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Foreign investment of 10% in companies to be treated as FDI

In a major overhaul of foreign investment rules, the government of India is readying a new set of definitions for overseas investors that will classify all overseas investors into two categories — foreign direct investment (FDI) and foreign portfolio investment (FPI).

Overseas investment with an equity stake in any company of below 10% would be categorised as FPI — merging the two earlier classifications of foreign institutional investors (FIIs) and qualified foreign investors (QFIs).

Any individual investment above 10%, according to the proposal, will be treated as FDI.

These are part of the recommendations that a panel headed by economic affairs secretary Arvind Mayaram has finalised to make India's foreign investment rules less ambiguous.

The committee was set up after finance minister P Chidambaram in his 2013-14 Budget speech had proposed to follow the international practice for definitions of FDI and FIIs.

Under the new definition, expected to be adopted shortly, portfolio investment by a single investor shall not exceed 10% in an initial public offer, a follow-on public offering or a qualified institutional placement (QIP) of a soon-to-be-listed company.

The Mayaram panel has also recommended placing the onus of compliance with FPI aggregate limit from the Reserve Bank of India to investee companies through "share transfer agents."

"It is worth exploring if these entities can be called upon by Sebi, or by the company itself to perform this role," a source said.

It has also recommended a series of rules to prevent split investments stating that an investor in a company can hold investments either under FPI or FDI route, but cannot make investments under both routes.

"Concerns have been expressed as to the treatment to be given to split investments," the source said. "Necessary checks and balances need to be placed to ensure that a single FPI investor does not circumvent regulatory framework by splitting the investment or by acting in concert," the source said.

Aurobindo Pharma to acquire Actavis's European operations

India's Aurobindo Pharma Limited has agreed to acquire the generics commercial operations of Actavis Plc in seven markets across Western Europe for around €30 million.

The transaction, however, is conditional on certain antitrust approvals and completion of employee consultation processes, Actavis said.

Aurobindo would acquire Actavis' pharmaceutical commercial infrastructure in France, Italy, Spain, Portugal, Belgium, Germany and the Netherlands, including products, marketing authorisations and dossier license rights. The two companies would also enter into a long-term strategic supply arrangement.

''We have been clear about our intention to focus on growth initiatives in Europe and international markets, which together are expected to be the key drivers for future growth. This transaction will complement our strategy of pursuing organic growth along with value-creating acquisitions,'' V Muralidharan, senior vice president of European operations for Aurobindo, said.

"We believe that the value created by the commercial operations in these seven markets will be better maximised by Aurobindo, which will gain scale, additional products and enhanced competitive market share position as a result of this transaction," said Sigurdur Oli Olafsson, president, Actavis Pharma.

"This transaction will permit Actavis to focus management time and resources to support accelerated investment in driving faster growth of other markets, including Central and Eastern Europe and Southeast Asia."

Until the transaction is completed, Actavis will continue to operate the commercial businesses in a business-as-usual mode, providing full support to manage the business, introduce new products and maximize its partnership with customers. The companies said in a joint statement.

Rothschild and Latham & Watkins acted as sole financial adviser and legal counsel to Actavis, respectively. Jefferies International Limited acted as sole financial advisor and Herbert Smith Freehills LLP acted as legal counsel to Aurobindo.

Actavis is a global, integrated specialty pharmaceutical company focused on developing, manufacturing and distributing generic, brand and biosimilar products. Actavis has global headquarters in Dublin, Ireland and administrative headquarters in Parsippany, New Jersey, US.

The company markets generic, branded generic, legacy brands and over-the-counter (OTC) products in more than 60 countries, and operates a global branded specialty pharmaceutical business focused in the women's health, urology, gastroenterology and dermatology therapeutic categories. Actavis also has a portfolio of five biosimilar products in development in women's health and oncology. It has more than 30 manufacturing and distribution facilities around the world, including US pharma product distributer Anda Inc.

Hyderabad-based Aurobindo Pharma manufactures generic pharmaceuticals and active pharmaceutical ingredients. The company's manufacturing facilities are approved by several leading regulatory agencies like US FDA, UK MHRA, WHO, Health Canada, MCC South Africa and ANVISA Brazil.

The company's robust product portfolio is spread over six major therapeutic / product areas that include antibiotics, anti-retrovirals, CVS, CNS, gastroenterologicals, and anti-allergics, supported by an outstanding R&D set-up.

The company markets these products globally, in over 125 countries.

Aurobindo Europe represents a significant segment within the group's global presence.

Since launching its European commercial operations in 2006 with the acquisition of Milpharm in the UK and Pharmacin in the Netherlands in 2007, Aurobindo has further expanded its footprint in continental Europe by commencing operations in several territories including Italy, Spain, Portugal, Romania, Malta and Germany.

Aurobindo's state-of-the-art EU release lab and captive warehouse in Malta serves as a logistics centre for its European operations.

M&As in 2013 lowest since 2009, drop 11.5% to USD 31.5 bn

Reflecting the general weakness in the economy, mergers & acquisitions (M&A) involving domestic companies were down by 11.5 percent to USD 31.5 billion in the year just gone-by, the lowest since 2009 when it had stood at USD 21.5 billion.

According to data compiled by Thomson Reuters, the number of deals also declined to 12.6 percent to 967 from 1,107 in 2012.

During the fourth quarter of 2013, overall M&As totalled USD 7.1 billion, a 28.5 percent sequential increase over Q3, but a decline 29.8 percent from Q4 year-on-year.

The report also said the average M&A size climbed to USD 76.1 million, as more deals were announced above USD 1-billion mark, compared to USD 73.5 million in 2012.

Meanwhile, the economic slump had a larger impact on domestic M&As which plunged 69 percent to USD 5.2 billion in the year, which is the lowest since 2004 when it stood at USD 2.0 billion.

The bulk of domestic activities were on the materials sector with deals worth USD1.5 billion being clinched constituting 29.4 percent of the total domestic M&As, but this again was a massive 75.4 percent lower that 2012.

However, total across the board, M&As grew a healthy 56.8 percent to USD 24.7 billion compared over 2012, driven by a 43.5 and 83.1 percent increase in the inbound and outbound M&As, respectively.

Completed M&A deals involving domestic companies totalled USD 29 billion, up 49.5 percent from USD 19.4 billion in 2012.

Energy and power sectors lead the M&A street with 21.1 percent market share or worth USD 6.7 billion, which is a whopping 173.3 percent increase over 2012.

The second slot was occupied by the healthcare players, capturing 15.8 percent of the total with USD 5 billion worth of deals, up 24.5 percent from the previous year.

On account of the large oil and gas reserves, Mozambique was the top outbound FDI destination in terms of value, accounting for 52.9 percent of the market share worth USD 5.1 billion from three deals.

The US, however, saw the most number of transactions (21 deals valued at USD 2.8 billion) up 53.3 percent, capturing 28.8 percent of all the outbound deals.

At 14.9 percent, industrials came third, followed by telecommunications with 13.9 percent, which together captured 28.8 percent of the deals as both sectors witnessed a significant rise in deal value with 164.7 percent and 347.3 percent growth, respectively, from 2012.

However, private equity-backed M&As were down 46 percent, recording the lowest levels since 2009.

Buy-side financial sponsor M&As totalled USD 2.6 billion in 2013, a 45.6 percent decline from 2012, which was lowest since 2009 when deal value fell to USD 2.4 billion.

In-bound M&As rose 43.5 percent as foreign firms acquired domestic companies reaching USD15 billion, despite the number of announced deals slipping 13.3 percent from 2012.

The bulk of inbound acquisitions focused on the healthcare sector and captured 27.3 percent of inbound deals worth USD 4.1 billion, a 102.2 percent growth from 2012.

The chart topper was Unilever's USD 3.573 billion share buyback of Hindustan Unilever. This deal bolstered inbound deals from Britain to reach USD7 billion, or 46.9 percent of the total in terms of value, while the US saw the most number of deals (86 M&As) worth USD 3.6 billion.

M&A advisory fees rose 33.2 percent to USD 133.4 million in 2013, led by Citi with USD 16.2 million, and accounted for 12.1 percent of the market share of the fee pool.

FIIs pull $8 bn out of debt market in 2013

The Indian debt market will never forget year 2013. Foreign investors pulled out a record Rs 50,989 crore (close to $8 billion) from debt as domestic 10-year G-sec rates soared and the rupee weakened. The last time the Indian debt market witnessed an exodus was in 2005, when FIIs withdrew nearly Rs 5,208 crore ($1.2 billion).

It is the worst-ever performance for the Indian debt market ever since foreign investors were allowed to invest in Indian debt. In fact, foreign investors pulled out more money in 2013 than they invested (Rs 38,452 crore or $7.2 billion) in 2012.

The worst sell-off happened in June 2013 when FIIs pulled out Rs 31,341 crore ($5.3 billion) in a single month after Ben Bernanke spooked the market with the announcement that the US Fed could announce a tapering by the end of the year. The announcement sent the rupee on a downward spiral, increasing the cost of hedging and reducing arbitrage opportunities in debt. Arbitrageurs borrow from countries where interest rates are lower and invest in countries where the rates are higher.

Says Jayesh Mehta, managing director and country treasurer at Bank of America Merrill Lynch: “For traders in debt, the forward premiums went up so much with the rupee’s fall that the arbitrage turned negative and nearly impossible to do; that’s why there has been a huge pullout.”

The rupee lost 12.37 percent in 2013 as it slipped from Rs 55 at the beginning of the year. It even hit a record low of Rs 68.84 on August 28, 2013. The 10-year g-sec yield rose from 8.05 per cent in January 2013 to 8.83 per cent at the end of the year, driving bond prices lower.

Indian debt markets have also not managed to attract long-term foreign investors despite the fact the government has done away with the FII investment sub-limit rules and reduced the withholding tax on debt investments so far.

Experts say 2014 could be better as the fear of tapering has already been discounted and the rupee is showing signs of stabilising. However, as the foreign premiums are still high, it is deterring foreign investors; therefore, the revival could take a few more months. Says Mehta: “Unfortunately, the real money investors have not yet come into India. The forward premiums for short-term investors are still very high and it could take a few months to ease.”

Foreign investors were net buyers in December 2013 at Rs 5,370 crore. According to domestic Indian fund managers, foreign investors are likely to come back a little later in the year. Says R Sivakumar, head (fixed income) at Axis Mutual Fund: “After the actual Fed tapering announcement last month, foreign investors have actually bought Indian debt. Interest rates have gone up to the point where the attractiveness of debt has increased, and investors are now chasing higher yields.”

2014 could also be the year when Indian debt will be included in the global bond indices. Experts say that could be a big positive factor for India. Says Sivakumar: “If India is included in the global bond indices, there could be more flows into the debt market.”

Foreign companies wish to expand presence in India: EY survey

Many global companies want to expand in India but an unfriendly business environment and uncertainty ahead of the general election are holding them back from investing in Asia’s third-largest economy, according to a survey by EY released recently. 70.8% of companies feel that China is India’s main competitor for foreign direct investment, says survey

The India Attractiveness Survey 2014 by the professional services firm formerly known as Ernst and Young includes inputs from 502 global executives of companies with international presence in North America, Europe, Asia and West Asia.

More than half of the respondents—53.2% or 267—said they are considering increasing their presence in India and, of them, 119 are planning to expand their operations.

Eighty-six percent considered India’s labour costs as its most attractive asset, while infrastructure, the business environment, foreign direct investment (FDI) regulations and taxation policy were mentioned as the key challenges.

“In the short-term, we would see the investors consolidating their existing presence in India,” Rajiv Memani, country managing partner at EY India and EY global chair of emerging markets, said in a statement.

“[The year] 2014 will be decisive for new players as the election results come in and expectations are formed in terms of sustaining the pace of reforms and deregulation,” Memani said.

India will likely hold its national election in April-May.

A negative finding in the EY survey is that 160 companies, or about 32% of the respondents, said they are not planning any investment in India, compared with 61 out of 382 respondents (16%) in the 2012 survey.

This increased reluctance to invest has been partly caused by regulatory hurdles, a lack of adequate infrastructure and policy inaction.

However, in most cases, investment has been deferred until after the parliamentary election, so investors can assess the path of economic policy and reforms under the new government.

In addition, more than 60% of the respondents said they did not have any short-term expansion plans or had no overseas expansion plans at all.

"Investors are considering India for both their services and manufacturing supply chain, but for investments to materialize the environment must be more enabling and measures on other competitive issues, including currency stability and ease of doing business, must be implemented," Memani said.

According to the survey, 70.8% of the companies felt that China is India's main competitor for foreign direct investment. However, according to 44 respondents, destinations such as Indonesia, the Philippines and Vietnam are also emerging as competitors for FDI.

Around 63.5% or 314 of the participants have an emerging markets strategy and nearly a fifth of them said that India accounts for more than 20% of their total capital allocated for the developing world, especially in the business services sector.

However, these investment plans vary across sectors. Technology, media and telecoms (TMT), infrastructure and financial services companies plan to invest a smaller amount than business services investors, who plan to allocate more than 20% of their emerging market capital to India.

Overall, in 2013, India received 310 projects in the first nine months, a 46% decline from the same period the year before, hurt by global economic uncertainty, wide domestic current account deficit, depreciation of rupee and internal governance factors.

India's gross domestic product (GDP) slowed to 5% in 2012-13, the slowest pace in a decade, from 6.7% in the year before, as high inflation, elevated borrowing costs and delayed project approvals forced companies to put investments on hold. In the first half of this fiscal year, growth averaged 4.6% as consumer spending also turned sluggish.

In the first nine months of 2013, TMT and industrials remained the top two sectors in terms of project volume, and noticeable investors, mostly from Asia-Pacific and West Asia, showed increased interest in infrastructure—the largest sector in terms of FDI value in the first nine months of 2013.

Foreign investors warming up to Indian debt securities again

Foreign institutional investors seem to have revised their negative view on Indian debt towards the end of 2013. After six consecutive months of relentless selling, they turned net buyers in December.

The exodus from Indian debt started in May 2013, when the US Federal Reserve announced that it would begin tapering its bond re-purchase programme. The outflow in the six months from June to November was $13.3 billion. This accounted for a third of the debt holdings of FIIs towards the end of April 2013. As a result, government bond prices crashed and the rupee plunged to 68.85 against the dollar.

The selling, however, abated in December 2013 with FIIs net buying $857.8 million of debt.

Market experts believe the high yield on government bonds might have acted as a lure.

Abhiroop Mukherjee, Senior Manager – Fixed Income, Motilal Oswal, says: "The yields on the G-Secs across maturities were reasonably high; hence, some value buying could have taken place."

Says Mukherjee: "January has to be watched as the market will be clued to various US macro numbers. The inflows will be largely driven by how the Fed tapering takes shape." "The Indian Government is in talks to include Government bonds in the global bond index. If the inclusion happens, we can see more inflows," adds Sivakumar.

This is not the first time FIIs have gone on a selling spree. The longest bout of selling in debt since 2002 was recorded in the 12 months from April 2005 to March 2006. Though the quantum of outflow was just $1.63 billion for that period, it wiped out about 86 per cent of the debt held by the FIIs in March 2005.

A reversal in the interest cycle in that period could have been the possible reason for the pull-out. However, increase in FII investment limit in debt in April 2006 helped to reverse the trend thereafter.

The best period of inflows in debt so far was between 2009-10 and 2011-12.

These three years attracted $24.84 billion into the debt market, boosted by the abundant global liquidity in the aftermath of the quantitative easing by various central banks.

The New Yearhas started on a bright note with net inflows of $572 million so far in January.

"If the pace of taper is faster than anticipated by the market, then, we might see another round of sell-off by the FIIs; else the flows could remain stable," says Mukherjee.

India to have 185 million mobile internet users by June: IAMAI

The number of users accessing the web on their mobile handsets in India is expected to reach 155 million by March this year, according to the Internet and Mobile Association of India (IAMAI).

This number is further expected to grow to 185 million by June, 2014.

"The number of mobile internet users is going to reach 155 million in India by the end of March 2014, and 185 million by June 2014, maintaining a quarter-on-quarter growth of 20%," a report by IAMAI and IMRB International said.

At the end of December 2013, the number of mobile internet users stood at 130 million as against a user base of 110 million in October 2013.

According to the report, the number of mobile Internet users in urban India is expected to grow from 103 million in December 2013 to 126 million in March 2014 and further touch 153 million by June.

Rural India, though accounting for the smaller share, is also expected to register strong growth to touch 32 million users (in June 2014) from 27 million in December 2013.

The report also found that the average revenue per user (ARPU) has dropped to Rs 387 from Rs 460 in 2012. However, the percentage amount spent on mobile internet has gone up to 45% in 2013 from 43% in the previous year. Also, 35% of the mobile internet users are spending between Rs 100 and Rs 500 monthly on their phone expenses. While 9% are believed to be spending over Rs 500, 6% are spending less than Rs 100 every month, the report said.

India ranked at the bottom of Intellectual Property Index

For the second consecutive year, India has been ranked at the bottom of 25 countries in terms of protection and enforcement of intellectual property practices, a US Chamber of Commerce report has said. India has been a low seven point out of a maximum 30, with the United States topping the Intellectual Property (IP) index with 28.5 per cent.

A report by the Global Intellectual Property Center (GIPC) of the US Chamber of Commerce maps the IP environment of 25 countries from around the world utilising 30 factors, which are indicative of an IP environments that fosters growth and development.

"India, which again finished last in the second edition of the Index, continues to allow for the deterioration in its IP climate," the report said adding that India continued to score lowest, most notably in categories relating to patents, copyrights, and international treaties.

China shows improvements in certain aspects of its patent regime, however, its overall IP environment continued to see challenges, particularly in regard to trade secret protection and enforcement.

The United States received the highest overall score, but came in third after the United Kingdom and France in the enforcement category.

Canada's treatment of pharmaceutical patents, copyright laws, and unwillingness to ratify international IP treaties resulted in significantly lower scores than other upper-income economies, the report said.

India continues to have the weakest IP environment of all countries included in the Index, the report said.

"Despite the 2010 declaration by the then-President of India that the next 10 years will be India's 'Decade of Innovation', the continued use of compulsory licenses, patent revocations, and weak legislative and enforcement mechanisms raise serious concerns about India's commitment to promote innovation and protect creators," it said.

According to the report, in the bio pharmaceutical space, Indian policy continued to breach international standards of the protection of innovation and patent rights, revoking patents generally accepted around the world and announcing that other patented medicines are being considered for compulsory licenses.

Most notable was the April decision by the Supreme Court of India on the patentability of the anti-cancer drug Glivec, the court held that the drug did not meet patentability standards as imposed by the Indian Patent Act's Section 3(d) regarding "incremental innovation" and limiting patent protection to what is specifically disclosed, again in contradiction to global norms, it said.

"This is despite Glivec being recognised as a breakthrough drug and given protection in 40 jurisdictions around the world.

"Given the prominence and size of India's generic pharmaceutical industry, other countries have taken notice and begun to introduce similar provisions into their own laws and regulations," said David Hirschmann, President and CEO of the GIPC.

"A robust IP system provides the critical foundation needed for nations wishing to advance their economic and social progress, and provide assurances to consumers that the products they use are authentic, safe, and effective," said Hirschmann.

"By highlighting countries that are leading or lagging in fostering a strong IP framework, the GIPC Index provides a clear and objective tool for policy makers to strengthen innovative potential and for business leaders to assess risk and investment," he added.

According to Hirschmann, the United States may lead the overall ranking, but has fallen behind in its enforcement efforts.

"Therefore, we urge the Obama administration and Congress to expand on current enforcement programs and allocate dedicated resources throughout the government to effectively enforce IP rights and protect consumers," he said.

EU hopes to have FTA with India very soon

European Union recently said it was confident of inking the long-pending free trade pact with India later this year as talks on most issues are "closed" except duty-related matters including on wine and automobiles.

EU Ambassador to India Joao Cravinho said the pact is likely to be signed after elections in India and for the European Parliament.

Launched in June, 2007, the negotiations for the proposed Broad-based Trade and Investment Agreement (BTIA) between India and the 27-nation European bloc have witnessed many hurdles with both sides having major differences on crucial issues."I would expect it to be signed as soon as there are conditions to return to the negotiating table which will happen when we have respective democratic processes in 2014. I think it is possible within months to finalise the pact once the negotiation take off," he told reporters.

Asked whether a new government after 2014 Lok Sabha polls could pose hurdles to the proposed pact, he said "we are too close not to have an agreement" as "most chapters" in negotiations are "pretty much closed". Cravinho said he was confident that the pact will be signed by end of 2014 or by early next year.

Widening rich-poor wealth gap biggest risk for decade: WEF

A growing rich-poor income gap is the biggest risk the world is facing for the next decade, while failure to create a sustainable healthcare system may create social unrest in countries like India, the World Economic Forum (WEF) said recently.

Releasing its annual Global Risks 2014 report, Geneva- based WEF said that the income disparity was the most likely risk to cause an impact on a global scale in the next decade, while other significant risks include extreme weather events, unemployment and fiscal crises.

"In emerging markets, any failure to create sustainable universal healthcare systems – a constitutional obligation in Brazil and Turkey, and a stated ambition in India, Indonesia and South Africa – may arouse social unrest," the report said.

Based on a survey of 700 experts from across the world, the report jointly prepared by WEF and Oliver Wyman group has listed out 31 global risks that also include digital disintegration and various geopolitical risks.

The risks are grouped under five categories -- economic, environmental, geopolitical, societal and technological -- and measured in terms of their likelihood and potential impact.

After income disparity, experts see extreme weather events as the next mostly likely global risk, followed by unemployment and underemployment, climate change and cyber attacks.

India slips on global map for business opportunities

Seven per cent of global CEOs repose their trust in India, compared with 10 per cent last year: PwC survey.

When chief executive officers (CEOs) of global companies were asked to rate three countries that would contribute largely to their overall growth, India fared slightly poorer than last year, according to the 17th Annual Global CEO Survey by PricewaterhouseCoopers. However, compared to their global counterparts, Indian CEOs were more upbeat about growth, with about half saying they were "very confident" of growth prospects in the next 12 months.

In the survey, seven per cent of global CEOs reposed their trust in India, compared with 10 per cent last year. For Brazil, the number slipped from 15 to 12 per cent. While that for China rose from 31 to 33 per cent, Russia stuck to last year's figure of seven per cent.

"China remains robust, thanks to vast foreign exchange reserves and extensive reform measures introduced by the central government. But Brazil is suffering from a huge debt hangover and India has been slow to open up its markets," says a report based on the survey. "Russia is unduly reliant on commodity exports and South Africa's growth has been impeded by heavy regulation.".

India has faced criticism over its dilly-dallying over foreign direct investment in organised retail and its policy to tax companies retrospectively. Scams such as those related to the allocation of second-generation telecom spectrum and coal block licences have further marred its image. Last year's report had identified Indian market as "decelerating", while those in Brazil, Indonesia and South Africa were said to be "accelerating".

CEOs say now, they are exploring growth in countries beyond Brazil, Russia, India, China and South Africa (BRICS), adding they see good prospects in Indonesia, Mexico, Turkey, Thailand and Vietnam through the next three to five years. The US, Germany and the UK have been ranked high on the list.

Against half the Indian CEOs confident of growth though the next year, the corresponding number for global CEOs stood at only 39 per cent. From both the segments, 43 per cent felt the global economy would improve in the next one year.

Asked whether they were paying a fair share of tax, 88 per cent of Indian CEOs agreed, against the global average of 75 per cent. While 57 per cent of Indian CEOs are expected to increase headcount in the coming year, only 13 per cent said they would cut jobs. The corresponding figures for global CEOs stood at 50 per cent and 20 per cent, respectively.

The report said that though an increasing number of CEOs felt the global economy was looking up, they continued to send out mixed signals. Last year, while advanced economies were struggling, emerging economies surged; this year, while advanced economies are returning to the growth path, growth in some emerging economies is decelerating

"CEOs have begun to regain confidence. They've successfully guided their companies through recession and now, more CEOs feel positive about their ability to increase their revenues and prospects for the global economy," said Dennis M Nally, chairman of PricewaterhouseCoopers International. "However, CEOs also acknowledge generating sustained growth in the post-crisis economy remains a challenge, especially as they deal with changing conditions such as slowing growth in emerging markets." Nally added worries continued to loom large, with CEOs sending a clear message to governments about their concerns about over-regulation, fiscal deficits and tax burdens.

Over 80 per cent of international CEOs believe technological advances will transform their businesses in the next five years. About 60 per cent feel demographic shifts, and an equal number feels a shift in global economic power, will drive their growth during this period.

For the survey, 1,344 CEOs, across 68 countries, were interviewed between September 9 and December 6, 2013. The majority of these interviewees were from the Asia-Pacific. From India, Apollo Hospital's Preetha Reddy and ICICI Bank's Chanda Kochhar were included the list of those interviewed face-to-face; the rest were interviewed through post, telephone and online.

China’s trade crossed $4 tn in 2013, India still way behind

World’s two biggest countries in terms of population, China and India have posted their respective trade figures. The two countries together hold nearly 36.79 per cent of the world’s population with China being the most populated country of the world. But, despite having higher requirements, China continues to be in trade surplus while India is still trying to tackle deficit.

Indeed China is a bigger economy but it is shocking to see how far behind we are still lagging. According to the December trade numbers released by Chinese authorities, country’s total trade rose by 6.2 per cent to $ 389.8 billion. China’s net exports for the same period stood at $ 207.7 billion with a rise of 4.3 per cent. Imports on the other hand grew by 8.3 per cent to $ 182.1 billion. Due to the rise in country’s imports, China’s surplus fell sharply by 17.4 per cent to $ 25.6 billion, Zheng Yuesheng, spokesman for the General Administration of Customs said.

On the other hand, India’s trade data had only one thing to cheer for. Due to the restrains imposed by the Government on gold imports, country’s imports fell and in turn reducing the deficit. Total trade of the country grew by 7.6 per cent to $ 62.7 billion during December. Total exports expanded marginally by 3.49 per cent to $ 26.3 billion while imports registered a sharp fall of 15.25 per cent to $ 36.4 billion.

Supported by a steep decline in imports, country’s deficit narrowed to $ 10.1 billion in December against the trade gap of $ 9.21 billion In November. Country’s imports reduced as gold and silver imports in

December dropped to $ 1.77 billion from $5.6 billion in the same month a year ago, although they were higher than $1.05 billion in November.

It the same story if the trade figures of the two countries for the period of January- December are compared. While China's total trade crossed the $ 4 trillion mark, India's net trade stood at $ 781.24 billion approximately. China posted net exports of $ 2.21 trillion during January- December last year while imports stood at $ 1.95 trillion of the same period. In the same time period, India reported net exports of $ 313 billion and imports of $468.24 billion approximately.

While China's trade surplus expanded to $ 259.75 billion, India posted a trade deficit of $ 155.24 billion. Thus apart from being similar in the population scale, Chinese economy has successfully tackled the overflow of population and maintained the economy in surplus by effectively utilising all the resources it has.

For India, things are still lagging way behind and even after a slid in imports, trade situation has not improved. Previously, the Government kept blaming the increase in gold imports as the root cause of rise in deficit and this time the blame has been shifted to falling shipments of petroleum products which have dented the December export figures which have fallen to their six- month lows.

Petroleum exports, which contribute significantly to the country's trade basket, declined 16 per cent last month to $4.8 billion. On the other hand, exports of all major commodities, including engineering goods, ready-made garments, chemicals, cotton yarn, rice and plastic, have shown considerable growth during December.

Voicing their concerns towards overall trade situation of the country, industry urged the Government to act quickly and help in revive country's exports. Rafeeq Ahmed, President of the Federation of Indian Export Organisations, said, “Efforts are required to keep export growth in double-digits. We are not happy with a modest growth of 3.49 per cent in exports in December.” Engineering Export Promotion Council's Chairman, Snupam Shah further added, “The Government should commit itself to help exporters so that they can further improve the situation and take the export growth higher.”

World's 85 richest own as much as the poorest 3.5 bn

The combined wealth of the 85 richest people at €1.2 trillion is equal to that of the poorest 3.5 billion - half of the world's population, a new report from development charity Oxfam reveals.

According to the report titled *Working For The Few,* growing inequality had been driven by a "power grab" by wealthy elites, who had co-opted the political process to rig the rules of the economic system in their favour.

Attendees at the World Economic Forum 2014 have been called upon by Oxfam, to take a personal to address the disparity by refraining from dodging taxes or using their wealth to seek political favours.

The report includes a poll which found that people in countries around the world – including two-thirds of those questioned in the UK believed that the rich had too much influence over the direction their country was heading.

Oxfam chief executive Winnie Byanyima said, it was staggering that in the 21st century, half of the world's population, that was three and a half billion people, owned about the same as a tiny elite whose numbers could all fit comfortably on a double-decker bus.

She said the fight against poverty could not be won without tackling inequality.

She added, widening inequality was creating a vicious circle where wealth and power were increasingly concentrated in the hands of a few, leaving the rest to fight over crumbs.

According to researchers, it was likely the full concentration of wealth was in fact even more skewed, with estimates claiming more than £11 trillion was held 'unrecorded and off shore'.

Seven out of every 10 people lived in countries that had seen inequality increase since the 1980s, while tax rates for the richest had fallen in 29 out of 30 countries where data was available, according to the report.

Byanyima said, without a concerted effort to tackle inequality, the cascade of privilege and of disadvantage would continue down the generations.

India to prepare offshore wind plan: trade group

India is seeking advice from the European Union on how to develop its potential for generating electricity from offshore wind turbines.

The four-year project will focus on the states of Gujarat and Tamil Nadu, according to the Global Wind Energy Council, which is working on the plan.

The project is supported by 4 million euros ($5.5 million) of EU aid, the group said in a statement.

India on January 9 said it will establish an offshore wind agency.

The country is already Asia's biggest wind-turbine market after China, with 20 gigawatts of projects on land.

It's now looking to the sea because many of the best onshore sites have been taken, and poor roads make it more difficult to deploy larger, more productive turbines.

The project "falls perfectly in line with the vision of the government of India for development of offshore wind power in the country," Alok Srivastava, joint secretary of the Ministry of New and Renewable Energy, said in the statement.

Currently, the bulk of the world's offshore wind projects are in Europe, in the North, Irish and Baltic Seas. The only other substantial market is China, according to GWEC, which also identified Japan, Korea and Taiwan as having "exciting developments."

India has no offshore wind projects, "and at the most we'll be seeing some demonstration plants before 2020," Sophia von Waldow, a London-based offshore wind analyst at Bloomberg New Energy Finance, said.

GWEC, based in Brussels, is working on the project with the World Institute for Sustainable Energy in Pune, India; the Center for Study of Science, Technology and Policy in Bangalore; and DNV GL, a consultant. Gujarat Power Corp. will also contribute, according to GWEC.

India mulls export incentives for sectors ineligible for EU sops

With the European Union (EU), India's largest export market, withdrawing its preferential import duty scheme for some Indian products from 2014, the Commerce Ministry is considering fresh incentives to help these sectors retain their competitiveness.

"We are looking at some domestic schemes to help the affected sectors stay competitive in the EU market," said a senior Commerce Ministry official, speaking to Business Line.

The products that are no longer eligible for lower tariffs under the preferential duty scheme are: textiles, chemicals, minerals, raw hides & leather and automobiles, including road vehicles, bicycles, aviation, space, boats and their parts.

Until now, the EU's Generalised System of Preferences scheme provided duty-free or low-duty access to these products in all 27 of its member countries.

The affected products have "graduated out" of the scheme as they have become globally competitive. They will now attract normal import duties of 6-12 per cent.

"The EU is the biggest market for Indian products and losing the preferential duty advantage for key commodities is a big blow," said the official.

The issue was discussed at a review meeting held by Commerce and Industry Minister Anand Sharma earlier this week, the official added.

The Ministry is looking at the option of providing cash incentives to the affected sectors under the existing Market Linked Focus Product Scheme.

Under this scheme, cash benefits are given to exporters of specific products to specific markets, generally ranging between 2 per cent and 5 per cent.

The EU accounts for 16 per cent of the country's total exports. In April-November 2013, India exported goods worth $33.27 billion to the 27-member bloc, posting 3.5 per cent year-on-year growth.

India, together with China, is among the top beneficiaries of the EU scheme, which provides preferential market access to exports from 90 developing and least-developed countries.

A number of countries, including Argentina, Brazil, Cuba, Uruguay, Venezuela, Russia, Kazakhstan and Malaysia, have graduated out of the scheme this year.

2030 climate and energy goals for a competitive, secure and low-carbon EU economy

A reduction in greenhouse gas (GHG) emissions by 40% below the 1990 level, an EU-wide binding target for renewable energy of at least 27%, renewed ambitions for energy efficiency policies, a new governance system and a set of new indicators to ensure a competitive and secure energy system. These are the pillars of the new EU framework on climate and energy for 2030 presented today by the European Commission.

Supported by a detailed analysis on energy prices and costs, the 2030 framework will ensure regulatory certainty for investors and a coordinated approach among Member States, leading to the development of new technologies. The framework aims to drive continued progress towards a low-carbon economy and a competitive and secure energy system that ensures affordable energy for all consumers, increases the security of the EU's energy supplies, reduces our dependence on energy imports and creates new opportunities for growth and jobs, by taking into account potential price impacts on the longer term.

The Communication setting out the 2030 framework will be debated at the highest level, in particular in the European Council and European Parliament. It is accompanied by a legislative proposal for a market stability reserve for the EU emissions trading system (EU ETS) starting in 2021, to improve its robustness. A report on energy prices and costs in Europe, published alongside the Communication, suggests that the rising energy prices can be partly mitigated by ensuring cost effective energy and climate policies, competitive energy markets and improved energy efficiency.

European Commission President José Manuel Barroso said: "Climate action is central for the future of our planet, while a truly European energy policy is key for our competitiveness. Today's package proves that tackling the two issues simultaneously is not contradictory, but mutually reinforcing. It is in the EU's interest to build a job-rich economy that is less dependent on imported energy through increased efficiency and greater reliance on domestically produced clean energy. An ambitious 40% greenhouse reduction target for 2030 is the most cost-effective milestone in our path towards a low-carbon economy. And the renewables target of at least 27% is an important signal: to give stability to investors, boost green jobs and support our security of supply".

Energy Commissioner Günther Oettinger said: "The 2030 framework is the EU's drive for progress towards a competitive low-carbon economy, investment stability and security of energy supply. My aim is to make sure that energy remains affordable for households and companies. The 2030 framework sets a high level of ambition for action against climate change, but it also recognises that this needs to be achieved at least cost. The internal energy market provides the basis to achieve this goal and I will continue to work on its completion in order to use its full potential. This includes the 'Europeanisation' of renewable energy policies".

Connie Hedegaard, Commissioner for Climate Action, said: “In spite of all those arguing that nothing ambitious would come out of the Commission today, we did it. A 40% emissions reduction is the most cost-effective target for the EU and it takes account of our global responsibility. And of course Europe must continue its strong focus on renewables. That is why it matters that the Commission is proposing today a binding EU-level target. The details of the framework will now have to be agreed, but the direction for Europe has been set. If all other regions were equally ambitious about tackling climate change, the world would be in significantly better shape.”

The key elements of the 2030 policy framework set out by the Commission are as follows:
1. A binding greenhouse gas reduction target: A centre piece of the EU’s energy and climate policy for 2030, the target of a 40% emissions reduction below the 1990 level would be met through domestic measures alone. The annual reduction in the ‘cap’ on emissions from EU ETS sectors would be increased from 1.74% now to 2.2% after 2020. Emissions from sectors outside the EU ETS would need to be cut by 30% below the 2005 level, and this effort would be shared equitably between the Member States. The Commission invites the Council and the European Parliament to agree by the end of 2014 that the EU should pledge the 40% reduction in early 2015 as part of the international negotiations on a new global climate agreement due to be concluded in Paris at the end of 2015.

2. An EU-wide binding renewable energy target: Renewable energy will play a key role in the transition towards a competitive, secure and sustainable energy system. Driven by a more market-oriented approach with enabling conditions for emerging technologies, an EU-wide binding target for renewable energy of at least 27% in 2030 comes with significant benefits in terms of energy trade balances, reliance on indigenous energy sources, jobs and growth. An EU-level target for renewable energy is necessary to drive continued investment in the sector. However, it would not be translated into national targets through EU legislation, thus leaving flexibility for Member States to transform the energy system in a way that is adapted to national preferences and circumstances. Attainment of the EU renewables target would be ensured by the new governance system based on national energy plans (see below).

3. Energy efficiency: Improved energy efficiency will contribute to all objectives of EU energy policy and no transition towards a competitive, secure and sustainable energy system is possible without it. The role of energy efficiency in the 2030 framework will be further considered in a review of the Energy Efficiency Directive due to be concluded later this year. The Commission will consider the potential need for amendments to the directive once the review has been completed. Member States’ national energy plans will also have to cover energy efficiency.

4. Reform of EU ETS: The Commission proposes to establish a market stability reserve at the beginning of the next ETS trading period in 2021. The reserve would both address the surplus of emission allowances that has built up in recent years and improve the system's resilience to major shocks by automatically adjusting the supply of allowances to be auctioned. The creation of such a reserve - in addition to the recently agreed delay in the auctioning of 900 million allowances until 2019-2020 ('back-loading') - is supported by a broad spectrum of stakeholders. Under the legislation, proposed today, the reserve would operate entirely according to pre-defined rules which would leave no discretion to the Commission or Member States in its implementation.

1. Competitive, affordable and secure energy: The Commission proposes a set of key indicators to assess progress over time and to provide a factual base for potential policy response. These indicators relate to, for example, energy price differentials with major trading partners, supply diversification and reliance on indigenous energy sources, as well as the interconnection capacity between Member States. Through these indicators, policies will ensure a competitive and secure energy system in a 2030 perspective that will continue to build on market integration, supply diversification, enhanced competition, development of indigenous energy sources, as well as support to research, development and innovation.

2. New governance system: The 2030 framework proposes a new governance framework based on national plans for competitive, secure and sustainable energy. Based on upcoming guidance by the Commission, these plans will be prepared by the Member States under a common approach, which will ensure stronger investor certainty and greater transparency, and will enhance coherence, EU coordination and surveillance. An iterative process between the Commission and Member States will ensure the plans are sufficiently ambitious, as well as their consistency and compliance over time.

The Communication setting out the 2030 framework is accompanied by a Report on energy prices and costs, which assesses the key drivers and compares EU prices with those of its main trading partners. Energy prices have risen in nearly every Member State since 2008 – mainly because of taxes and levies, but also due to higher network costs. The comparison with international partners highlights rising price differentials, notably with US gas prices – which could undermine Europe's competitiveness, particularly for energy intensive industries. Nevertheless, rising energy prices can be partly offset by cost effective energy and climate policies, competitive energy markets and improved energy efficiency measures, such as using more energy-efficient products. European industry's energy efficiency efforts may need to go even further, bearing in mind physical limits, as competitors do the same and European industry decides to invest abroad to be closer to expanding markets. These findings inform the 2030 framework.

The European Council is expected to consider the framework at its spring meeting on 20-21 March.

The framework builds on the existing ‘climate and energy package’ of targets for 2020 as well as the Commission’s 2050 roadmaps for energy and for a competitive low-carbon economy. The Communication on the 2030 policy framework follows the Commission’s March 2013 Green Paper, which launched a broad public consultation on the most appropriate range and structure of climate and energy targets for 2030. These documents reflect the EU's goal of reducing greenhouse gas emissions by 80-95% below 1990 levels by 2050 as part of the effort needed from developed countries.
