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Issue: 59 Volume: 6 February **2013**

1. EICC Trade & Investment Partnership Summit to mark 50 years EU-India economic relations
2. Chamber to set up Pharmaceutical Focus Group in Brussels
3. Ikea's FDI proposal gets Foreign Investment Promotion Board's nod
4. India to inspect drug firms in China: Inspection Office to open in Beijing
5. Illegal clinical trial of drugs by MNCs creating 'havoc' in India
6. Indian government may relax FDI norms for LLPs
7. WTO agreement on IT, environment not acceptable: India
8. Tata Jaguar Land Rover plan to add nearly 800 new jobs at UK plant
9. Indian M&As falter in 2012, likely to see revival in 2013
10. FDI inflows from US, Euro zone take a hit; declined 27 per cent to $14.78 billion
11. Vibrant Gujarat sees 18,000 investment proposals
12. India continues to be attractive to investors: Deloitte
13. 2012 saw birth of new IT companies and sustained growth
14. European Commission issues action call in Davos to close digital skills and jobs gap in Europe
15. MEPs vote on EU law regulating credit rating agencies; reining in 'power' of credit agencies
16. EU blueprint for cloud computing falls short

EICC Trade & Investment Partnership Summit to mark 50 years EU-India economic relations

Business collaboration through accelerating trade and investment between EU and India will be at the top of the EICC Trade and Investment Partnership Summit (TIPS) agenda when a major business event takes place in the European Parliament in Brussels on 16 October 2013. The business Summit titled as "***Dynamics of EU-India Relations in a Changing Europe: Challenges and Opportunities for Accelerating Trade and Investment"*** will also mark the 50 years of India's engagement with the EU. In the event of EU-India FTA negotiation concluding soon, Indian and European companies now will have much greater opportunity to invest and develop business relationships. The October summit also assumes importance as it will come few months after the EU-India Summit which will be held during spring in Brussels, and when in October the Honourable President of India visits Brussels to inaugurate the ***EUROPALIA.***

The TIPS will seek to bridge trade and economic divide between the two countries will bring policy makers, industrialists, business leaders, and high representatives of the European Commission and heads of trade bodies. The summit will attempt to build better and innovative relationship by exploring the dynamics of changing Europe through discussion and exchange of ideas among high profile business leaders, experts from wide range of discipline from Europe and India. The summit will be panel focused with insights into addressing core issues pertaining to inbound / outbound investment from India to Europe and vice versa that invariably affect EU-India trade relations. The event will also discuss the broader side of the trade related issues such as regulatory and legal framework, taxation policies and other incentives in India and Europe. The TIPS will make comprehensive overview of India-EU relations in content and context and will suggests ways to give it a strategic dimension. The summit will serve as a key platform offering an unparalleled access to a full spectrum of more than 150 industry leaders, business executives, policy makers, representatives of the European Commission to share their views on issues related to trade and investment. The summit will provide an opportunity for the delegates to access important presentations to engage in discussions and network with specialists across a range of topical issues and suggests ways to give it a strategic dimension. Industrial sectors that will be discussed in depth for bilateral cooperation include Pharmaceuticals, Renewable Energy, Infrastructure and Retail.

The chamber is inviting conceptual or empirical presentations, and/or country context case studies in the context the theme of the summit to enable business leaders, participants, trade specialists and practitioners to understand the dimension of EU-India trade and economic relation. The submission should be sent via email (as a word doc attachment) to the Secretary General of the Chamber on mail ID: info@eiccglobal.eu Deadline for Abstract Submission is August 15th, 2013.

Sponsorship opportunities are available and the Secretary General of the Chamber can be contacted on mail ID: info@eiccglobal.eu or on GSM: 0032-472207338 for more details.

Chamber to set up Pharmaceutical Focus Group in Brussels

The Europe India Chamber of Commerce (EICC) recognized as the Apex Chamber of Europe that promotes bilateral trade between European Union and India, plans to set up a Pharmaceutical Focus Group in Brussels. The objective of the Focus Group is not to engage in confrontation with European pharma lobby and companies but to create a platform of constructive cooperation and consultation and regular exchange of ideas to face the challenges before pharma industry. It will also regularly analyze development in the Indian and European pharma policies and how both can work together. EICC believes that sharing knowledge and vision will not only help them but will also prepare them to contribute to the development of this sector. The drying up of blockbuster drug pipeline and lower R&D productivity of big Pharma may start impacting domestic generic companies, forcing them to look at alternative research models and focus on emerging markets for growth. India has a booming pharma industry, which is the leading generic drug supplier for much of the developing world. For Pharma industry in India, the setting up of a Focus Group will offer a huge opportunity considering Europe as a significant market & its import requirements. Many Indian Drug manufacturers have already established themselves as leading API manufacturers and generic players in the European markets. As currently India exports approx. 15% of its total pharma export to Europe (and it is increasing exponentially), EICC is of the view that formation of the Focus Group of leading Indian Pharmaceutical manufacturers, can help them address and share these issues with the European Commission at appropriate levels in order to facilitate Indian Pharmaceutical Export to Europe at much competitive prices, in simpler way and in lesser time for the betterment of their people. Through this Focus Group EICC plans to help Indian pharma companies to take look at their business strategies and production portfolios because of the increasing generic penetration and the patent cliff in the EU market.

In spite of several “negative response” from India, the EU is still pushing for intellectual property provisions and data exclusivity in the FTA that exceed what international trade rules require. Data exclusivity refers to a period during which drug producers can maintain a monopoly on production. Drug companies claim the period is necessary to recoup the high cost of developing new drugs. It shall be a matter of serious concerns over what impact the BITA will have on India’s generic pharmaceutical industry if the FTA is passed without changes to proposed IP arrangements.

One of the reasons for aggressive negotiating tactics of the EU is the influence of European pharma lobby. According to the EU Transparency Register in Brussels, spending on lobbying activities in the pharmaceutical industry in the European Union exceeds EUR 40 million a year. Nearly half of this budget is spent on local lobbyists, whose goal is to influence key decision makers. The rest supports e.g. social campaigns, patients' organisations, or medical professional societies. At the same time, many pharmaceutical companies fail to declare their activities to the EU Transparency Register. It is estimated that, if recorded in total, the expenditures would amount to the level of approx. EUR 91 million, i.e. over twice higher; which would be more comparable with the lobby spending declared in the United States. The report estimates that 220 lobbyists are active in the EU on behalf of the pharmaceutical industry, mainly from Europe. Indian pharma sector is completely missing from the scene only at their loss and EICC’s plan to create a Focus Group will help Indian pharmaceutical sectors in positioning their stand on issues that will come when the FTA is inked.

In addition to informing the Indian Pharma companies ongoing developments and regulations in the European Commission on the Pharmaceutical industry in Europe, the Focus Group would also help represent their interest in the Commission, in the European Parliament and also forge better relations with

European Pharma lobby. The proposed Focus Group, in chamber's view can be an extremely effective instrument to serve Indian pharma interest in Europe. The key would be to ensure that the Focus Group has the appropriate support from Indian pharma sector.

The defeat of the ACTA in the European Parliament in July last year also offers Indian generic drug manufacturers an opportunity to reach out to European pharma companies as according to European Commission the Acta could still be revived if the European Commission, the executive arm of the EU, considers that it needs to be implemented and wins a court decision over it.

The Chamber plans to contact major pharma companies in India to seek their support and is already seeking assistance from EICC stakeholders connected with the pharmaceutical sector.

Ikea's FDI proposal gets Foreign Investment Promotion Board's nod

The Indian government on 22 January cleared Ikea's proposal to invest around Rs 10,000 crore for setting up retail shops based on its global model in India. This means that the Swedish furniture maker will be able to sell secondhand furniture, textile goods, toys, books and consumer electronics along with food and beverage items in its cafeterias within its stores.

"The proposal has been cleared in its entirety by the Foreign Investment Promotion Board (FIPB)," an official said.

India last year opened up its retail sector - both single and multi-brand - allowing 100 per cent and 51 per cent FDI respectively in the sectors. Ikea is the first major investment proposal in the single-brand retail to get clearance from the government. The Ikea business plan is the showpiece proposal for the government as part of its throwing open of investment into the retail sector.

The proposal will now be placed before the Cabinet Committee on Economic Affairs (CCEA) for final approval. Earlier, the FIPB had cleared the Ikea's proposal but subject to certain conditions. However, not satisfied with the decision, the retail major had again approached the department for a review. The FIPB took up the matter but more information was sought from the company regarding its plans in India.
"IKEA's case for investment is cleared, which is a positive development. The government is committed to playing a constructive role in enhancing FDI, especially in areas which create jobs and provide technological enhancement," Sharma said in a statement. He added that globally Ikea has a business model, which integrates "in its embrace SMEs and domestic industry making them the part of global value chain". Ikea Group proposes to invest in single-brand retail trading in India through a 100 per cent subsidiary and roll out 25 stores in the country.

India to inspect drug firms in China: Inspection Office to open in Beijing

Increasing the heat on Chinese drug firms exporting medicines to India, the Drug Controller General of India (DCGI) is all set to open its first foreign drug inspection office in Beijing by March 1.

Around four Indian drug inspectors will be posted in China to inspect manufacturing sites and check whether good manufacturing practices (GMP) are being complied with. DCGI Dr G N Singh revealed that the commerce ministry has cleared the proposal.

Indian Health minister Ghulam Nabi Azad recently said that in the last two years, 10 Chinese bulk drug manufacturing firms were inspected and the registration certificate of one firm and 16 import licences were cancelled.

Ministry sources said the decision to audit Chinese drug manufacturing units was taken after several import licences of local agents were cancelled due to poor drug quality and their failure to comply with GMP.

"We will post Indian drug inspectors in China to send a clear message that Chinese drug firms are under watch. Gradually, China will be asked to only allow drugs exports from manufacturing sites that have been inspected by Indian drug inspectors. We want to ensure safety, efficacy and quality of Chinese drugs," said Dr Singh. “GMP of Chinese drug firms has to be certified by our regulators. This is a practice followed in most countries, including the FDA in the US. To protect the interest of Indians, we have to go international,” he added.

Now, more than 45% of bulk drug exporters registered in India are from China. The number of registered Chinese bulk drug manufacturers in India is around 280, and altogether 417 different drugs from the Asian giant are registered.

A ministry official said, “We had earlier written to Chinese Food and Drug Authority (FDA) regarding complaints that some Chinese drug firms which export bulk drugs to India might not be holding proper GMP certificates. The Chinese FDA too confirmed our apprehensions and asked us to carry out our own inspections.” On the basis of complaints and doubts on authenticity of GMP certificate, India has already cancelled 10 registration certificates and related import licences. These certificates were from Zhejinag, Jingsu, Henan province and Chongquing.

A DCGI note said, “Similarly, several cases of imported kits of HIV were declared to be not of standard quality by the government laboratory, which are originating from Zhejiang and Fujian provinces. These issues further support this office which stands to carry out foreign site inspections in line with other regulatory agencies of the world.”

Illegal clinical trial of drugs by MNCs creating ‘havoc’ in India
The Supreme Court of India on 3 January slammed the government of India for its failure to stop illegal clinical trials of untested drugs by multinational companies, saying the drug trials are creating “havoc” in the country and causing the death of many citizens.

The apex court said that the Government has gone into “deep slumber” on the issue and has failed to put in place proper mechanisms to stop “rackets” of multinational companies, which are conducting illegal clinical trials.

A Bench of Justices R.M. Lodha and A.R. Dave said in its interim order that all clinical trials will be done under the supervision of the Health Secretary at the Centre.

“You have to protect the health of the citizens of the country. It is your obligation. Deaths must be arrested and illegal trials must be stayed,” the Bench said, asking the Government to handle the “menace” on an urgent basis. It pulled up the Government after it was contended that various committees have been set up to look into the issue and that it will come back to the court after getting suggestions from them.

“You can get back to the court but what about those people who are losing their lives in such clinical trials.

People who lost their lives can’t get their lives back,” the Bench observed.

“It is very easy to form a committee or a commission. It is done just to divert people’s attention on the issue. It is the best way to divert attention on important issues,” the Bench said. The court said that the Government is “shying away” from responding to its queries while noting that the affidavit filed by the Centre was not in consonance with its earlier order.

Indian government may relax FDI norms for LLPs
To spur the flow of foreign funds into limited liability partnerships (LLPs) in India, the government is set to allow wholly owned subsidiaries of foreign entities to directly invest in these firms from the earnings generated in the country.

The government feels the move will make this hybrid corporate form — half-way between partnership firms and companies — attractive for existing and prospective entrepreneurs, as they will find it easier to tap foreign funds to expand equity.

Currently, foreign capital participation in LLPs is allowed through the Foreign Investment Promotion Board (FIPB) route — and only by way of cash consideration, received through inward remittance using normal banking channels.

This impedes access of FDI for LLPs as overseas entities already existing in the country, too, are required to bring fresh capital from their parents into an LLP venture rather than using their India revenues for such investments. The FIPB permission will continue to be required for foreign investments in LLPs, but the wholly owned arms of overseas investors can now directly invest in them.

LLP is a hybrid corporate form that allows company-liked limited liability (each partner's liability will be limited to his agreed contribution), while allowing partners the flexibility of organising the structure of the business on terms they have agreed on.

The LLP Bill was passed by Parliament in late 2008, and at that time, it was hoped that nearly half of India's privately owned companies would convert themselves into LLPs to benefit from the ease of conduct of business under the new structure, popular in many European countries, especially among services sector entrepreneurs and professionals. But LLP has not been a runaway success in India and there are only over 5,000-odd LLPs registered in India so far. One reason for the lukewarm response is the difficulty in attracting foreign funds.

According to Newspapers reports the Department of Industrial policy and Promotion (DIPP) would soon relax the FDI norms for LLPs through a press note.

Sources said restriction on downstream investment by LLPs with foreign capital may be eased. Also, the ban on such entities tapping external commercial borrowings could go, subject to riders.

The issue of the restrictive provisions for FDIs in LLPs came up for discussions before the FIPB in the case of a proposal from TCL India for partnering with Pore Seals India for setting up a LLP operation engaged in manufacturing of nickel plating and metal finishing. In this case, TCL India wanted to invest in the LLP, but being a foreign owned and controlled company, it was not allowed as "the inward remittance clause" was not being met.

WTO agreement on IT, environment not acceptable: India

India will not accept any agreement on IT and environmental goods which is being proposed by a group of developed nations at WTO, as it would adversely impact the domestic industry, a top official of the government has said.

Rich nations, including the US, wants India and other emerging economies to be part of the four major sectoral pacts - trade facilitation (TF), information technology (IT), environmental goods and international services agreement.

"On IT and environmental goods agreement, India has clearly showed its reluctance. We are against this approach. On TF, we have not said no, but we are viewing the situations and on international services agreement, we will continue to observe it from a distance and later on take a view," the official said.

On these four matters, developed countries wants to go plurilaterally. In other words, the trade benefits arising out of such an agreement will be shared only by signatories.

The plurilateral agreement on these issues that the US and Europe seem to be eager to ink would exclude the interests of developing and the least developed countries, the official added.

The official also said that the developed economies instead of focusing on the issues of Doha Round, they want to sign agreements which would benefit more to them instead of developing and least developed nations.

"IT is a sectoral agreement, environmental good will be a sectoral agreement. So, effectively what they are doing is they are cherry picking sectors where the developed world is strong and getting you to agree to those elements because if you do not agree today and if you decide to join the agreement tomorrow there will be a cost to be paid," the official added.

Explaining how rich nations are pushing their own agendas on poor and developing economies, he said that under the IT agreement, they want to include 357 products out of which 50 items belong to non-IT category like washing machines, refrigerators and window AC.

Similarly 136 are dual use products in which developed countries have suggested to eliminate duties. There are another 50 items on which domestic industry has expressed serious sensitivities.

"One of the objectives of (developed world) all these four proposals is to cash them and then forget Doha and that is what exactly we do not want to happen. That is one the main reason why we are acting soberly and with so much of caution ... Once you harvest these agreements, there is nothing left in Doha for countries like the US," he said.

Big differences between developing and developed countries have bedeviled the WTO talks, which were launched in 2001 in the Qatari capital with the goal of helping poor countries prosper through enhanced trade.

India has also rejected the US allegation that developing countries are seeking significant concessions for pushing the global trade deal under WTO.

Rich nations are hampering the conclusion of Doha Round, stalled since 2001, the official added.

"The US and other developed nations are again bringing those issues which were agreed earlier and are also pushing new agendas like trade facilitation, international services agreement and information technology," the official said.

The official was responding to the comments made by US Deputy National Security Adviser for International Economic Affairs Michael Froman, who is tipped to be the next US Trade Representative.

Froman is reported to have said that "a small group of middle income countries particularly India is standing in the way (of concluding Doha Round of talks) because they want to be 'paid' by developed countries for agreeing to something that is beneficial to the global trading system, especially poorer countries".

The negotiations have seen numerous deadlines come and go amid basic disagreement over rich-country farm subsidies and access to developing-country markets for manufactured goods.

Tata Jaguar Land Rover plan to add nearly 800 new jobs at UK plant

Tata Motors is living up to its reputation as one of Britain's biggest manufacturing employers and is set to add hundreds of new jobs at one of its UK plants.

Just days after the news came that Japanese car major Honda was to cut 800 jobs at its Swindon factory, Tata-owned Jaguar Land Rover (JLR) will announce just as many new jobs at its Solihull plant in the Midlands.

JLR already employs as many as 24,000 people in the UK.

The investment, which defies a general slowdown in the auto industry, is largely down to a surge in demand for JLR brands in China, Russia and the US.

The iconic British car giant, taken over by Tata in 2008, registered record profits of 1.5 billion pounds last year due to this overseas boost.

It marks a significant reversal of fortunes for JLR under the stewardship of Tata Motors, which had announced 1,000 new jobs at its Halewood plant on Merseyside last year and now employs nearly 24,000 staff in the UK.

Following a period of uncertainty as the credit crunch hit soon after Tata's takeover from Ford, the sales of most JLR brands rebounded considerably to result in an ambitious expansion plan two years ago.

The company wants to launch 40 new models in the next five years and has a target of making 60,000 cars a year.

A sporty new Range Rover is expected to be launched in April this year.

Tata, under former chairman Ratan Tata, had also earmarked 350 million pounds on constructing an engine plant in Wolverhampton in the West Midlands.

More than 80 per cent of the vehicles made at JLR's three British factories ¿ the third at Castle Bromwich, also in the Midlands are shipped abroad.

Last year the company clinched a joint venture deal with Chinese car maker Chery to make JLR models in China.

The company had recently revealed plans to launch a scheme, alongside Warwick University, to train an additional 150 staff each year to degree level across a range of disciplines to address skill shortages.

Besides growing its UK plants, it has plans to expand in China and India in order to double global production by the end of the decade.

JLR's robust 2012 sales also contributed to the highest levels of new car registrations in the UK since 2008, making the UK the second-largest car market in Europe.
China is now JLR's largest market, delivering its best- ever sales performance in 2012, with sales of 71,940 units, a growth of 71 per cent from previous year, it said. It is followed by Britain (68,333 units, up 19 per cent), USA (55,675 units, up 11 per cent), Russia (20,549 units, up 43 per cent) and Germany (16,722 units, up 41 per cent).

"Jaguar Land Rover is working on plans to extend its global production footprint, particularly in India and China," the company said.

"2012 has been a strong year for Jaguar Land Rover with record-breaking sales performance globally. All of our key markets saw strong progress, with demand for our premium vehicles setting new records in a very competitive environment," said Phil Popham, JLR's Director of Group Sales Operations.

"Looking ahead to 2013, we are continuing to invest in our business to support our ambitious plans for growth and we will be introducing eight new or refreshed products throughout the year," he said.

In 2013, JLR will continue to implement its plans for growth and has announced a recruitment campaign to create 800 new jobs in the UK to support the introduction of future model programmes.

More than 200 of these roles are supported by the UK government's Regional Growth Fund, it said.

Stating that the recruitment campaign for production operators is under way at JLR's advanced manufacturing plant in Solihull, West Midlands, it said the company has recently confirmed a 370 million pounds (USD 600 million) investment programme for its Solihull site.

In the last two years, JLR has embarked on the most ambitious recruitment campaign in the company's history, hiring 8,000 people. It now employs 25,000 people globally, it said.

It said Jaguar Land Rover has ambitious plans for sustainable growth and profitability, adding that it will invest circa 2 billion pounds in its products and facilities in the financial year to March, 2013.

JLR is building a state of the art advanced engine facility at South Staffordshire Business Park in the UK, with an investment of 355 million pounds that will create 750 new jobs.

Indian M&As falter in 2012, likely to see revival in 2013

Mergers & acquisitions' activity in 2012 failed to live up to the expectations raised in the previous year, which saw a surge in such deals, particularly inbound.

In 2012, deals fell both in value and volume terms, thanks to the ongoing euro zone crisis, slow recovery in the US, a weak rupee and a volatile stock market.

According to Grant Thornton, an assurance, tax and advisory firm, the period from January 1 to December 15, 2012 witnessed 582 M&A deals, totalling $41.5 billion, compared to 644 deals worth $44.6 billion in 2011. The 2012 figures include mergers and internal restructuring of $14.8 billion, bereft of which deal value fell as much as 39%.

"At the start of the year, we were hopeful of several transactions happening," said Raja Lahiri, partner, transaction advisory, Grant Thornton. "The optimism sprang from the experience in the last two years, when there was a big interest in inbound deals from Japan, the US and Europe, riding on the India growth story."

Value of inbound deals fell sharply to $7 billion compared with $29 billion in 2011 and $9 billion in 2010. "The triggers (for the slowdown) were there from the first quarter, when the GDP growth slowed. The second trigger was the Vodafone tax issue, and the GAAR amendments proposed in the Budget. The issues surrounding telecom were a dampener, too."

But the year has been a landmark one for corporate India, when companies that borrowed heavily to fuel expansion came in for a reality check, bogged down by slowing cash flows and high interest rates. Mounting debt also forced some promoters to sell part of their assets. Vijay Mallya, who shut down operations of his ailing airline Kingfisher, sold 53% in United Spirits to Diageo for around $2 billion while Kishore Biyani sold a controlling stake in Pantaloon to Aditya Birla Nuvo in a R1,600-crore deal.

"Deal-making lost its momentum in the middle," said Amit Khandelwal, national director and partner, transaction advisory services, Ernst & Young.

In private equity, the challenge was in the form of timely exits, he added. "Exits are taking longer, and there is a mismatch in valuation, although that gap has reduced from 70% to 30% this year," said Khandelwal.

However, the second half was different. "From July, the environment turned positive, since the government took the right steps towards reforms. The deferring of GAAR and formation of the Shome committee are positives," said Grant Thornton's Lahiri.

The year also saw the biggest IPO in two years, with Bharti Infratel raising over $750 million in December 2012.

The reform measures that allowed foreign investment in multi-brand retail and aviation will now spur new transactions. While retail and related sectors like real estate, logistics and warehousing will see much action, aviation will see deals from the Middle East (West Asia), which will be a source for both capital and fuel.

"Many private equity players would want to monetise their assets and exit, so they become attractive targets," Lahiri added.

According to Avinash Gupta, national leader and head - financial advisory services, Deloitte, outbound deals may not come off easily. “Outbound deals will be difficult, since people are not yet confident to write a cheque. Inbound deals, on the other hand, will be opportunistic. Investors will closely watch the action of the rating agencies and the outcome of the 2014 general elections.” Companies that have conserved capital in the last couple of years will look to deploy it in 2013, said E&Y's Khandelwal. “The investor confidence in the markets is also up, with the Sensex up 20% in 2012.”

The US and Europe will remain attractive for technology, and countries in Africa, Australia and Indonesia for natural resources. The other area is media and broadcasting. There will be action in the cable distribution, driven by digitisation. In banking, ancillaries like cash management, e-payment and mobile payments are active. “The last quarter has been good, with the OVL (ON GC Videsh Limited) deal,” said Lahiri. “The sentiment is slowly coming back. We expect more of inbound to happen next year.” In November, OVL agreed to buy ConocoPhillips' 8.4% stake in Kazakhstan's Kashagan oilfield for around $5 billion.

“The consumption story will continue to drive domestic transactions," said E&Y's Khandelwal. “Overall, sectors like retail, insurance, aviation, oil and gas, and metals and mining will be attractive.” There will also be consolidation in banking, given the government's reform measures. E-commerce and IT too will see action, so will the dairy sector.

But Deloitte's Gupta said getting investors in retail was not easy as the business was complex.“However, domestic consumption holds promise. Companies will not look at India as an export platform."

“Specialty hospitals, pathlabs, medical devices, healthcare IT, healthcare insurance providers, all these areas are of high interest,” said Grant Thornton's Lahiri. “Another area is of NBFCs, where PEs are putting money. When capital from banks dries up, NBFCs come into play in a big way.”

FDI inflows from US, Euro zone take a hit; declined 27 per cent to $14.78 billion

The economic crisis in the Euro zone and the uncertain recovery in the US have taken a toll on foreign direct investment (FDI) inflows into India. In the April-October period, these declined 27 per cent to $14.78 billion, against $20.29 billion in the corresponding period of 2011-12.

Inflows from the US fell to $323 million, against $650 million in the year-ago period. In the April-October period, the US accounted for just two per cent of the total FDI flows into the country, against three per cent in the year-ago period and 7.3 per cent in the corresponding period of 2010-11.

Though the US averted the ‘fiscal cliff’, its economic growth may be hit and this may further impact capital inflows. However, quantitative easing of $40 billion a month, which started in September, may act as a cushion The net impact of the two factors was yet to be assessed, analysts said. The US economy grew 2.6 per cent annually in the quarter ended September, against 1.6 per cent in the year-ago period.

FDI from Germany fell 67 per cent to $0.48 billion, against $1.3 billion in April-October 2011. Its contribution to India’s total FDI dropped from 6.7 per cent to three per cent.

Based on full-year figures, the German economy contracted about 0.5 per cent in the quarter ended December (sequentially) and two per cent in annualised terms, according to JP Morgan Chase.

“Germany is funding the Euro zone in times of sovereign crisis. It can hold the Euro zone only to a point of time, thereafter, its own growth will get affected”, said an economist who tracks the Euro zone.

The Euro zone slipped into recession in the quarter ended September.

FDI from the UK stood at $611 million, against $2,563 million in April-October 2011-12, official data showed. In April-October, the UK accounted for about 12.62 per cent of the total inflows ; this fell to 4.13 per cent in the corresponding period this financial year.

High capital inflows are needed to finance India's widening current account deficit (CAD). During the quarter ended September, CAD touched an all-time high of 5.4 per cent of gross domestic product. This resulted in a drawdown of $0.2 billion during the quarter.

Though the government has liberalised the FDI regime in the retail, power exchange and aviation segments, its impact on FDI inflows is yet to be seen in a big way.

Unless India eased the 'doing business' scenario, it would lose out to its neighbours, including China, as liquidity improved in the developed world, said an analyst.

In the World Bank's 'Ease of Doing Business 2013' report, India was ranked 132 in the list of 185 countries. India's ranking deteriorated in seven of the 10 parameters in the survey this year, compared to that conducted last year.

The country lagged even struggling neighboring economies such as Pakistan, Nepal, Bangladesh and Sri Lanka.

Vibrant Gujarat sees 18,000 investment proposals

The sixth edition of the `Vibrant Gujarat Summit' which opened at the Mahatma Mandir in Gandhinagar on 11 January, saw investment commitments of Rs28,000 crore from corporates such as Essar, ABG Shipyard, Jubilant Lifescience and Adanis.

And with an estimated 67,000 participants, including diplomats, industrialists and academia from across the world, `Vibrant Gujarat Summit 2013' were eliciting nearly 18,000 investment proposals.

The previous edition had seen investment commitments of Rs20,83,000 crore and the signing of nearly 8,000 MoUs. Although the proportion of actual investment could be much lower, the events have helped investors realise the potential in Gujarat.
The even also attracts some of the biggest names in the Indian corporate world, including Ratan Tata, Ambani Brothers, Anand Mahindra, Shashi Ruia, Gautam Adani, Anil Agarwal, Adi Godrej, among others.

Envoys of more than 50 countries, including the US, UK and a host of others, were in attendance.

While the total amount of investments forthcoming cannot be forecast at present, most of the proposals are expected to be from agro and food processing, engineering and auto, pharma, textiles, oil and gas, power, housing, urban development, among others.

''More than two-thirds of the total MoUs will be from micro, small and medium enterprises sector, which is in line with the government's focus on job creation. The investment intentions will propose jobs for more than 55 lakh youths,'' official sources said.

Close to 1,800 foreign delegates attended the Summit. Canada and Japan, which are the two partner countries of the Summit, sent the biggest delegations with over 150 and 100 delegates respectively. There were more than 70 delegates from US too.

The event this year was as usual attended by thousands of corporate officials who pledged crores of rupees in investment – although out of past promises, only a fraction has actually seen the light of day.

This time about 14,000 memorandums of understanding were signed.

At the last summit, Ratan Tata, then the chairman of Tata Sons, had lauded Modi's efforts to attract investments and provide a hassle-free environment for the businesses. This was after he shifted his 'Nano' car plant from protest-hit Singur in West Bengal to Sanad in Gujarat.

Ford Motor Co and Maruti Suzuki are also building plants in Gujarat - high profile investments that would give a fillip to ancillary industries.

In December, Modi was elected chief minister of the state by a whopping margin for the third time running; something of a record in India. Industry in Gujarat is helped by a long coastline and plenty of barren land that is easy to turn over to factory use. Moreover, its people have always been known for their entrepreneurship – they prefer to set up businesses, big or small, rather than take up jobs.

Among those on the dais at Mahatma Mandir in the state capital of Gandhinagar were: Pankaj Patel (Cadila Healthcare), Ajit Gulabchand (Hindustan Construction Co), Chanda Kochar (ICICI Bank), Baba Kalyani (Bharat Forge), Tulsi Tanti (Suzlon), Nimesh Kampani (JM Financial Group), Gautam Adani (Adani Group), Piruz Khambatta (Rasna), Ratan Tata (former chairman of Tata Sons), Uday Kotak (Kotak Bank), Anand Mahindra (Mahindra & Mahindra) and Adi Godrej (Godrej Group), Aditya Birla group chairman Kumar Mangalam Birla, Tata Sons chairman Cyrus Mistry and Essar Group's Shashi Ruia apart from the Ambanis.

India continues to be attractive to investors: Deloitte

India continues to be an attractive investment destination despite the taxation uncertainties, global consultancy Deloitte said today, even as rating agency Fitch today renewed its warning of a possible downgrade of India's sovereign rating.

Deloitte, however, said investors were looking for more clarity on certain tax issues and were less concerned about the country missing the 5.3 per cent fiscal deficit target.

"While India continues to be an attractive investment destination, the dynamic Indian tax framework create some apprehensions in the investors' perception about the approach on the tax issues related to transactions in India," it said.

Majority of the participants in a survey conducted by Deloitte Touche Tohmatsu India Private Limited said the Shome committee guidelines were adequate although they said they were concerned about the independence of the GAAR panel.

Multinational companies felt the need to formulate a tax policy in relation to intermediate holding companies (IHC) to remove current uncertainties.

According to the survey, even after the recent concerns over India-Mauritius treaty and approach of Indian tax authorities towards IHC investments, 62 per cent of the respondents consider investment through IHC in India as the most viable option. Despite the general perception that such investments are made for tax benefits, about 51 per cent of the respondents considered factors other than reduction in tax cost as crucial for deciding IHC jurisdiction.

Around 63 per cent of the participants consider Singapore to be a favourable jurisdiction for investments into India. The survey shows that lately, Mauritius has been losing luster as a preferred IHC jurisdiction for investments into India due to unfavourable and aggressive posture by Revenue Authorities and lack of certainty surrounding it.

About 83 per cent of the respondents indicated that there should be rationalisation in India's corporate tax rates - in the range of 20 to 30 per cent.

There is also a need for a robust tax policy and an equally strong tax litigation process to reinforce stronger faith of multinational investors in the India tax environment, it said.

"The investors prefer a jurisdiction, which provides certainty and has a positive perception. We have also found during the survey that there is a wide concern over the approach adopted by Indian revenue authorities in examining such investments. Everyone is of view that there should be tax policy to deal with IHC so that the current uncertainty can be done away with. There is a need for a robust tax policy and an equally strong tax litigation process or an effective dispute resolution mechanism, to reinforce a stronger faith of multinational investors in the Indian tax environment," a Deloitte spokesperson said.

The survey was conducted in the backdrop of the landmark ruling of Supreme Court in Vodafone case followed by the retrospective amendments along with the proposed General Anti-Avoidance Rules.

Deloitte's survey included participants from large conglomerates and multinational companies, revealed that while India continues to be an attractive investment destination, the dynamic Indian tax framework create some apprehensions in the investors' perception about the approach on the tax issues related to transactions in India.

The survey tried to measure perceptions based on intermediate holding companies (IHC), permanent establishments (PE), foreign tax credit (FTC), general anti-avoidance rules (GAAR) and tax litigation.

2012 saw birth of new IT companies and sustained growth

India's $100-billion IT industry in 2012 saw the emergence of new companies to serve global and local markets and sustained growth, despite tough business conditions.

For the bellwethers, the year was a turbulent one with Infosys and Wipro struggling to stay afloat while numero uno TCS withered headwinds to stay ahead even as distant competitor Cognizant challenged their dominance.

The industry sustained its growth trajectory despite technology challenges and tough market conditions by adopting new business models, driving organisational efficiencies and offering a host of new services around cloud, mobility, analytics, social media and collaboration in a multi-device connected world.

"European debt crisis, change of guard in China, US presidential elections and slowdown in world economy, including India, have affected the industry's growth rate as discretionary spending and investments for expansion or innovation have been put on hold," said a top industry representative.

Implementing lessons learnt from previous cycles of ups and downs, especially during the tech meltdown in 2008-10, the industry and especially its bellwethers have consolidated operations, forayed into new domains and diversified service offerings to create multiple revenue streams in traditional and emerging markets.

"A paradigm shift in technology trends and application is leading to emergence of new companies from India to serve global and local markets," Som Mittal, National Association of Software and Services Companies (Nasscom) president, told IANS.

"The domestic market is also witnessing increasing technology adoption in the government sector and the small and medium enterprise (SME) sector for efficient and faster delivery of services and products."

The domestic market is expected to grow 13-16 percent this fiscal as against 17 percent last fiscal to Rs.91,800 crore (Rs.918 billion) from Rs.78,600 crore (Rs.786 billion) in 2010-11.

Software exports are expected to grow 11 percent this fiscal to $77 billion despite currency volatility from $69 billion in 2011-12, according Nasscom.

The year has, however, been most challenging to global software majors Infosys and Wipro, which have gone through a change in top management and facing the heat of competition from global peers, including TCS and US-based non-resident Indians (NRIs) funded Cognizant Technology Solutions Corporation.

First time in many years, Infosys halved its annual revenue forecast to five percent in July in April. Also, its strategic shift to 3.0 version is yet to make impact on its marquee clients for cutting big deals.

It bought the Zurich-based consulting firm Lodestone for $349 million (Rs.1,932 crore) September 11 for strategic fit.

Sailing in the same boat, Wipro too went through a management rejig and in the process took time to get its act for clinching new deals and driving volume growth.

In a strategic move in November, the company decided to hive off its non-IT business into a separate entity from next fiscal (2013-14).

In contrast, TCS has been able to maintain double digit growth on annualized basis with better pricing and flexible billing. It also became the first IT major to cross the $10-billion revenue milestone early this year.

The industry as a whole managed to grow in double digit this fiscal (2012-13) so far though less than 16 percent last fiscal (2011-12), unlike the global financial crisis in 2009-10 when the sector's export growth rate slumped to single digit (six percent).

"We feel the worst is behind us and hope for a turn-around of the global economy in 2013 to fuel higher growth in the industry, as technology is increasingly becoming an integral part of every industry," said Mittal.

Industry highlights in 2012:

--Global and local factors affect industry growth rate as IT budgets pared

--Industry to maintain double digit growth despite slowdown

--Domestic market to grow better than export markets due to steady demand
--Infosys & Wipro most affected while TCS & Cognizant breathe easy

--TCS first IT firm to cross $10-billion revenue mark

European Commission issues action call in Davos to close digital skills and jobs gap in Europe
Europe faces up to 700.000 unfilled ICT jobs and declining competitiveness. The number of digital jobs is growing – by 3% each year during the crisis – but the number of new ICT graduates and other skilled ICT workers is shrinking. Our youth need actions not words, and companies operating in Europe need the right people or they will move operations elsewhere.

On 25 January, the Commission issued a call to action to companies, governments, educators, social partners, employment service providers and civil society to join us in a massive effort to "turn the tide". Young *Europeans should have the tools to enter digital careers or to create jobs as entrepreneurs.*

European Commission Vice President Neelie Kroes said: *"The digital skills gap is growing, like our unemployment queues. We need joint action between governments and companies to bridge that gap. The ICT sector is the new backbone of Europe's economy, and together we can prevent a lost generation and an uncompetitive Europe. So I am expecting concrete pledges by companies, everyone I meet will be getting the same request. The Commission will do its bit but we can't do it alone – companies, social partners and education players – including at national and regional level - have to stand with us."*

The Commission will collect pledges on new jobs, internships, training places, start-up funding, free online university courses and more. Companies such as Nokia, Telefónica, SAP, Cisco, HP, Alcatel-Lucent, Randstad, ENI, Telenor Group, ARM, as well as the CIO community, CEPIS (Council of European Professional Informatics Societies) and Digital Europe are in the first wave of those committing to act. On 4-5 March the Commission will include pledges received from partners and build them into the launch of a Grand Coalition for Digital Skills and Jobs at a major pledging conference. The conference is open to all who want to actively support this common cause.

We seek active collaboration in areas like industry-led training, assisting labour mobility, certifying skills, improving school and university curricula, raising awareness, and creating an entrepreneur friendly environment for start-ups.

One concrete area for action could be training vouchers. Successful German and Spanish voucher based training models provided jobs for 60-70% of the 20,000 participants and we should seek to replicate and scale up this idea on a European scale.

Other key elements of the Coalition will include mobility assistance. Such assistance is likely to range from English language learning support to facilitating mobility for unemployed persons and standardised certification of skills, via a transformed eCompetence Framework available in all 23 official languages of the EU.

In recognition of the job creation potential of web start-ups, the Commission is also *launching* **Startup Europe***, a single platform for tools and programmes supporting people wanting to set up and grow web start-ups in Europe.*

MEPs vote on EU law regulating credit rating agencies; reining in 'power' of credit agencies

New rules on when and how credit rating agencies may rate state debts and private firms' financial health were approved by Parliament on 10 January. They will allow agencies to issue unsolicited sovereign debt ratings only on set dates, and enable private investors to sue them for negligence. Agencies' shareholdings in rated firms will be capped, to reduce conflicts of interest.

MEPs also ensured that the ratings are clearer by requiring agencies to explain the key factors underlying them. Ratings must not seek to influence state policies, and agencies themselves must not advocate any policy changes, adds the text. The rules have already been provisionally agreed with the Council.

We are taking some steps forward with this new regulation, fully in line with its basic spirit, which is to enable firms to do their own internal ratings. These should provide viable, comparable and reliable alternatives to those of the rating oligopoly", said lead MEP Leonardo Domenici (S&D, IT).

Set dates for sovereign debt ratings: Unsolicited sovereign ratings could be published at least two but no more than three times a year, on dates published by the rating agency at the end of the previous year. Furthermore, these ratings could be published only after markets in the EU have closed and at least one hour before they reopen.

Agencies to be liable for ratings: Investors who rely on a credit rating could sue the agency that issued it for damages if it breaches the rules set out in this legislation either intentionally or by gross negligence, regardless whether there is any contractual relationship between the parties. Such breaches would include, for example, issuing a rating compromised by a conflict of interests or outside the published calendar.

Reducing over-reliance on ratings: To reduce over-reliance on ratings, MEPs urge credit institutions and investment firms to develop their own rating capacities, to enable them to prepare their own risk assessments. The European Commission should also consider developing a European creditworthiness assessment, adds the text. By 2020 no EU legislation should directly refer to external ratings, and financial institutions must not be any more obliged to automatically sell assets in the event of a downgrade.

Capping shareholdings: A credit rating agency will have to refrain from issuing ratings, or disclose that its ratings may be affected, if a shareholder or member holding 10 % of the voting rights in that agency has invested in the rated entity.

The new rules will also bar anyone from simultaneously holding stakes of more than 5% in more than one credit rating agency, unless the agencies concerned belong to the same group.

EU blueprint for cloud computing falls short

While EU plans rightly aim to boost the use of cloud computing (CC), they fail to spur the development of cloud services and the emergence of European cloud computing infrastructure, warned the European Economic and Social Committee in an opinion it adopted at the plenary session held on 16 January.

In its opinion, the EESC assesses the European Commission's recent Communication on "Unleashing the potential of cloud computing in Europe", and puts forward an alternative, three-legged strategy, i.e. expand the use of the cloud, develop cloud-based software, and build CC in Europe.

The EU's goals for CC should go beyond simply promoting its uptake. "They should help businesses and public administrations to become 'cloud active' by offering cloud-based services and make Europe 'cloud productive' by providing cloud infrastructure", said Eric Pigal (Workers Group, France), rapporteur for the opinion. The EESC believes that meeting these objectives will lead to the development of "European digital energy production". Failure to do so will result in Europe's growing dependence on foreign providers. Mr Pigal points out that "digital energy, like other energy sources such as oil or gas, is an economic and strategic challenge".

To promote the use of cloud, the EESC has backed the Commission's suggestion to do away with the plethora of technical standards and create EU-wide certification schemes for cloud service providers. It has also come out in favour of drafting model conditions for CC contracts in service level agreements and developing cloud-based public sectors.

It nevertheless deplores the lack of concrete awareness-raising measures and warns against excluding the most vulnerable. "The Commission should prioritise users with the lowest awareness and show SMEs how they can benefit from CC", said Mr Pigal. Yet the promotion of cloud use will not automatically lead to the development of cloud-based services and cloud infrastructure. The EESC argues that special incentives are needed to bring this about. "Under current market conditions, expanding the use of the cloud in Europe will inevitably strengthen non-European operators", said Mr Pigal.

Deeply concerned about the oligopoly in the CC market and the dominance of non-European operators, he called on the EU to make sure that European operators benefit from the promotion of cloud use and that it allows them to develop. It points to stringent data protection standards in Europe and European consumer preference for local suppliers as conditions that favour the emergence of EU-based operators. Aware of the difficulties users face in disputes with suppliers in other countries, the Committee suggests an online dispute resolution scheme modelled on one that has been well tested in the equally globalised and international context of e-commerce. "Since it has to be independent and impartial, this mediation could be entrusted to an existing or a new European agency. Its expertise and knowledge of recurring problems could further be used to adjust practices and regulations", said Mr Pigal.

To achieve the objectives set out in its opinion, the EESC suggests targeted EU financing and national subsidies as well as kick starting European projects through competitive bidding.
