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Pharma companies promote Indian generics in global market

The Indian pharmaceutical industry, currently valued at $22 billion and ranked third in terms of volume and 13th in terms of value globally, is on a brand promotion drive called ‘Rx India’. The goal is to promote confidence among the buyers in the global market and tap the generic opportunity in both regulated and non-regulated markets.

The brand promotion has been taken up by the India Brand Equity Foundation (IBEF) and Pharmaceuticals Export Promotion Council of India (Pharmexil) carrying a a tagline ‘Pharmacy of the world’ to market the domestic industry globally.

According to PV Appaji, director general, Pharmaceuticals Export Promotion Council of India (Pharmexcil), said, “We are working together to promote the Rx India label in the global markets which would include both regulated and non-regulated markets,” he said.

“The Indian pharma exports, which is currently at $13.4 billion, is expected to reach $25 billion by 2015,’’ he said. It grew by 23.34% in the last fiscal. Incidentally, the total exports during the last five years grew by 16% CAGR.

While dismissing the recent incidents on the nature of Indian drugs as spurious or sub-standard, he said that the quality of drugs exported from the country adheres to the international guidelines as stipulated by country-specific regulations. Besides, there is also a proposal by the ministry to empower the state drug departments to monitor movement of the products.

“Our purpose is to develop confidence in buyers that India is a dependable source for generic formulations and promises quality and affordable prices on a sustained basis,” he added.

IBEF is a trust established by the ministry of commerce along with the Confederation of Indian Industry (CII) as its associate. IBEF’s primary objective is to promote and create international awareness of the ‘Made in India’ label in markets overseas and to facilitate the dissemination of knowledge of Indian products and services and works closely with stakeholders across government and industry.

According to IBEF, the pharma industry is growing at 15% annually and generics is a major strength area. Traditionally, India has been exporting to regulated markets, which majorly comprise the US and the EU apart from other regulated markets like Oceania and Japan; and the unregulated markets such as Latin America, Africa and parts of Asia.

“The Japanese market, which is a $109 billion market of which generics constitute 8%, has decided to enlarge its generics portfolio. Japan today represents an opportunity for the Indian pharmaceutical industry,’’ he said. India has also entered into an FTA with Japan, which is a conscious agreement to mutually increase cooperation in the pharma sector, he added. A joint report prepared by the CII and PricewaterhouseCoopers says three out of the top 10 fastest growing generic companies globally are now from India. On the list are Glenmark Pharmaceuticals, Dr Reddy’s Laboratories and Sun Pharma.

Gujarat pharma SMEs bet on Africa, LatAm for exports

With an eye on higher margins, Gujarat-based small and medium-sized pharmaceutical manufacturers are focusing on export markets, especially emerging economies such as African and Latin American nations. While overall exports from pharma SMEs are growing by 12-15 per cent a year, exports to these markets are clocking a compound annual growth rate of 30-35 per cent, say industry insiders.
SMEs based in Gujarat exported pharma products worth Rs 400-500 crore in 2011-12. The figure is expected to grow by 15 per cent this year. Of the net exports by SMEs, the share of emerging markets is 50-60 per cent, and it is rising yearly by 30-35 per cent, said a senior official of the Gujarat chapter of the Indian Drug Manufacturers’ Association.

Export markets offer better margins than domestic sales, said V Shah of Saga Laboratories, which exports oral dosage forms to countries in Africa, Latin America and the Commonwealth of Independent

States. Emerging markets are becoming popular export destinations because they are relatively easier to penetrate.

Mahendra G Patel, Managing Director, Lincoln Pharmaceuticals, said: “Regulatory documentation work is relatively less in these countries. For small and mid-sized companies which do not have adequate infrastructure to meet the European Union or United States Food and Drugs Administration standards, countries in Africa and Latin America offer good business opportunities. The regulatory authorities are liberal and the organised sector is not well developed.”

While authorities from these countries do conduct site inspections of manufacturing facilities, getting approvals is much easier compared to regulated markets, he said.

The average cost of clinical trials to generate safety-related data required by a particular country for a specific drug is in the range of Rs 3-5 crore. This is in addition to the cost of development of the drug, as well as overhead costs.

After tasting success in export markets, Saga Laboratories reduced its focus on domestic sales. “When we had started in 1994, the proportion of domestic sales was 90-95 per cent of our net turnover. Gradually, this share has come down, and exports started rising. At the moment, we are exporting our entire production,” Shah explained. He further added that the domestic market is cost-competitive, and margins are lower. In comparison, while exporters need to make greater investments in plant and machinery to ensure that quality parameters are met, the returns are also higher, he claimed.

Saga Laboratories has already received approval from the Gujarat State Food and Drugs Control Administration to set up a new formulations plant at its Changodar site near Ahmedabad.

Yash Medicare, another Ahmedabad-based firm, which makes generic formulations, and currently supplies countries like Mozambique, Congo, Ghana, Nigeria, Trinidad and Tobago, has registered its products in South East Asian geographies like Vietnam, Sri Lanka and Myanmar recently. “We are expecting to get our first orders from these new geographies by January-February,” said Chirag Doshi, Managing Director of Yash Medicare. His company is adding two new lines at its Himmatnagar facility to make pharmaceutical aerosol, a spray-based skin application. “For the new product, we will focus on the export market. We expect this new product range to contribute around Rs 1.5 crore towards our turnover. Our turnover is around Rs 8.5 crore at present,” Doshi explained. Doshi, who is a senior IDMA official as well, added that there are around 125 units in the state that are World Health Organisation-Good Manufacturing Practices certified.

India suffers $123 billion black money losses

The Indian economy suffered $1.6 billion in illicit financial outflows in 2010, capping-off a decade in which it experienced black money losses of $123 billion, according to a new report.

India is ranked as the decade’s 8th largest victim of illicit capital flight behind China, Mexico, Malaysia, Saudi Arabia, Russia, the Philippines, and Nigeria, respectively in the report by Global Financial Integrity, a Washington-based research and advocacy organization.

Titled “Illicit Financial Flows from Developing Countries: 2001-2010,” the report found that all developing and emerging economies suffered $858.8 billion in illicit outflows in 2010, just below the all-time high of $871.3 billion set in 2008-the year preceding the global financial crisis.

“While progress has been made in recent years, India continues to lose a large amount of wealth in illicit financial outflows,” said GFI director Raymond Baker.

“Much focus has been paid in the media on recovering the Indian black money that has already been lost,” he said suggesting policymakers should instead make curtailing the ongoing outflow of money priority number one.

"$123 billion is a massive amount of money for the Indian economy to lose," said Dev Kar, GFI lead economist and co-author of the report with GFI economist Sarah Freitas.

"It has very real consequences for Indian citizens. This is more than $100 billion dollars which could have been used to invest in education, healthcare, and upgrade the nation's infrastructure," he said.

A Nov 2010 GFI report, "The Drivers and Dynamics of Illicit Financial Flows from India: 1948-2008," found that the Indian economy lost $462 billion to illicit financial outflows from 1948 through 2008.

Authored by Kar, the report measured India's underground economy as 50 percent of GDP, with cumulative illicit outflows accounting for an increasing share of the total underground economy.

The new GFI study also estimates the developing world lost a total of $5.86 trillion to illicit outflows over the decade spanning 2001 through 2010.

The $858.8 billion of illicit outflows lost to all developing countries in 2010 is a significant uptick from 2009, which saw developing nations lose $776.0 billion.

GFI advocated that world leaders increase the transparency in the international financial system as a means to curtail the illicit flow of money highlighted by Kar and Freitas' research.

M&A deals touch $41 billion during 2012

Mergers and acquisitions by Indian firms have clocked over $41 billion in 2012, indicating a strong rebound of deal activity. Last year, the deal size was $39 billion. The month of November too, has seen a massive jump in activity.

According to consultancy firm Grant Thornton's latest deal tracker, as many as 56 M&A transactions worth $9.7 billion have taken place during 2012.

The total mergers and acquisitions (M&A), and private equity (PE) deals in the month of November were valued at $10.11 billion (with 91 deals) as compared to $1.95 billion (with 109 deals) in the corresponding month of 2011. In November 2010, it was $4.33 billion (with 61 deals).

According to consultancy firm Grant Thornton's latest deal tracker, as many as 56 M&A transactions worth $9.7 billion have taken place this year.

Raja Lahiri, Partner, Transaction Advisory Services at Grant Thornton said, "November saw $3-billiondeals in the M&A space. The first was the ONGC-Kashagan field $5 billion deal, then Diageo-USL's $2 billion deal and lastly, Gulf Oil-Houghton International's $1.05 billion deal. All the three were cross-border deals." The month also witnessed Magma Fincorp agreeing to buy GE Money Housing Finance and the home equity loan portfolio of GE Money Financial Services for $290 million, marking the non-banking financial company's entry into the affordable and middle-income housing finance sector.

Film exhibitor PVR agreeing to acquire 69.27 per cent in Cinemax India in an all-cash deal worth $72 million making PVR the leader in the movie exhibition business in India, was another notable deal.

The PVR deal was backed by PE funding by Multiples and L Capital.

PE firms have also been showing interest in the dairy space with Rabo PE and Abraaj Capital investing in Prabhat Dairy, followed by IDFC PE investing in Parag Milk Foods two months ago. Though the number of deals in the country declined from 71 a year ago in value terms, it has increased significantly from around $1.4 billion clocked last year.

Cross-border deals were the flavour of the month, with transactions worth $8.8 billion last month. The total value of outbound deals in November, with Indian companies acquiring businesses outside India, amounted to $6.7 billion. Inbound deals of foreign companies taking over Indian businesses added up to $2.1 billion, the research firm has said. Stating that the series of foreign investment reforms announced by the Union Government seem to have had a positive impact on India Inc, the report notes that a number of companies are ready to use their massive cash piles to scout for suitable acquisitions in the international market.

The total value of outbound deals, wherein Indian companies acquired businesses outside India in November 2012, was $6.74 billion (with 15 deals) as compared to $0.73 billion, with 10 deals in November 2011, and $1.94 billion, with 16 deals in November 2010.

India & Asean usher in trade pact in services, investments

India on 20 December said its free trade agreement (FTA) in goods with the 10-nation Association of South East Asian Nations (Asean) would be expanded soon to include services and investments, a move that would reinforce New Delhi's 'Look East Policy' in the realm of trade and economic engagement and ease movement of Indian doctors, engineers, accountants and professionals in various other trades to the Asean countries. Although the two sides did not sign an agreement to enlarge the scope of the three-year-old FTA in goods at the India-Asean Commemorative Summit in New Delhi, India said the contours of the agreement have been "finalised".

The agreement would be signed at an "appropriate date".

Speaking at the plenary session, Prime Minister Manmohan Singh said trade between the two would exceed $100 billion by 2015 (now $80 billion), adding, "we should aim for the milestone of $200 billion ten years from now."

External affairs minister Salman Khurshid said: "We are satisfied and there are no rough edges in the services and investment FTA." Commerce minister Anand Sharma said: "Its a matter of great satisfaction that negotiations on India-Asean Trade in Services and Investment were brought to a successful conclusion. Negotiators from all countries brought different perspectives to the table. However, political mandate from the highest levels ensured that all outstanding issues were resolved appropriately. This will pave way for the larger Regional Comprehensive Economic Partnership taking shape in the East Asian Region." It may be noted that the Asean side hasn't seemed particularly keen to sign the agreements on services and investments after the goods pact became operational. This was despite the fact that the original plan was to have to bolster the goods pact with liberalisation of services and investment also.

The two sides also adopted the 'Asean-India Vision Statement 2020', which will also commit both sides to great security cooperation besides asking for greater private sector opportunities to enhance trade.

Experts say the free trade pact is expected to facilitate temporary movement of business people, including contractual service suppliers and independent professionals in accounting, architecture, engineering services, medical and dental, nursing and pharmacy, computer services and management consulting.

"The impact will be seen after knowing what all has been liberalised in the services sector. After the trade in goods, one can say that almost all areas have been covered for liberalisation. The investment part will look at industrial rights while the services portion would look at the range of complimentary inputs necessary for the production process and better integration of production networks," noted Biswajit Dhar, director general, Research and Information System for Developing Countries.

While New Delhi had been insisting that the Asean offer was below expectations due to limited commitments offered on movement of natural persons, Asean was insistent on removal of the category of intellectual property (IP) from the definition of categories of natural persons. Besides, there were other outstanding issues like definition of investment, exclusion of IPR, portfolio investments, claims to money, permanent resident and indirect expropriation. India had also asked for opening up of the Mode 4 category or movement of natural persons- which has been opposed by Indonesia and Philippines because of unemployment issues in these countries.

Besides, India had also insisted on having at least a 'limited' Annex with common definitions for the various categories of natural persons on which future commitments can be made.

"Two-way flows in investments have also grown rapidly to reach $ 43 billion over the past decade. India-Asean trade has grown over 10 times in the 10 years since we launched the annual summits. Following the implementation of our FTA in goods, trade grew by 41% in Indian fiscal year of 2011-12," Singh added.

The Prime Minister added that from energy resources to farm products, from materials to machinery, and from electronics to information technology, Indian and Asean companies are forging new partnerships of trade and investment.

Besides FTA with Asean, India is also negotiating similar market opening pacts with members of the grouping bilaterally.

India has already implemented FTA with Singapore and Malaysia and is negotiating with Indonesia and Thailand in this regard.

IKEA asks Indian government to clear its proposal in entirety; knocks on FIPB's door

IKEA has asked the government to reconsider the decision to bar it from selling several products in its proposed stores in India and wants its original proposal to be cleared in entirety. The demand poses another riddle to the administration, which is keen to welcome the world's largest home furnishings retailer but finds the company's plans at odds with its rules and regulations. Ikea has 338 stores worldwide with 212 million catalogues. It clocked a sales turnover of 27.5 billion Euros in 2012.

While approving the Swedish company's Rs 10,500-crore investment proposal in November, the Foreign Investment Promotional Board (FIPB), the agency that clears all foreign investments in the country, had disallowed it from selling items such as home and office-use products, textiles, apparel and fabric, electronic items, leather products, toys, books, and lifestyle and travel-related items. It had also struck down IKEA's plans to set up its famous cafes in the stores.

According to news reports the company has made it clear to the government that for the entire 'IKEA concept' to work, it needs permission to sell its entire portfolio of products. This person said the company has formally written to the government demanding that its proposal be cleared in its original form and all the items that have been struck down be reinstated.

The Swedish home furnishings company prides itself in offering a complete retail experience to consumers.

The 'IKEA concept' revolves around offering a wide range of well-designed, functional home furnishing products at low prices. If it cannot sell its complete range of products, it will not be able to operate its full-fledged, global-standard stores and be the complete home solutions provider that it is known to be, said the person mentioned earlier.

The government has tied itself in knots over IKEA's proposal in the past few months. The company had submitted its application to open stores at a time the government was keen to showcase that India continued to be an attractive investment destination, despite the slowing economy. Senior cabinet ministers had welcomed the proposal and held it up as an example of investor confidence in the country.

But the proposal ran foul of India's foreign investment norms for single-brand retail, which stipulated that 30% of what a foreign retailer sells here should be locally sourced from small vendors and the company that makes the foreign investment should also own the brand under which it is entering the country. After protests from IKEA and other global retailers, the government diluted these norms, paving the way for the Swedish company to secure permission from FIPB.

However, while clearing the application FIPB disallowed IKEA from selling 15 of 29 products that it wanted to vend in India. It also forbade the company from operating restaurants in its stores.

Newspapers report a government official saying thet single-brand retail norms did not permit a company to behave like a marketplace and sell such a wide range of products. Permission to set up restaurants was refused on the ground that single-brand retailers cannot sell food items.

IKEA's position is that it is not demanding anything extra in India, and it sells these products in its stores across the 44 countries it operates in. Some signs of a compromise are now visible. A senior government official told ET that if IKEA wants to run eateries in its stores for consumption there itself, and not for sale outside, there should be no problem.

Companies will have to wait over a year to get bank licences

Indian markets are abuzz with hope of new entrants to the banking sector as all the prerequisites needed for the Reserve Bank of India to start the process of issuing bank licences are in place with the Banking Amendment Bill passed by the Lok Sabha.

But the industry may still have to wait as long as 12-18 months for the first of the new licences to be issued, analysts say.

The Lok Sabha on 18 December passed the Banking Laws (Amendment) Bill, 2011 after the government accepted the Opposition demand to withdraw a clause allowing commodities futures trading by banks.

The Opposition had claimed the proposal would lead to speculative trading.

The banking bill will strengthen the RBI's oversight powers, while delegating the regulation of mergers and acquisitions to the Competition Commission of India, besides paving the way for new banking licences to be given out.

The bill also gives voting rights to investors in private sector banks commensurate with their shareholding. The cap on voting rights for investors in private sector lenders will consequently rise to 26 per cent from 10 per cent.

Voting rights of shareholders of nationalised banks have also been raised to 10 per cent from 1 per cent, a move that will make investment in state-owned banks more attractive.

There are 20 nationalised banks and 22 private sector banks in the country.

"The RBI can now move on with issuing new banking licences. The process for inviting application for new banks could start as early as January 2013," officials said.

The RBI is now required to issue final guidelines on new bank licences soon. Given that the central bank has placed a rigorous evaluation process for entrants, it could well be at least 12 months before the first licence is issued.

“The final guidelines for new banking licences likely to come out soon considering the consultative approach, which RBI has taken with the stakeholders. Since RBI has put a rigorous evaluation process for applicants, it is likely to take at least 6-12 months for a new licence to be issued to any entity, once the guidelines are out,” said Monish Shah, Deloitte Haskins & Sells’ India director.

The corporate houses that wish to set up banks will need to have a successful track record of 10 years in their business and RBI will seek feedback even from enforcement and investigative agencies such as the Income Tax and CBI before issuing licences, as per the draft guidelines. Further, RBI is likely to form an internal committee to scrutinise the applications it receives.

In 2001, when RBI revised the guidelines for new bank licences, the first of the licences had taken at least nine months to be issued, said an analyst at a foreign bank.

RBI had first issued guidelines to give out bank licences to private companies in 1993. The Banking Bill 2011 itself has gone through 18 months of discussions, flipflops, political logjam and frictions before it was passed by Lok Sabha on Wednesday.

In a run up to the Bill being presented in Parliament, the government officials had said RBI can issue licences even without the amendments to the Banking Act as certain provisions in the companies Act give regulator powers to do so. C Rangarajan, the chairman of the PM's advisory council had said RBI can consider old regulations to issue licences.

However, RBI governor D Subbarao in several public interactions said amendments to the Banking Act 1949 is a necessary precondition for issuing licences. RBI had issued draft guidelines in August 2011 and had asked for feedback from stakeholders over two months.

EU "Fiscal compact" enters into force on 1 January 2013

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (popularly known as the "fiscal compact") enters into force on 1 January 2013 following its ratification by Finland. The treaty aims to strengthen fiscal discipline in the euro area through the "balanced budget rule" and the automatic correction mechanism.

For the treaty to enter into force, it had to be ratified by 12 euro area member states. This condition was met when Finland, the twelfth euro area member state to ratify the treaty, deposited its instrument of ratification on 21 December 2012.

The treaty will be legally binding as an international agreement and will be open to EU countries which did not sign it at the outset.

The treaty was conceived following the decision by euro area leaders in December 2011 that stronger measures were needed to reinforce stability in the euro area. It was signed on 2 March 2012 by 25 EU countries.

The idea is to incorporate it as soon as possible into the existing EU treaties. The necessary steps for doing so should be taken within next five years.

Limiting deficits - the balanced budget rule: The new treaty requires the national budgets of participating member states to be in balance or in surplus. This goal will be deemed to have been met if their annual structural government deficit does not exceed 0.5% of nominal GDP.

In addition, the deficit must also be in line with the country-specific minimum benchmark figure for long-term sustainability. This figure is set by the preventive arm of the Stability and Growth Pact. The adjustment path towards this goal is assessed every year in the context of the European Semester.

Temporary deviation from this "balanced budget rule" is allowed only in exceptional economic circumstances, for example during severe downturns in economy. If government debt is significantly below the reference value of 60% of GDP, the limit for the deficit can be set at 1% of GDP.

Automatic correction mechanism: If a member state deviates from the balanced budget rule, an automatic correction mechanism will be triggered. The member state will have to correct the deviations over a defined period of time.

The mechanism will fully respect the prerogatives of national parliaments.

Transposing the rules into national legislation: The member states will have to incorporate the requirement for budgetary discipline and the automatic correction mechanism into their national legal systems, preferably at constitutional level.

The deadline for doing so is one year (i.e. by 1 January 2014) at the latest after the entry into force of the treaty.

European Court of Justice: Should a member state fail to transpose the "balanced budget rule" rule and the correction mechanism on time, the EU Court of Justice will have jurisdiction to take a decision on the matter.

The Court's judgment will be binding, and, if not complied with, can be followed by a penalty of up to 0.1% of GDP.

This amount will be payable to the European Stability Mechanism if the country's currency is the euro; otherwise, payment will be made to the general budget of the EU.

Amendment to the excessive deficit procedure: Decision-making in the context of the excessive deficit procedure will be more automatic than it is at present: the euro area member states agree to support the Commission's recommendations and proposals for Council acts except where a qualified majority of them are opposed.

In addition, a member state that is subject to an excessive deficit procedure will have to put in place a "budgetary and economic partnership programme".

The programme will include a detailed description of the structural reforms which the member state will have to implement in order to ensure an effective and durable correction of its deficit.

Such programmes will be submitted to the Council and to the Commission for endorsement. Their implementation will be monitored according to the rules of the Stability and Growth Pact.

The member states parties to the treaty will report their public debt issuance plans to the European Commission and to the Council. In addition, they will discuss and, if appropriate, coordinate among themselves and with the EU institutions in advance all the major economic reforms that they plan to undertake.

Governance in the euro area: Heads of state or government of the euro area member states meet at least twice a year in "Euro Summit" meetings, together with the European Commission.

They elect the president of the Euro Summit by a simple majority of votes. The President of the European Central Bank and the President of the European Parliament may also be invited to the Euro Summit meetings.

When appropriate and at least once a year, leaders of non-euro area member states that have ratified the treaty participate in these meetings as well.

Cooperation between the parliaments: The European Parliament and the national parliaments of participating member states will cooperate on questions relating to budgetary policies and other issues covered by the treaty.

For this purpose, they will set up a body made up of representatives from the relevant committees in the European Parliament and the national parliaments. The body will decide itself on its organisation.

Customs: Boosting EU competitiveness, protecting EU citizens in the 21st century

On 21 December the European Commission adopted a Communication on the State of Customs Union. The Communication takes stock of the current state of the EU customs union, identifies the challenges that it currently faces, and sets out priority actions for ensuring its future evolution. The aim is to ensure that the EU customs union is as modern, effective and efficient as possible in the coming years, to continue its work in ensuring a safe and competitive Europe.

Algirdas Šemeta, Commissioner for Taxation, Customs Union, Anti-Fraud and Audit, said:

"The customs union is the stone foundation of the European Union for over 4 decades, and a reliable guardian of the Internal Market. Today, as we strive to boost the EU's competitiveness, while warding off new risks to our safety and security, the services that EU customs provide are more important than ever. The protection of our citizens, the prosperity of our businesses and the promotion of EU trade depend on top-class services provided by a seamlessly functioning customs union. That is what we intend to deliver."

Every year, EU customs process 2 billion tonnes of goods worth €3 300 billion euros, and collect €16.6 billion in customs duties. Yet, EU customs today are far more than just revenue collectors. Over the past 4 decades, the customs union has evolved into a multi-functional service provider, delivering both for businesses and for society as a whole. Customs not only ensure smooth trade flows and protect against security risks; they also help to enforce other policies such as public health, consumer protection, intellectual property rights, environment and agriculture.

A growing set of responsibilities and intensifying global challenges such as greater trade flows, increasingly complex supply chains, an ever faster pace of business and the globalisation of terrorist risks have put a mounting strain on customs. Meanwhile, the economic crisis has squeezed public resources available to perform these tasks. The customs union must do increasingly more with increasingly less.

Therefore, today's Communication sets out a course of action to modernise, strengthen and rationalise the customs union in the years ahead.

First, the modernisation of the customs union, which was started in 2003, must be completed as a priority. The Commission calls on the Council and Parliament to adopt and implement the Union Customs Code, which will make procedures simpler, more efficient and better fitted for modern trade needs.

Second, work to address identified gaps must be accelerated. In January 2013, the Commission will publish a Communication outlining how to improve customs risk management and security of the supply chain. Other measures foreseen for 2013 include a proposal on approximation of customs penalties, a review of tariff suspensions/quota rules, implementing a crisis management action plan and developing a toolbox of procedures to improve the efficiency of customs in enforcing health, safety and environment rules.

Finally, a review of governance of how the customs union functions internally will be initiated. The review, to be undertaken in close collaboration with Member States, should address how to work better together, in a more harmonised way, to provide high quality customs services and improve resource efficiency across the EU.

Malta, the 'Gateway to the EU', invites investors from India

After the Baltic nations, it is Malta's turn to project itself as the "gateway to Europe" and woo Indian investment. Even as it tries to catch up with its richer counterparts in the European Union, the island nation, however, appears a bit choosy about the investment that comes its way.

Though Malta Enterprise, a government agency to promote investments, claims anybody can come to Malta and set up a business, its chief officer, Trade, Investment and Enterprise Support, Joe Schembri says they are not too keen on foreign retail chains that may hit the domestic market. "Businesses that will find the country conducive for growth and help Malta too grow in the process," that is what they are looking for. Malta's wishlist for Indian investors include pharmaceuticals, software development, manufacturing of electrical equipment as well as aircraft and superyacht registration. And it is offering fiscal incentives in the form of 30-50 per cent rebate on the capital costs, no import duty and easy taxation.

Listing its geographical and demographic advantages, Schembri says that unlike several other EU nations Malta is an English speaking country, thanks to its shared colonial history with India. Besides, it has good air and sea connectivity, sound legislation and political stability due to a two-party system that seems to have a single voice on most economic policies. Malta charges a 35 per cent corporate tax, but also has a system of up to 30 per cent refunds — tax paid by the company is credited to the shareholder upon a distribution of dividends. Besides a no-profit-no-tax policy, Malta has a double taxation avoidance agreement with 65 countries, including India.

Indian drug major Aurobindo Pharma set shop in Malta in 2008 to cater to the European market. The facility now dispatches close to 4,000 batches of medicines a year, which it plans to increase to 6,000 by 2015, says Federick Schembri, MD of Aurobindo Pharma (Malta) Ltd, and Jonathan Farrugia, Qualified Person for Batch Release (Europe). Since Vijay Mallya's superyacht, Indian Empress, is registered under the Malta Flag, the country hopes other high-net-worth individuals from India would follow suit while looking at yacht registration. In fact, Transport Malta offers a 24/7 registration service with expert guidance, one of the reasons why the country has "one of the world's biggest ship registers". Inviting Indians to also register their aircraft with it, Transport Malta offers services ranging from aircraft maintenance and repair to aircraft management. Malta, which already has over 1,400 ICT firms, also has ambitions of becoming a software hub. It is already Europe's e-Gaming capital, offering operators a "well-regulated cost-effective" location to develop their business.

Calling Bollywood: Valletta: While Malta is quite popular with Western filmmakers, with big budget films like Troy, The Da Vinci Code and Munich extensively shot here, the Film Commission of Malta is now keen on Indian film makers choosing its picturesque locales for song and dance sequences. Malta also offers post-production facilities and other logistical services.

Malta Enterprise, an entity under the ministry of finance, has an office in Mumbai.
