a wholly owned subsidiary of GAS brand owner Grotto.

Going ahead, both these businesses will be consolidated into a joint venture, officials said. *"We are taking our partnership with GAS to the next level,"* Darshan Mehta, CEO of Reliance Brands, told ET. He did not share investment details.

The companies are in the process of making an investment application to the Foreign Investment Promotion Board of India. Barbara Grotto, global marketing head of GAS brand and daughter of its founder Claudio Grotto, said, *"The brand is doing very well here."* She is in the country to launch a new marketing initiative in association with Honda Motor.

6. RBI, govt in talks to review FII limit in domestic debt

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

The Reserve Bank of India (RBI) on Tuesday said that it is in talks with the government to set up a medium-term framework for participation of foreign institutional investors (FIIs) in the domestic debt market, but stopped short of increasing the limits set on FII purchases. *"The Reserve Bank is talking to the government about a medium-term framework for FPI (foreign portfolio investment) limits in debt securities,"* Rajan said at a press conference following the release of the monetary policy review. *"This will include a target for what fraction of the sovereign bond market would be constituted by FPIs in the medium term,"* he said.

Limits would be reviewed and revised over the medium term at regular intervals, and would also be denominated in rupee terms, he said. *"An announcement of staggered changes in limits every six months with these being released on a monthly or quarterly basis—which we have to determine,"* he said. At present, foreigners can invest up to \$30 billion in government debt and \$51 billion in corporate bonds issued by Indian companies.

By Harsha Hazarika