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Taking Off, All On Board?

At a time when the passage of India's tranformational Goods and Services Tax (GST) is promising to turn all of the country into a common market of $2.2 trillion from April next year, the turmoil in Europe over Brexit offers India scope for closer economic, political and strategic ties with the European Union (EU), the world's largest common market with a combined GDP of $18 trillion.

The EU is India's largest trading partner, clocking $126 billion in bilateral trade. There is considerable scope for greater levels of engagement but for this to become reality, several wrinkles have to be ironed out.
The two sides have been negotiating a Free Trade Agreement (FTA) for almost a decade but haven't been able to move forward as neither side has been willing to blink on issues each considers important. Brussels, for instance, wants New Delhi to bring tariffs on automobiles, chocolates, processed foods and alcohol down to its own levels of 4.3 per cent. This will allow EU companies to flood India with these products and create jobs in their home countries.

But this could well kill the Indian automotive sector, which has emerged as a world leader in small cars and a major creator of jobs. It could also severely disrupt the other industries and cause large scale unemployment in India. Creating jobs is central to Prime Minister Modi's 2019 re-election bid.

There is, thus, a very good reason for the Indian government to stand its ground on this issue.
Then, the EU negotiators are unwilling to make any concessions to India on outsourcing knowledge services or allowing Indian professionals easier access to their job market. By demanding easier market access for its own manufactured goods while at the same time stonewalling India's demand for reciprocal access to its $45-billion services market, EU bureaucrats are making it politically impossible for the Modi government to agree to the FTA. The recent hoopla over the Canadian FTA will only give further credence to the pessimists on the Indian side.

They should also realise that with Germany and France, the two EU powerhouses, pursuing bilateral ties with India, and many other member countries cutting individual deals to enter the Indian market, there is no real imperative for New Delhi to sign an unequal treaty. Ultimately that's a shame for both. There is an influential school of thought in India that following Brexit, the time may be ripe for mutually beneficial trade and investment pacts with both the UK and the EU. The hardnosed negotiators sense an opportunity to pit one against the other.

The numbers support this hypothesis. India has received about $70 billion in FDI from the bloc, almost a fourth of total FDI received. With the UK, India holds the third largest investor status and trade is about half the total EU-India trade. Though that share has been declining steadily over the years.

Already, regions like Flanders and Bavaria are reaching out to Indian companies, presenting themselves as alternatives to London as gateways to Europe. Downing Street will be acutely aware of the growing competition, even if they don't accept it, that there are those who see themselves as the new natural home and Europe launch-pad for increasingly international looking Indian business.

Then, the UK will fight back and the idea of a 10 per cent corporation tax by the Conservative government as a counter to a belligerent EU negotiation and painful exits, is imaginative and attractive for Indian business, who will not willingly jump across the channel.

This special issue coincides with the Europe India Chamber of Commerce's annual conference. I take this opportunity to congratulate the EICC management team including Ravi Mehrotra, Shishir Bajoria and the ubiquitous Sunil Prasad in Brussels for flying India's flag high in the EU. Companies such as TCS have made the EU their home and are doing great things to further India's global footprint. I also wish all delegates fruitful deliberations at this very important juncture in the history of the EU and of India.

Perhaps, just perhaps, as the UK waves bye-bye to the EU, the EU will be nudged enough to pull out all the stops to take its relationship with India to newer heights?

Manoj Ladwa
Publisher & CEO, India Inc.
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In this Special Edition, 'India Global Business' throws the spotlight on India's relations with the European Union (EU). Beyond Europe, we also delve into one of the most important political developments of the year in the form of the US Elections 2016 as well as some key highlights from India's globalisation agenda.

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Time for a more ambitious INDIA-EU AGENDA

The figures certainly look good – the European Union is currently India's leading trading partner, way ahead of China and even the US. The value of EU exports to India grew from €21.3 billion in 2005 to €38.1 billion in 2015, with engineering goods, gems and jewellery, other manufactured goods and chemicals ranking at the top.

However, the trajectory of the ties has been anything but smooth. With the now infamous free trade agreement (FTA) stuck in various rounds of negotiations since 2007, it is about time both sides took on a more robust approach to the relationship.

The UK's recent vote to leave the 28-member economic bloc may well be the kind of seismic shift that was needed for the India-EU journey to be taken on to a faster track.

While the FTA may still be a slightly distant project, there is a lot more that both sides could be tapping into to make the most of India's rapid improvements in the field of ease of doing business. While the EU may have some complaints about the complexity of doing business with India, it is time to realise that some of those views may need some updating based on the reality on the ground.

On the other hand, it is equally important to analyse why India still seems more inclined to strike bilateral agreements with member countries rather than dealing with the EU as whole.

During these times of Brexit and global economic uncertainty, a more ambitious approach on both sides will undoubtedly pay off handsomely.

In this Special Edition of 'India Global Business', we spoke to a wide range of experts from both India and Europe and there seems to be a broad agreement on the immense potential that exists for the two sides to launch a new era of India-EU ties.

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Lots of potential, but…

India-EU ties can attain great heights but Brussels needs to be a little more sensitive towards New Delhi's needs

Even as Britain's "leave" vote in the Brexit referendum continues to grab a disproportionate amount of media attention, the Narendra Modi government and bureaucrats in Brussels are working quietly to realise the full potential of India's relationship with the European Union (EU), which, many analysts believe, is as, if not more important, than New Delhi's ties with London.

Largest trading partner

This single minded attention to a possible upsurge in trade and other ties with Britain has diverted the focus away from the fact that the EU remains India's largest trading partner, accounting for more than 13 per cent of its total external trade. India, on the other hand, is the EU's 10th largest trade partner.

Bilateral trade between the EU and India stands at $126 billion and foreign investments from the bloc add up to a massive $69 billion.

The Narendra Modi government, which has made economic relationships the centerpiece of its foreign policy thrust, is keenly aware of this. Indian officials speak gushingly of how the EU is, despite its recent troubles, the world's single largest economy with the GDP in excess of $18 trillion.

Technology provider

Apart from the US and Japan, the EU is the world's top source of innovations and new technological innovations. India is keen on tapping into this advanced knowledge base to help take its economy and its people to the next level of development
The EU is a top source for advanced machinery, nuclear reactors and

associated technology, military and civil aircraft, optic fibre, optical and other high tech equipment for India, while exports from this country include textiles, organic chemicals, minerals and fuels, tea and other commodities.

In recent times, there has also been a dramatic rise in trade in services, which include computer and IT services, air and sea transport and financial and banking services.

Roadblocks to further cooperation

Many Indian companies have invested heavily in setting up operations in the UK. These were to serve as beach heads for accessing the massive EU market. But Brexit has put those plans in jeopardy, thus, giving a push to the much delayed and much debated India-EU Bilateral Trade and Investment Agreement (BTIA).

Proponents of the treaty say it will help India's exports of pharmaceutical products, industrial goods and agricultural commodities to the EU, which are currently hampered by technical, commercial barriers and sanitary and phytosanitary measures imposed by importing countries.

Indian exports have been on a downtrend over the last year and a half and some experts say the BTIA could help reverse this trend and mitigate to some extent the shock that multilateral trade pacts such as the Trans Pacific Agreement is expected to deal to India's exports,

Hard negotiations

India has been negotiating the BTIA with Brussels since 2007. This agreement, which covers trade and investments in merchandise and services, has remained stuck because of EU's insistent demand that Indian tariff rates, which are at 13.3 per cent on average, be reduced to the EU level of 4.3 per cent. This will definitely lead to an increase in trade but could wipe out several industries in India such as automobiles, alcohol, FMCG and others and increase India's trade deficit.

India is a large market. We have a large middle class with substantial purchasing power. This makes India a very attractive market for anyone negotiating with us.

Nirmala Sitharaman, India's Commerce Minister

Many of these industries employ millions of people and a flood of cheap imports from Europe would threaten their livelihoods and lead to political unrest.

No movement on liberalising trade in services

The BTIA, as it stands today, offers India little incentive in terms of trade in services, where it has a relative advantage. The EU has been reluctant to make strong and binding commitments for the supply of services in Mode 1 and Mode 4.

The General Agreement on Trade in Services under the World Trade Organisation defines Mode 1 as covering a range of outsourcing activities such as business process outsourcing, legal process outsourcing and knowledge process outsourcing.

Europe could offer India a $45-billion opportunity in this sector if it opens it up. This could help create millions of direct white collar jobs and many more indirect blue collar employment opportunities.

Mode 4 deals with the movement of professionals across national borders. Easier norms under Mode 4 will lead to EU giving Indian professionals preferential access to its labour market, thus, boosting India's remittance economy.

But this could lead to a domestic backlash in European countries that are grappling with high levels of unemployment.

So, Brussels is sitting tight on this issue.

The IPR hurdle

EU is also pushing India to tighten its intellectual property regime beyond the parameters mandated by the World Trade Organisation in order to protect its own pharmaceutical monopolies and undercut India emergence as the world leader in cheap generic drugs.

Agreeing to these terms could seriously hamper the Modi government's attempts to ensure cheap and universal healthcare for all Indians. It could also seriously set back efforts at providing universal healthcare to Africans and other poor people worldwide since India supplies a large portion of the cheap life saving drugs needed for this.

Since neither side is willing to blink on this issue, the matter remains in limbo.

Give and take

India, on the other hand, is keenly aware that the size of its market is its biggest attraction and so will not give in to EU's demands for greater market access without getting reciprocation on the services front.

"India is a large market. We have a large middle class with substantial purchasing power. This makes India a very attractive market for anyone negotiating with us. At the same time, we also have a large number of people who are poor. The government has to keep their interests in mind. Then, there are sectors such as automobiles, auto components and pharmaceuticals,

to name only three, in which India is globally competitive and in which our companies have earned global acclaim," India's Commerce Minister Nirmala Sitharaman had told India Inc in an exclusive interview.

"When we negotiate trade deals, we have ensure that our partner country gives us as much access in these and other sectors such as services as we give them. There has to be a spirit of give and take when working out the details and we have to make sure we get a good deal that protects our national interest," she had said.

Bypassing Brussels

Some analysts feel India can pursue one-on-one ties with individual countries within EU even as negotiations with Brussels drag on.

Within the bloc, Germany is India's largest trade partner and also the largest investor into India. Then, France is an important strategic and economic partner and one of the top sources of defence equipment for this country.
This, to some extent, explains the inordinate delay in firming up the pact.

THE EU IS A TOP SOURCE FOR ADVANCED MACHINERY, NUCLEAR REACTORS AND ASSOCIATED TECHNOLOGY, MILITARY AND CIVIL AIRCRAFT, OPTIC FIBRE, OPTICAL AND OTHER HIGH TECH EQUIPMENT FOR INDIA, WHILE EXPORTS FROM THIS COUNTRY INCLUDE TEXTILES, ORGANIC CHEMICALS, MINERALS AND FUELS, TEA AND OTHER COMMODITIES.

Moving forward

Despite the stalled BTIA pact, India and the EU are taking forward their cooperation on a range of issues.

The EU-India Agenda for Action-2020, endorsed by Prime Minister Narendra Modi and the presidents of the European Council and European Commission, envisioned a firm partnership on climate change, foreign policy, counter terrorism, disarmament, strategic ties, transport and space cooperation.

This indicates a clear effort to move away from the current stalemate. But will they?

With post-Brexit ties with Great Britain still hogging a disproportionate amount of attention and with the German, French and other bilateral relationships jogging along, there is actually little incentive for New Delhi to make the concessions Brussels is demanding.

Then, following India's new strategic clinch with the US, there is little additional benefit that EU can offer India on the geo-strategic front.

So, experts expect India-EU ties to remain stuck for a while in warm rhetoric but to achieve their full potential, it needs a little more flexibility from Brussels.

EU-INDIA SUMMIT 2016 A NEW MOMENTUM

EU-India Agenda for Action 2020:

Both sides endorsed the agenda to create a concrete road-map for the EU-India Strategic Partnership for the next five years.

EU-India Broad-based Trade and Investment Agreement (BTIA):

Both sides agreed to further the negotiations on an early conclusion of the BTIA.

Terrorism:

Both sides adopted a Joint Declaration on Counter-terrorism to step up cooperation to counter radicalisation and violent extremism.

G20 Skills Strategy:

Both sides reaffirmed their commitment to implement the G20 Skills Strategy and also expressed an intention to organise a high-level skills seminar.

India-EU Water Partnership:

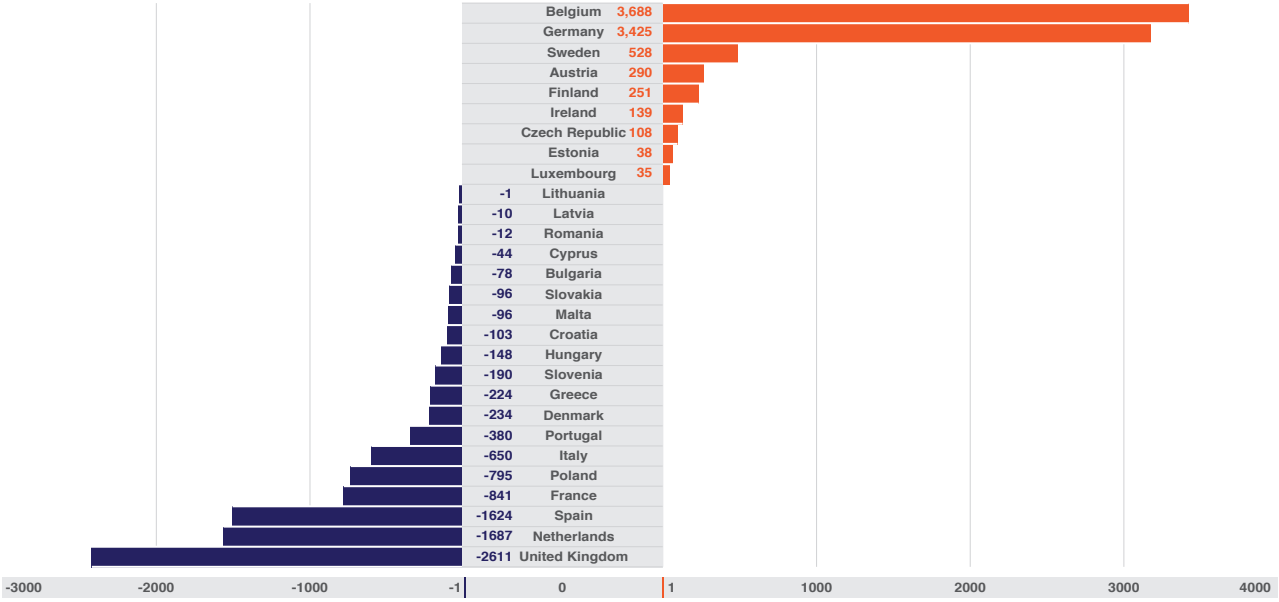
The Joint Declaration was adopted in this regard to enhance cooperation on environment issues, including on the 'Clean Ganga' and 'Clean India' flagship programmes.

India-EU Science and Technology Cooperation Agreement:

Both sides agreed to extend this agreement until 2020 to boost innovation and research in India and Europe.

AT A GLANCE

EU Member States Trade in Goods Balance with India, 2015 (in € million)



Source: Eurostat

EU international trade in services with India, 2014

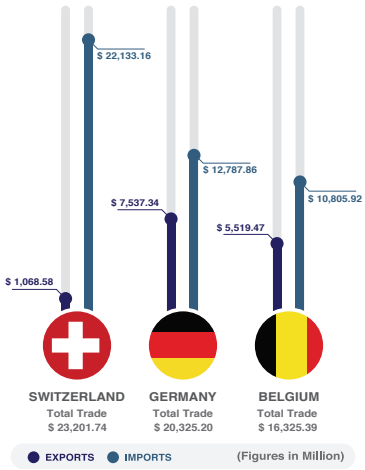
	Exports	Imports	Balance
in € Billion	12.3	12.1	0.3
Share of Total Extra-EU	1.6%	2.0%	-

EU foreign direct investment (FDI) stocks and flows with India, 2014 (in € billion)

	STOCKS	FLOWS
EU FDI in India	38.5	5.2
Indian FDI in the EU	6.7	1.1

Source: Eurostat

India's Major EU Trading Partners (2014-15)



Source: Eurostat

India-EU FTA: Where things stand?

India and the European Commission initiated negotiations on a Free Trade Agreement (FTA) called the Broad-based Trade and Investment Agreement (BTIA) in 2007.

Since then 16 rounds of talks have been held at the level of chief negotiators.

Negotiations suspended since the 16th round, held in 2013.

Sticking points: India eliminate duties on automobiles and wines & spirits; India wants data security status (crucial for India's IT/ITeS sector to do more business with the EU firms) and easier temporary movement of services professionals.

Helena Konig appointed in January 2016 to impart momentum; the two sides met in January and February in New Delhi and Brussels, respectively to take stock.

In June 2016, commerce minister Nirmala Sitharaman met her EU counterpart, Trade Commissioner Cecilia Malmström, in Paris where the two discussed ways to move the negotiations forward.

October 2016: German Ambassador Martin Ney expressed optimism over negotiations to resume by the year-end.

In Europe, digital disruption comes in many forms

Tata Consultancy Services' Europe chief lays out the Indian software services giant's trajectory, plans and vision for the region.

Amit Bajaj is Chief Executive – Europe for Tata Consultancy Services, one of India's leading software services firms. In this 'India Global Business' exclusive, he traces the Mumbai-headquartered IT giant's 40-year footprint across Europe, what the region has to offer the Indian IT sector and the inevitable impact of Brexit.

How important is Europe to TCS?

We have been present in Europe for last 40 years and expanded our operations to over 21 countries. We work with 350 clients, including 50 per cent of the FT Europe 100 companies to digitally reimagine their businesses.

The European operations saw a sequential quarterly growth of 3.7 per cent in our most recent quarterly earnings – the highest of any region across the world. Clients in this region continue to expect the delivery excellence they value from TCS and the breadth and depth of industry-leading technology services. But the major trend we see here is that customers are also increasingly looking for a trusted partner to support them on their journey of digital transformation.

This is an important shift and one we're well placed to support our customers with. Not only does it mean that traditional services such as IT infrastructure management and BPO need to be delivered with high service levels, but that these services need to be fully integrated with the digital strategy of an organisation. This means helping clients fundamentally reimagine their business by unveiling insights, joining the dots and bringing to the table new and powerful innovations.

What sets the European market apart?

In Europe, digital disruption comes in many forms, not least through digital savvy consumers who expect and demand more choice, greater flexibility and a seamless user experience. One of our primary focuses is helping our customers

identify how to navigate and take advantage of these trends, whether using tools and analytics to better understand consumer behaviour, re-imagine the supply chain and manufacturing process, or invest in advanced technologies such Artificial Intelligence (AI) and the Internet of Things (IoT). These are areas European companies are providing leadership and that we are supporting as the digital journey unfolds.

But beyond the purely business focused strength of our operations, we are deeply committed to the communities in each of the 21 countries we operate in. For instance, this year we became the title sponsor of Sweden's Lidingöloppet cross-country race to add to our relationship as lead partner for the Amsterdam Marathon and technology partner of the Berlin Marathon in previous years. In each of these races we have invested heavily to enhance the digital experience of the marathon for runners and the local community.

We've also invested in helping develop the critical digital skills for young people across Europe, partnering with over 220 European universities and schools, reaching over 70,000 students to date. This includes funding 125,000 training courses, over 100 degrees and more than 400 university scholarships. We see these investments across the region as a vital commitment to help foster a vibrant IT sector that helps economies and communities thrive across Europe.

We are committed to making a lasting impact in other ways too – this year we launched Europe's largest ever study on the role of social media by Europe's millennial generation. The study surveyed a representative sample of more than 5,000 Europeans, aged 18-29, from across 15 different countries to look at how young people are using social media to pursue entrepreneurship, develop social enterprises, build their knowledge base and find jobs. The insights have been used by policy makers and business leaders across Europe to better understand how to engage this generation.

What has the company's trajectory been in the region?

As one of our fastest growing regions, the trajectory has been positive. From a commercial standpoint, we're present in 21 markets and grew sequentially 3.7 per cent in the last financial quarter. We've achieved this by making strategic investments in people, skills and technology.

In Düsseldorf we recently opened a Centre for Innovation which will delivers high-end projects and programs. In France, three years ago we acquired Alti – one of the top system integrators of SAP solutions in the market, and more recently opened an Innovation Lab in Poitiers to help test and build cutting edge technologies as well as grow the skills base of local consultants. But ultimately our success is predicated on our relentless focus on delivering for our customers. We were ranked number one for customer satisfaction in Europe according to Whitelane, the independent research group, which polls more than 1,500 CXOs from 13 European countries looking at customer satisfaction for technology consultancies across the region. Further recognition came this year with the award for the number one most powerful IT services brand from Brand Finance.

FROM A COMMERCIAL STANDPOINT, WE'RE PRESENT IN 21 MARKETS AND GREW SEQUENTIALLY 3.7 PER CENT IN THE LAST FINANCIAL QUARTER. WE'VE ACHIEVED THIS BY MAKING STRATEGIC INVESTMENTS IN PEOPLE, SKILLS AND TECHNOLOGY.

But this success and recognition has only been possible because of our people. Last year we ranked as the top employer in Europe by 'Top Employers Institute' for the third consecutive year and our continued investment in our people is a priority in the region as it is across the world. Maintaining these rankings is a source of enormous pride.

Lastly, we were awarded the Gold rating certificate by EcoVadis, a world-leading independent CSR Advisory firm. This is the third year in a row that TCS has received the top accolade and a reflection of the firm's holistic approach to CSR across environmental sustainability, labour practices, business operations and responsible & sustainable procurement & supply chain processes.

What impact do you see for Indian IT firms in a post-Brexit landscape?

We're focused on investing for a long term future in all the markets we operate in across Europe. Issues such as Brexit are macro-policy issues that are beyond our direct control, so our strategy is to continue focusing on what we can influence – running an efficient, growth-focused business and delivering for our customers. We have a tremendously resilient business and are strongly positioned to support the next wave of digital transformation.

Is Europe close to becoming an equal revenue source as the US for Indian IT?

Both markets share many similarities. Housing the majority of the world's advanced economies, we consistently see an appetite for investing in digital technologies. And as a business that is uniquely positioned to support organisations on their digital transformation journey, we believe this can only be good news in both regions.

Both markets will continue to be strategic priorities for us and we're focused on continuing to deliver brilliant services to our customers, whichever country or region they are from.

Does Europe offer an open enough home for Indian IT?

For several decades Indian IT providers have played an important role in helping companies across the region build a technology infrastructure that enables them to grow and prosper. In the digital era, the role of firms like TCS has evolved. We are especially focused on helping customers navigate the opportunities and challenges of the digital economy. In particular, we're developing tools and infrastructure around the digital core to ensure businesses are ready for a world disrupted by technology, ready to take on agile start-ups and traditional competitors alike. As our customers' businesses evolve, so do we, and our experience shows that European businesses continue to see huge value in the vital role we play in supporting their operations.

Our commitment to the region and the communities we operate in – both business and social – is reflected by the open and collaborative nature of our partners and customers.

We are long term partners with these customers and feel right at home in every one of the 21 markets we operate in.

On a personal note, what are some of your highlights in this post?

I've been lucky enough to work with many brilliant colleagues and fantastic clients, but there are probably two things that stand out as personal highlights.

Firstly, before moving into my new role as Chief Executive of Europe, I ran the Northern part of the region. In this position, we achieved tremendous year-on-year growth, more than doubling our operations since 2010 and ranking as number one for customer satisfaction in the Nordics. On a professional level, it was wonderful to see our team's hard work paying off and to be part of a growing, ambitious organisation. The second noteworthy highlight has been around our commitment to Wellness. As an enthusiastic long distance runner, it's been hugely gratifying for me to see so many colleagues get behind health and fitness as part of TCS' commitment to supporting marathons across the region.

Living in Sweden, one of my passions is running through the great Swedish countryside and just this year we were able to launch a new partnership with Sweden's world famous Lidingöloppet cross country race. I think my own personal running story, and that of many of my colleagues, is reflected by our firm's growing commitment to supporting Wellness across the region, and that's something I'm tremendously proud of.

NEGOTIATING BRUSSELS

by Kieran O'Keeffe

A public affairs expert based out of Brussels looks into how Brexit would change Europe and the way Indian corporates do business in the region for 'India Global Business'.

It's a popular perception that the UK's exit from the EU will lead to a more protectionist and inward-looking Europe. It's true that the UK has championed the single market and the better regulation agenda to ensure that harmonisation comes with a minimum of red tape; however, that liberalising instinct has not always been consistent.

Take the UK's approach to the EU-India relationship as an example: Britain has been a major roadblock to progress on a far reaching trade deal because of its opposition to increased access for Indian IT professionals, a negotiating red line for the Indian government but a major concern for the UK.

The reality of a post-Brexit Europe is more complex than it would first appear. On defence greater convergence of policy is more achievable but the EU will undoubtedly miss the UK's assertiveness in foreign policy and the diplomatic clout that comes with it.

The European Commission's crusade to create a Digital Single Market will be inhibited without the voice of the UK tech sector, which leads in fintech and is the home of the largest proportion of European unicorns. Rules on streaming services, copyright and crucially data ownership, liability and localisation requirements will be decided without the UK's influence – this means that the Franco-German impulse to restrict, in particular, foreign internet-born companies is likely to predominate.

With 30 per cent of revenues for India's IT outsourcing sector coming from Europe, how the continent's legal framework in respect of digital, and in particular data, is framed will have a direct impact.

In financial services the EU's push for a Capital Markets Union may move faster but calls for deeper integration of the Eurozone have dampened. The prospect of treaty change and the inevitable referenda that would accompany it now looks unachievable with Brexit looming large on the horizon.

Detecting an overall trend in policy as a result of Brexit is therefore a difficult exercise; however, what is certain is that German dominance of major European decisions will continue. A weak France and a distracted UK mean that this has de facto been the case in recent years.

For Indian corporates this means a rethink when it comes to structures and friends.

The UK takes the biggest share of Indian-sourced FDI in Europe and is home to a number of Indian companies that use it as a base to enter the rest of the EU.

Future regulatory divergence and the legal complications that go with that mean that this structure will need to be rethought.

Both the Netherlands and Germany have been growing their share of Indian FDI and this trend should now accelerate. An eye on the growing political importance of Germany, even after elections later this year, has to be a factor which increases its attractiveness as an investment location.

Kieran O'Keeffe is a partner at the Interel Group, a global public affairs consultancy, where he works with a range of multinational companies and trade associations providing strategic advice on every aspect of European affairs. He was previously head of European affairs for the British Chambers of Commerce (BCC) and opened the association's first Brussels office in 2008.

HUGE OPPORTUNITIES FOR INDIA IN POST-BREXIT WORLD

The focus for India should be on nurturing relationships on all sides.

Manjeev Singh Puri as the Ambassador of India to the European Union (EU), Belgium and Luxembourg has a unique vantage point on the unfolding global order following the UK's referendum result in favour of an exit from the EU. The seasoned diplomat, who took charge in Brussels in January 2014, takes time out for 'India Global Business' to give a broad view of what the post-Brexit scenario could look like for India.

What do you see as a Brexit impact on India-EU ties, if any?

The EU is one of India's largest economic relationships. And, the UK is one of our biggest partners within the EU, apart from being a very large economy in itself.

As of now even the initial steps towards Brexit have not been taken by the UK and we don't have any idea what the contours of the deal will look like. A detailed assessment can only be made after the terms of the UK's separation from the economic bloc are known; the nature of the agreement on whether it remains a part of the single market or not are all very critical factors.

However, along with challenges, there are major opportunities, both with the EU and the UK, and I believe these need to be the focus of our efforts in the interim.

As far as the EU is concerned, it is important to remember that even without the UK, it would still remain one of the largest markets in the world with a GDP of over $15 trillion and 450 million people. India's bilateral trade, including services, would still be around €85 billion. And, the EU would remain a major source of FDI [foreign direct investment] and technology for us. Also, it would continue its lead role as a global standard setter.

Is the India-EU trade agreement likely to move forward in the current climate?

We have been strongly urging the EU to restart the India-EU Bilateral Trade and Investment Agreement (BTIA) negotiations. The ball is really in their court. Of course, these negotiations need to factor in the reality of a major EU economy – the UK – no longer being part of their market.

What more can India be doing to engage with the EU as a trading bloc?

Our engagement with the EU is at the highest level of summits, apart from other meetings at the leaders levels that take place on the margins of multilateral meetings.

In March this year, the 13th India-EU Summit was held in Brussels and Prime Minister Modi met the Presidents of the European Council and Commission. In an unprecedented act, the EU leaders were also joined by the President of the European Parliament and the President of the European Investment Bank.

Since then, we have had meetings with the EU at the level of the commerce minister and in various Joint Working Groups, including on textiles, pharmaceuticals, ICT and in the Macro-Economic Dialogue between India and the EU.

INDIA-EU: AT A GLANCE

Trade in Goods (in €bn)

Period	2015		
	Export	Import	Total Trade
UK	8	5.50	13.50
EU (28)	39.50	38	77.50

UK was India's 2nd largest trading partner in the EU share of **17%**

UK was India's largest export destination in the EU share of **20%**

Largest trading partner in EU is Germany [total Euros 16 bn, exports 6.3 bn, imports 9.7 bn]

3rd is Belgium [Euros 12 bn, exports 4 bn,imports 8 bn]

Trade in Services (in €bn)

UK	4	3	7
EU (28)	13.67	14.02	27.69

UK was India's largest trading partner in the EU with **25.5%**

France Euros **3.7 billion**

In many other cases, India's imports are under Euros 1 billion, while exports vary between Euros 1 billion and Euros 2 billion

FDI Inflow (in $bn)

69.10
22.56
From April 2000 to Sept 2015

Percentage share of UK FDI inflows with regard to the EU to India is **32.6% (1/3rd)**

Source: Eurostat

Signing ceremony of a Joint Statement on Counter-Terrorism, by Manjeev Singh Puri, seated, on the left, and Jonathan Taylor, seated, on the right, in the presence of Werner Hoyer, President of the EIB, Narendra Modi, Donald Tusk and Jean-Claude Juncker, in the background, from left to right.

What are some of the sectors you would highlight as key to India-EU ties?

Investment and technology infusion from the EU in India is of critical interest to us along with the possibilities for us to expand our exports of services to the EU. Trade is obviously a vital component of this relationship.

In so far as specific sectors are concerned, textiles, chemicals, pharmaceuticals, machinery and mechanical equipment's, mineral products, precious metals, including diamonds, agricultural products and, of course, services, are key for us.

The important sectors from the EU side are machinery, precious metals, chemical products, base metals, vehicles and optical devices.

On a personal front, what has been the highlight of your posting so far?

Honourable Prime Minister's [Modi] visit to Brussels in March this year was obviously the highlight of my time here. We held the India-EU Summit after a gap of four years and his interaction with the leadership of the EU has hugely reinvigorated the relationship. Among other aspects we have been able to establish a major relationship with the European Investment Bank, which is the world's largest public development oriented financial institution.

WE HAVE BEEN STRONGLY URGING THE EU TO RESTART THE INDIA-EU BILATERAL TRADE AND INVESTMENT AGREEMENT (BTIA) NEGOTIATIONS.

The packed 17-hour visit, also saw Honourable PM holding a bilateral summit with his Belgian counterpart and addressing a huge gathering of NRIs [non-resident Indians] and PIOs [People of Indian Origin], an unprecedented event for Brussels also in its size, outreach and the enthusiasm that it has evoked in the Indian community.

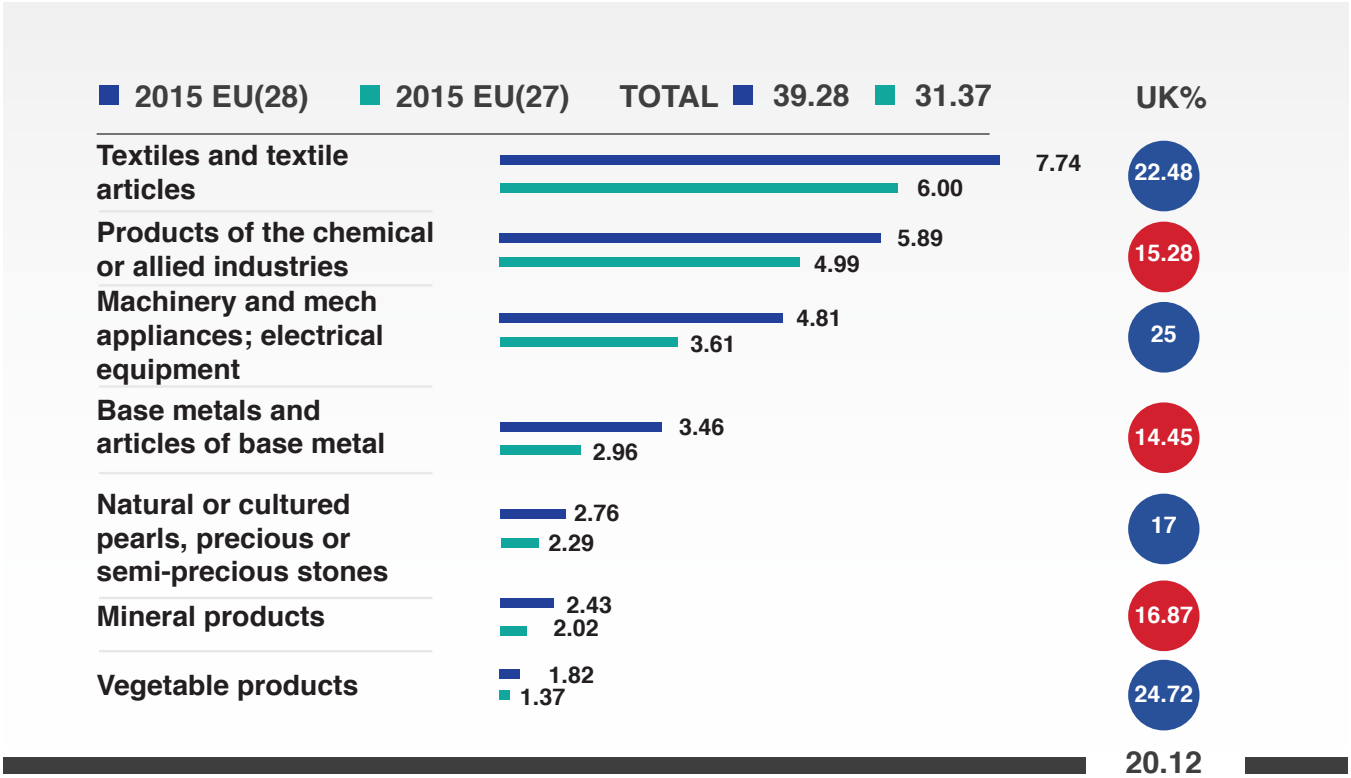
Your views on Brexit and what it could mean for the future of EU.

The relationship between the EU and the UK would obviously not be the same. The EU would lose one of its major economic and political member-state. And, the UK would have to adjust to not being an integral part of the European Union even if its ties to the single market are ironed out.

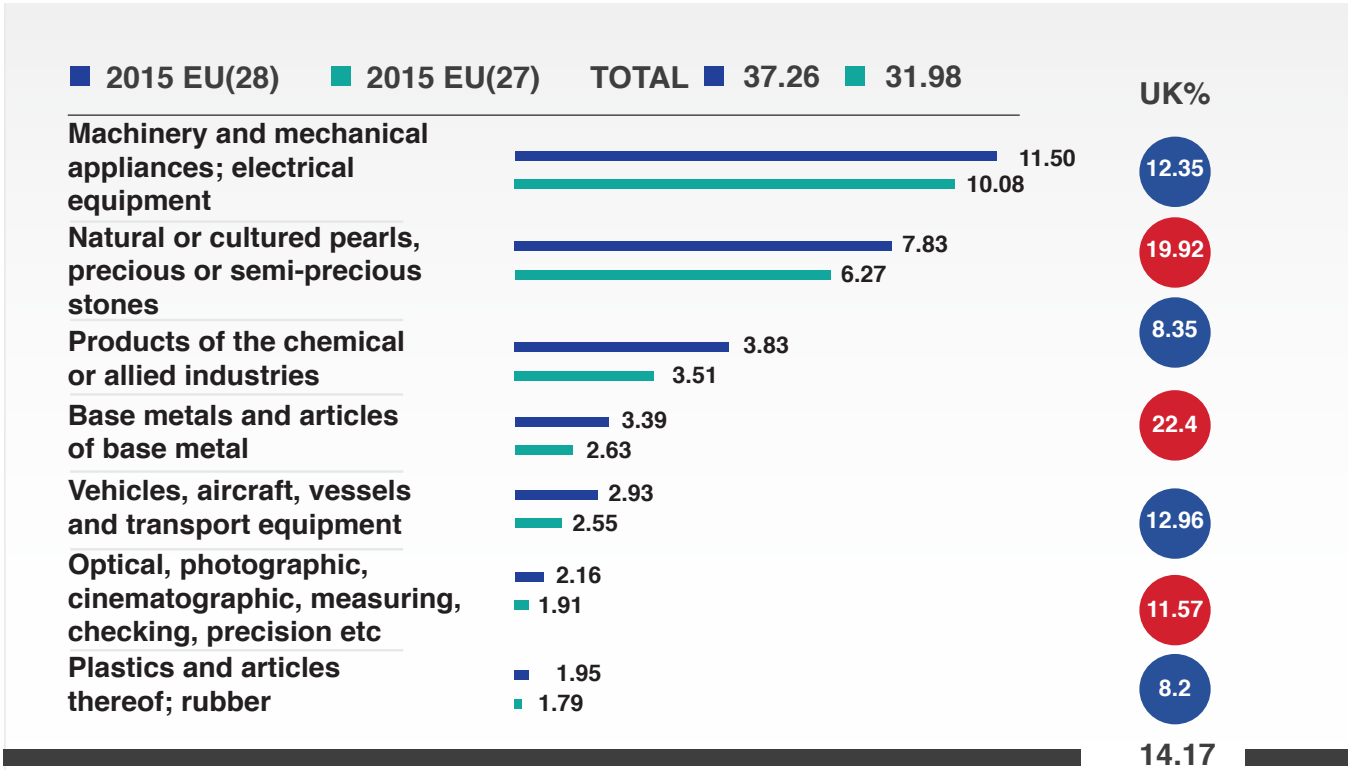
Moreover, issues regarding the role of London as the main financial hub for the Eurozone would need to be sorted out.

Nonetheless, the EU will continue to be the world's largest economic bloc and technologically a huge player in the world. Even without the UK, the EU will remain a large behemoth. The focus for India should be on nurturing relationships on all sides.

INDIAN EXPORTS TO EU 28 AND EU 27 (IN BILLION EUROS)



IMPORTS TO INDIA FROM EU 28 AND EU 27 (IN BILLION EUROS)



Source: DIPP

INDIA'S TOP 5 EXPORT/IMPORT ITEMS WITH UK IN 2015

Total Exports
€7.91 bn

India's Top 5 Export items to UK in 2015

Value in € bn

India's Top 5 Import items from UK in 2015

1.74
Textiles and textile articles

1.19
Machinery and mechanical appliances; electrical equipment; parts thereof

0.90
Products of the chemical or allied industries

0.50
Base metals and articles of base metal

0.48
Vehicles, aircraft, vessels and associated transport equipment

1.56 **(much is silver)**
Natural or cultured pearls, precious or semi-precious stones, precious metals etc

1.43
Machinery and mechanical appliances; electrical equipment; parts thereof

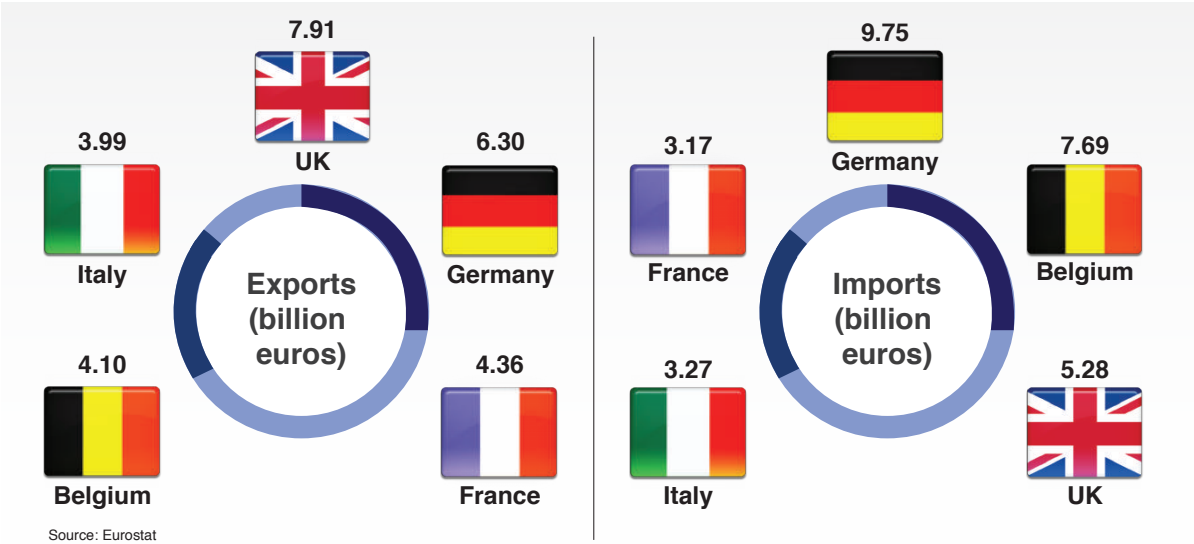
0.76 **(much is silver)**
Base metals and articles of base metal

0.38
Vehicles, aircraft, vessels and associated transport equipment

0.33
Products of the chemical or allied industries

Total Imports
€5.28 bn

INDIA'S TOP 5 TRADING PARTNERS IN ITS EXPORTS/IMPORTS WITH EU IN 2015



Source: Eurostat

EUROPE INDIA CHAMBER OF COMMERCE

Harmonising Trade and Investment through partnerships

EICC is a dynamic catalyst in promoting trade, investment and strategic relations between European Union and India

The Europe India Chamber of Commerce's primary mission is to foster a bilateral dialogue between key business and decision makers to encouraging progressive economic policies in both Europe and India.

- A non-partisan, non-profit business advocacy organisation
- Speaks for multilateral rule based trading system
- Campaigns for improvement in European and Indian competitiveness

EICC MISSION

"EICC shall provide services to business and industry that will facilitate trade and investment flows between Europe and India".

EICC VISION

"EICC will be the preferred entity representing the general interests of business and industry in Europe and India to expand trade and direct investment in both directions and initiate policy and measures within its mission".

ROLE OF EICC

Development of an institutional framework to:

- Facilitate advancing EU-India economic relations at the non-governmental level in Europe
- Focus on trade and investment

Create an institution which can help provide:

- A direction and synergy to Indian and EU business
- Raising awareness of issues that impact them

Assist companies looking to relocate

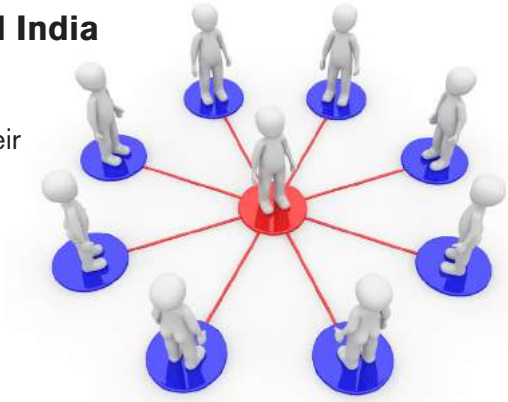
Facilitate policy level interventions for enhancing investment & business

MEMBERSHIP

Open to all companies and enterprises in Europe and India

Types of Membership

- Indian corporations, partnerships, sole proprietor businesses, and their representative bodies
- EU corporations, partnerships, sole proprietor businesses, and their representative bodies
- Indian non-governmental organizations and associations
- EU non-governmental organizations and associations
- Individuals Entrepreneurs living in the EU and India



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INDIA-EU relations in a New World economy

by Dr Jean-Joseph Boillot

Frugal innovation and new business models for inclusive growth hold the key for a new India-Europe collaboration, argues an expert on Indo-Europe ties.

We do not suspect how the global economy has taken a new turn after the great crisis of 2009. Not to redefine the relations between India and Europe in the new global economy in the making is to condemn both partners to misunderstandings and gradually a turn-back.

This is true for instance with the obsession of completing at any cost a Free Trade Agreement (FTA) as in the shining days of the 1990s globalisation. As a fact, the large Indian conglomerates have learnt the lessons after a string of M&As in Europe at prices defying all economic logic as in steel (Mittal), automotive (Tata), renewable energy (Suzlon), and even the information technology (IT) sector.

The world economy is indeed out of the Chinese super-cycle that began with the opening up policy of Prime Minister Deng Xiaoping. For 30 years, trade has drawn global growth thanks to the addition of almost a billion Chinese blue collar disciplined employees working in giant factories for low wages. Liberalisation of trade but also financial exchange then corresponded to an optimal architecture to reap the benefit of this new North-South division of labour. The capitalists saw their profits increase and consumers around the world got access to very affordable consumer goods. Yet, in return, many countries have seen their industrial sectors shrinking and mass unemployment taking place. Due to these negative outcomes, and given the new demographic and technological constraints in China, that era is over.

The new global economic engine is still in the making but it most likely will rely on a “moderate globalisation”, as stated by the economist Dany Rodrick, allowing each country to first exploit its domestic supply and demand (endogenous growth). And this within a global environment marked by the third Industrial Revolution, where automatic processes will increasingly substitute direct work and the imperative of ecological sustainability will be quite unfavourable to long distance trading of goods.

India has never completely bought the open liberal model. This may be why it today registers one of the fastest growth in the world thanks to the new Make in India policy, combined with its demographic peak of youth and a thriving domestic demand. On the opposite end, Europe is mired not only into deflation, but it faces also a risk of implosion due to large structural differences and strong divergences as to what should be the new economic model to implement. This is what basically explains the recent Brexit.

As always, whenever there is a crisis, opportunities also emerge. On the European side, India clearly offers major business opportunities to offset its stagnant demand. The recent French Rafale jet contract is one good example with the mix of outstanding technology and a guarantee of sovereignty for India in the sensitive area of defence. But there is one area where India and Europe can build a new model of economic relations: frugal innovation for inclusive growth to enable millions of poor people in Europe and hundreds of millions of Indians living below $2 per day to be integrated into the economic realm.

EUROPE HAS STILL TO DISCOVER THE PEARLS OF MADE IN INDIA INNOVATION AND MUST FOR THAT INCREASE ITS PRESENCE ON THE INDIAN MARKET. FOR ITS PART, INDIA COULD RETHINK ITS EUROPEAN STRATEGY FROM ITS OWN EXPERTISE AND SAVOIR-FAIRE.

These innovations need the best technology available contrary to what many large Indian groups think. But the too-complex model of research and development in Europe does not allow the flexibility and simplicity needed to lead to affordable products and services.

On the other hand, India and its so-called jugaad innovations have provided fairly good results as seen in mobile phones, generic healthcare, mini retail pack, low energy and materials consumption.
Europe has still to discover the pearls of Made in India innovation and must for that increase its presence on the Indian market. For its part, India could rethink its European strategy from its own expertise and savoir-faire [social skills]. A good example is undoubtedly the success of the French company Renault in Europe as well as in India. It is the same with Saint-Gobain, Lafarge or Capgemini – all examples of French firms learning every day so much from their Indian operations.

Conversely, in the car industry for instance, Tata took over the Jaguar Land Rover (JLR) group in 2008 but with low synergies between the Indian market and the European market, the group is still not very active on the segment of small frugal vehicles, including electrical ones.
We bet that the revival of an Indian presence in Europe and vice-versa will be based on new business models for both.

Dr Jean-Joseph Boillot is an independent expert and co-chairman of the Euro-India group (EIEBG). He is the author of numerous books, including 'The Economy of India, Global Challenge for the Century' in 2008.

Indian firms are doing well in Europe

Luisa Santos is Director for International Relations at BusinessEurope, a leading Europe-wide business facilitation group. Here she talks 'India Global Business' through some of the ups and downs of the India-EU relations over the years and what lies in store for the future.

How important is India to the EU?

The EU is India's number one trading partner (13 per cent of India's overall trade with the world in 2014-15) while India is the EU's ninth trading partner.

This clearly indicates that our relation needs rebalancing. India is one of the fastest growing world economies yet for the EU it's well behind the US, China, Switzerland, Russia, Turkey or Japan.

This means EU companies are not taking full advantage from all the opportunities that exist in India. Some of these opportunities might not be known from companies in Europe but sometimes companies are not seizing these opportunities because the conditions to access the Indian market are complex and difficult. This can be as a result of high duties, difficulties to access public tenders or lengthy administrative procedures.

What are some hurdles Indian firms may face in the region which Business Europe could help with?

Overall Indian firms are doing well in Europe. One of the main problems might be the fact the single market is not complete and we cannot say that the EU market is fully integrated. This is a problem EU companies also face. In BusinessEurope we strongly support the completion of the single market for instance in key areas like services or digital economy.

Progress here will benefit both EU and foreign companies like Indian, doing business in Europe. We can also provide support through our member federations representing employers across Europe. These have a better and more targeted view of existing business opportunities in their respective markets.

Is Brexit likely to affect India-EU ties?

We are well aware of the historic and cultural ties between India and the UK. However, even if the UK leaves the EU we don't expect any negative impact on EU-India ties. The EU as a whole is an extremely important trade and investment partner for India and this should not change. In general companies in different EU member states and not only in the UK are interested in doing business with India.

For that reason, BusinessEurope has been very supportive of the EU-India Free Trade Agreement negotiations. We believe there is huge potential in a number of areas of the Indian economy and EU companies can

IDEALLY THE CONCLUSION OF A FREE TRADE AND INVESTMENT AGREEMENT WOULD PROMOTE CLOSER ECONOMIC INTEGRATION BETWEEN THE EU AND INDIA. HOWEVER, FOR THE MOMENT IT SEEMS CONDITIONS ARE NOT MET TO RELAUNCH NEGOTIATIONS

bring know-how, expertise and services that will make Indian companies become more competitive.

Unfortunately, negotiations have been stalled for some time and this does not help in enhancing trade and investment ties between India and the EU.

What more can India and the EU be doing to enhance trade and other strategic ties?

We should improve knowledge of each other's markets. India is a continent and like the EU, it is not a fully integrated market. It is not the same to do business in the state of Maharashtra or in the state of Rajasthan. Taxation for instance is not harmonised across India and this has been one of the major problems impacting foreign but also Indian companies. The approval of the GST- Goods and Services Tax is a major step in the good direction.

However, implementation will be critical. We are a bit concerned about how the different rates will be applied and how they will impact on European goods that are in general more expensive as they are subject to import duties when entering India.

Ideally the conclusion of a Free Trade and Investment Agreement would promote closer economic integration between the EU and India. However, for the moment it seems conditions are not met to relaunch negotiations.

India's recent decision to terminate the Bilateral Investment Agreements that it has with EU member states is also not conducive to more investment and trade. Companies need a stable legal environment and they need to feel their investments are properly safeguarded.

Uncertainty in this area has normally a very negative impact on investment flows.

What are some sectors of mutual interest you would like to highlight?

Both India and the EU have an interest in developing sectors that address societal challenges. Areas related to green economy, resource efficiency or how to address climate change offer a number of opportunities for EU and Indian companies to cooperate and expand together.

Another important area is digital economy. We see this as an opportunity to leverage traditional sectors but also to generate new businesses that can be more inclusive, flexible and resilient. India still needs to make important investments in infrastructure.

This is key to ensure a sustainable economic growth, attract new business and enhance FDI. EU companies can support this effort by bringing new technologies and expertise working in close cooperation with Indian companies.

Do we even need an India-EU FTA?

by Shishir Bajoria

An Indian industrialist delves into where the European Union stands in its dealings with India and how future ties will shape up as the economic bloc undergoes a major structural change following Brexit.

The referendum which took place in Britain on June 23 this year led to an outcome which resulted in economic uncertainty and a political tsunami in the country. A political party which had won such a big mandate would face a leadership change in such a short period of time was incomprehensible. Even after months, it is obvious with the absence of a clear road map that the Conservatives, the party in power in the UK, were not at all prepared for a Brexit outcome.

Before we discuss the impact on India, we need to take a quick look into the history of the European Union (EU). In the interest its core industry of steel and coal, six countries – France, Germany, Italy, Belgium, Luxembourg and the Netherlands – formed the European Steel and Coal Community in 1952. And in 1957 the same six formed the European Economic Community. Later, this became the European Union (EU) and grew to 13 countries by the year 1994 and 28 in 2004.

Even today the original six contribute

60 per cent of the GDP and with the UK added on, seven countries accounted for 80 per cent. This reflects the disproportionate economic share within the EU.

Post the referendum, both the UK and EU have moved into uncertain times due to an apprehension of the unknown. There are a lot of assumptions and speculations, on how and when the UK will finally decide which way to go. Unlike the popular assumption that the UK voted to leave, I believe it is not so.

POST THE REFERENDUM, BOTH THE UK AND EU HAVE MOVED INTO UNCERTAIN TIMES DUE TO AN APPREHENSION OF THE UNKNOWN.

The referendum, however strange it may sound, is not the will of the people. In a Titular Monarchy, the Parliament represents the will of the people, ascertaining which should be necessary before invoking Article 50 of the Lisbon Treaty to trigger the formal Brexit procedure.

On the economic front, the entire European region, including the UK, has been witnessing a frail economic recovery. This kind of uncertainty, which raises questions on the shape and form of the Union does not help in providing stability and growth. The EU 28 growth saw a smart recovery from 0.4 per cent in 2013 to 0.8 per cent in 2015, but slipped back to 0.4 per cent in the second quarter of 2016. The UK, on the other hand, was more stable with 0.8 per cent, 0.9 per cent and 0.7 per cent in 2013, 2015 and the second quarter of 2016 respectively. But following the referendum, the Pound Sterling lost 20 per cent of its value, sending all foreign investment, including from India, into a tail spin. Furthermore, the UK being a net importing country, the sharp drop in currency value will have an inflationary impact on the economy.

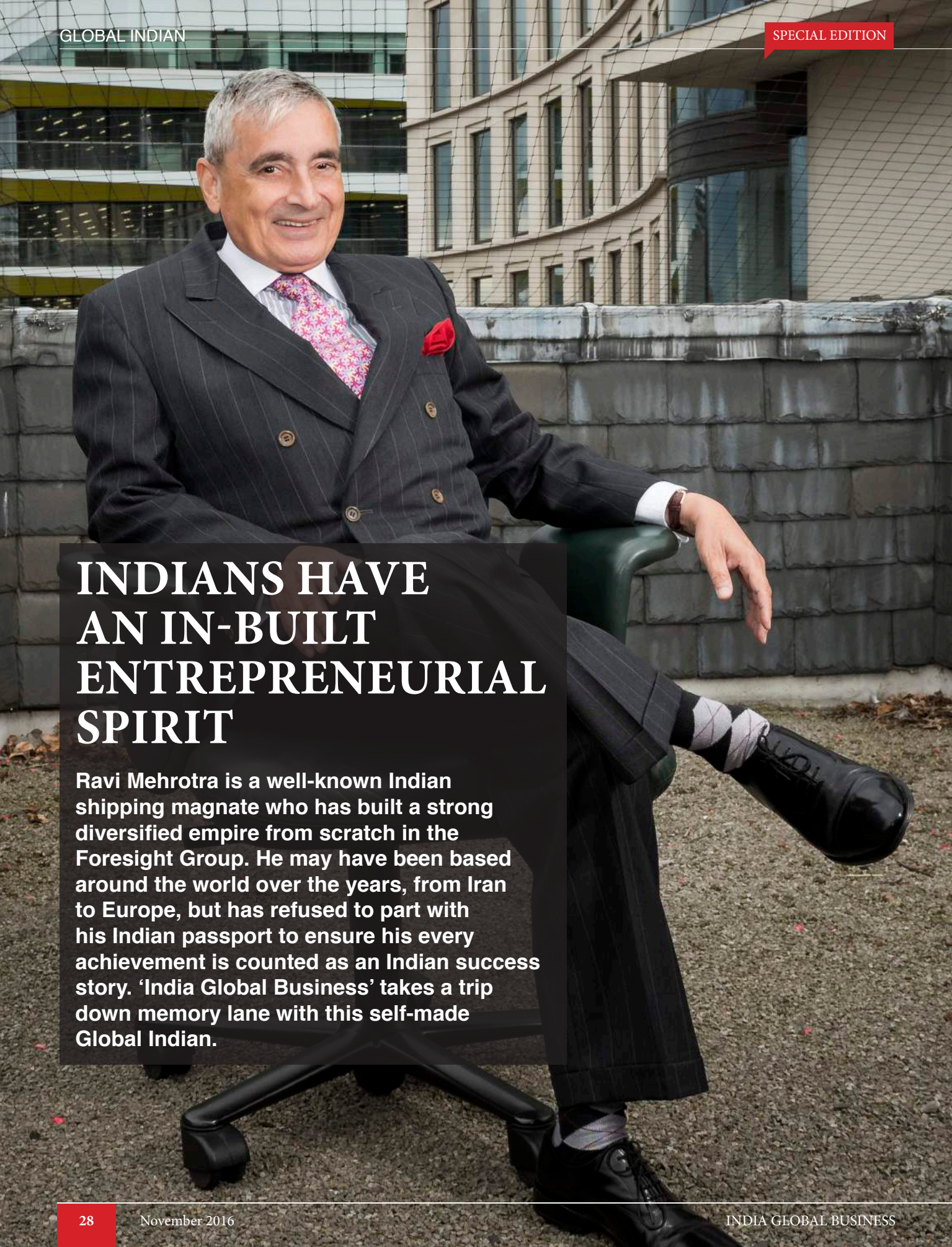
Despite the uncertain times, India has reached the No. 1 slot, with a 7.6 per cent GDP growth surpassing China's 6.7 per cent. The European Union – EU 28 – is India's second-largest trading bloc, accounting for around 20 per cent of Indian trade, just behind the Gulf Cooperation Countries (GCC). On the other hand, India is the ninth-largest trading partner for EU 28.

Leaving the Single Market will bring its own problems for the UK and also make the remaining countries lose 20 per cent of their GDP. So from a trade point of view I feel it will be a disadvantage on both sides of the English Channel.

From an Indian trade perspective, the effect of Brexit will be neutral. Despite the unending FTA negotiations between EU and India, trade has grown both ways. It makes me wonder if we do in fact even need an FTA?

Indian trade with the UK, which is independent of the EU, will continue to move on its own steam.

Shishir Bajoria is the chairman of IFGL Refractories Ltd, manufacturing in India, UK, US, China and Germany. He is also the Bharatiya Janata Party's (BJP) state executive member for West Bengal



INDIANS HAVE AN IN-BUILT ENTREPRENEURIAL SPIRIT

Ravi Mehrotra is a well-known Indian shipping magnate who has built a strong diversified empire from scratch in the Foresight Group. He may have been based around the world over the years, from Iran to Europe, but has refused to part with his Indian passport to ensure his every achievement is counted as an Indian success story. 'India Global Business' takes a trip down memory lane with this self-made Global Indian.

How would you describe Foresight Group's genesis and key milestones?

I started my group Foresight in London in 1984 at quite a late stage in my career. I was 43 years old by that time. But I was the managing director of a shipping company working with the government of Iran and the government of India. I was seconded by the government of India to Iran. I was still running it when the Iranian revolution came in 1978. The Iranian government then requested India to lend my services to the development of Iranian shipping, which I did till 1983.

Then at the beginning at 1984, I felt that if I can do this for two governments, let me try it out myself. So I took a release from both sides and came to London and started Foresight.

It started as a normal little small company doing a little bit of shipping, broking and trying to find ways to grow. I landed in London with 24 years of experience but with empty pockets. As a managing director, you are well to do but that does not mean you can run a shipping company which requires millions of dollars.

So I had lot of goals, aims and experience but empty pockets.

What made you choose London as a base?

Shipping is a very peculiar industry. It has to be started in a place which has a shipping culture. So if we start from the Far East on the map, it is Yokohama, Hong Kong, Singapore, Mumbai, Dubai, Greece, the UK, Norway and Denmark.

For me, the ideal choice would have been Dubai because it was the closest and easiest. But I am talking about 32 years ago, when Dubai still had a black spot on its history as a place where smugglers began enterprises. So if I had started there, I would have had to deal with that baggage.

In Mumbai, the Indian bureaucracy at the time would not have helped matters and there was no venture capital. I would have been doomed to failure.

Singapore was a good option but a Chinese heritage was preferable back then; now it more in cosmopolitan. Hong Kong had the same issue.

With Greece, Norway and Denmark, I had a language handicap so I was left with no other alternative but the UK. When I started looking, I felt God has sent me this choice because British shipping was dying and all the institutions were available, but to use them you needed to have the right credentials.

Would you say an entrepreneurial spirit is something one is born with or can be cultivated?

I would say both are possible. If it is in the family, your DNA would have a knack to handle things. Whereas in my case, my father was a professor of economics and mother was a housewife. I had no one in the family who was in business, so there was nothing in the DNA to tell me that I could be an entrepreneur. It is purely down to experience.

For me the Iranian Revolution was a boon in disguise. Ayatollah Khomeini was fighting with everyone in the world and I was the adviser who had to make sure the venture I was tasked with was a success. It was an education platform.

What made you choose the shipping industry, or did it chose you?

I had to make a success of things and that also helped me to learn. You cannot succeed unless you know why. The know-how can be picked up anywhere but it is important to keep on analysing why you are doing a certain task. That gives you the strength to fight and compete with anyone.

I had never thought that a service class man like me can become an entrepreneur. I had to learn everything and create. I had to start something which I knew about and how it can be done. That is where my training in revolutionary Iran came in.

I started with shipping, which is very cyclical in nature. In fact, we are going through a shipping downturn since the financial crisis of 2008.

It has not revived even today. To survive in such an industry, you need to have a really strong mind. That is where I got the direction to diversify my group for longer lasting success. There are very few companies in the world in shipping which have survived 32 years, which we have managed to do. One way I was able to ensure that was to diversify my group in 1989 to oil drilling. Now with 26 years of experience in our pockets, we are one of the world's best known medium-sized drilling companies.

A fear of failure prevents some companies from diversifying but it is important. I took that plunge, lost some money but rolled up my sleeves and learnt from it. Then it became much easier to diversify further. We are in oil exploration, hospitality in China and shoe manufacturing and retail with Pavers England.

So shipping was necessary because I knew it well. I could stand my ground. But subsequent ones, you have to remove the fear of failure; you have to have a passion for whatever you are going for; without passion you cannot succeed in anything.

How would you say Europe fares as an investment destination?

It is a developed region but the traditional industries do not suit the local population because they have moved into the third industrial revolution of computers and IT. The existing institutions and facilities are there for anyone to grab. When I came to the UK, within less than five years UK shipping industry accepted me and even the Queen recognised me with a CBE because I almost re-established the shipping industry in the country.

It is for similar reasons that I took on the role of EICC [Europe India Chamber of Commerce] chair. I believe Indians have an in-built spirit of entrepreneurship, maybe because the nation was sitting on the Silk Route from China to Europe and India was the largest economy in the world in the 16-17th century.

If the right opportunities are given, Indians are very resourceful. In Europe, basic industries are getting out of their interest and these institutions are free to be grabbed and developed with hard work. I strongly feel the future of India's success will depend on developing existing industries in the country.
There is, of course, no short cut to working hard.

At a personal level, what would you describe as your most cherished achievements?

That is a tough one. The biggest achievement I guess would be establishing a 100 per cent owned company in the UK and making a success of it.

Then to diversify into oil drilling, which even today remains one of the few international oil drilling firms.

Another milestone I would recall is actually a failure. I was persuaded to start a five-star cruise service in India from Goa back in 2004. But I lost $36 million due to the lack of the right support. If it had worked out, we would have been the first real five-star cruise shipping company in the East. But my love for my country led me to create Pavers England, which is an internationally accepted brand today. They are world class shoes manufactured in India and China. It is a great matter of pride to have a truly Made in India brand and was India's first foreign direct investment (FDI) approval. Within the next 18 months, it will also become the best-selling brand of UAE.

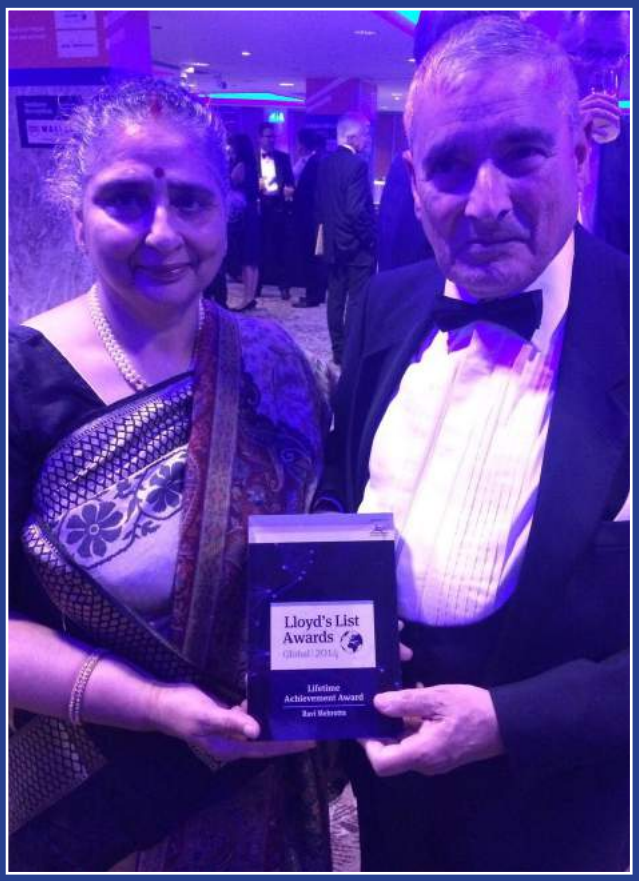
At my age, I am 75 years old, making money is not what gives me kicks. It is the achievement and creating something for future generations which gives me kicks.

How would you define your bond with India?

I am a Global Indian. I will always remain Indian at heart. I have been offered many but I have not accepted any other citizenship. I still carry the Indian passport.

I am welcome anywhere in the world to go and establish a business. Having started with no capital, today we have crossed $2.5 billion. The group has achieved this success thanks to a most wonderful team.

We have 2,000 people working in the Foresight Group and each one has contributed.



FACT FILE

Dr Ravi Kumar Mehrotra is the Executive Chairman of London-based Foresight Group. A marine engineer by profession, he joined the Shipping Corporation of India in 1964 and quickly rose through the ranks holding various senior positions, including secondment at Managing Director level on international Joint Ventures.

He was a key man of a team sent to Iran in April 1975 as founder-members of Iran-O-Hind Shipping Company, a joint venture shipping company 51 per cent owned by the government of Iran and 49 per cent by India and managed by two national shipping lines for day-to-day operations. In October 1979, he was made the Principal Advisor on shipping to the Government of Iran, and by this appointment he became the most senior foreigner in revolutionary Iran with the task of developing Iranian shipping.

He struck out on his own with Foresight Limited in 1984 and over a period of three decades, has developed Foresight/ Hallworthy Drilling into an international company with expertise in handling complex offshore projects.

Dr Mehrotra is also a Director of the Commonwealth Business Council as well as Chairman for Europe India Chamber of Commerce (EICC), headquartered at the European Union, Brussels.

Europe remains on India's trading radar

Countries like Hungary, Slovenia and Denmark are just a few that have made overtures for Indian investments in recent times.

India-Hungary plan on trade spike

India and Hungary have held talks on enhancing bilateral ties and trade as external affairs minister Sushma Swaraj met Peter Szijjarto, Hungarian minister for foreign affairs and trade.

Swaraj expressed satisfaction at the increasing bilateral trade between the two countries, which has touched $600 million. There are around 15 Indian companies operating in Hungary, including Apollo Tyres, TCS, WIPRO, Mahindra Satyam, SMR Group and Sun Pharma.

Szijjarto said Indian investment in Hungary had reached $2 billion and was providing employment to more than 10,000 people. He listed four focus areas for cooperation: automotive industry (31.5 per cent of Hungary's GDP comes from the automotive sector); construction industry, especially for affordable housing in which Hungarian companies were keen to enter the Indian market; water and sanitation to assist Clean India Mission; and innovative industries.

A joint India-Hungary science and technology fund of €2 million has been created to promote research in agriculture, pharmaceuticals, information and communication technology, nanotechnology and molecular biology.

The joint statement issued said: "Both ministers affirmed the urgent need for a comprehensive reform of the United Nations Security Council, including its expansion in both the permanent and non-permanent categories, so as to make it more effective, efficient and representative of the contemporary geopolitical realities."

Slovenia seeks Indian investment

Slovenia, a European country, has issued an invitation for Indian investors to invest in projects in the country.

Showcasing itself as an ideal investment hotspot for Indian companies, Jozef Drofenik, ambassador of Slovenia to India, invited Indian industry to collaborate, invest, partner and build business ties with their counterparts in Slovenia.

Drofenik said: "Slovenia is a perfect investment platform for Indian companies due to its excellent infrastructure, a well-educated work force, and a strategic location between the Balkans and Western Europe.

"We have a lot of small and medium sized companies having high technology and skilled work force. Slovenia has signed an agreement with the Indian Air force for hundred high-end planes which can cover maximum distance in one fuelling. Slovenia has one of the highest per capita GDPs in central Europe."

Dinesh Dua, council chairman, CII Chandigarh, said: "The economic and commercial relationship between India and Slovenia, particularly investment relationship, has grown in recent years. FDI flows from Slovenia to India between April 2000 and June 2015 are about $8.49 million, making it the 79th most important investor in India."

Denmark eyes India water pump market

Denmark-based Grundfos is eyeing 6 per cent sales growth for the next year from its operations across the globe, including India.

The leading water pump maker has set aside capital for business expansion in India and is also looking at manufacturing its products in the country.

Grundfos India has its operations based in Chennai, where it runs an assembling plant of water pumps. The components for water pumps in this plant are imported.

Grundfos India is responsible for the sale of Grundfos products in India, Bangladesh, Bhutan and Maldives. Mada Nipper, president and CEO, Grunfos Group, believes the Indian economy is best positioned for growth compared to other economies, as it is not over-dependent on resources from other parts of the world.

Will India-EU FTA slip further down priority list?

by Ashok Malik

An FTA between India and EU has already been nine years in the making and the pro-Brexit vote is unlikely to come as a fillip.

Negotiations for a free trade agreement (FTA) between India and the European Union (EU) have been in the works since 2007. Neither side has been willing to give up on key concerns. For India, these include easier access for its skilled professionals in Europe's services industry as well ease of business for its IT companies. The EU wants smoother entry for its automobile giants and for wines. The automobile issue is particularly sticky as India has significant manufacturing capacity here.

While these are the basic concerns, a range of other subjects have impinged on the FTA negotiations. India has found talking to a bloc as large as the EU, with the bureaucracy in Brussels hamstrung by 28 national capitals and their individual trade imperatives as well as bilateral relations with New Delhi, decidedly problematic.

In recent times, the focus of EU trade negotiators has been on the Transatlantic Trade and Investment Partnership (TTIP), the proposed FTA between the EU and the United States. Now, with the Brexit vote, the tortuous process of negotiating Britain's departure from the EU and the future of British-EU trade and commercial engagement will occupy Brussels. The India-EU FTA is likely to be deprioritised further, even if EU spin doctors will continue to blame India.

There is some hope of British and India trade relations moving to another orbit, given that London is freeing itself of Brussels. Having said that, some caveats are necessary. Around 800 Indian companies have set up offices and either European or global bases in the United Kingdom, of which 50 are genuine business expansions. The bigger companies are concerned by what Brexit will mean for access to markets in the EU.

Many of the others are fairly dormant investments or corporate camouflage for taking positions in the London property market.

There is scope for greater Indian investment in Britain and vice-versa, particularly as British companies with proprietary technology marry their intellectual property with India's manufacturing thrust ("Make in India"). Even so, these are individual deals that companies will finalise, with governments having a limited and facilitative role. As for big Indian investment in Britain, frankly that will depend on a surge in global demand for goods and services in general – a surge not visible at the moment – and also how quickly the uncertainty following the Brexit referendum settles down.

Given this, the next two years or so should see lots of good words between Brussels and New Delhi and, separately, London and New Delhi. Will the good words be matched by action? That is where the odds lengthen.

The one hope is the mix of anger, resentment and sense of good riddance that defines Brussels' current mood vis-à-vis London could see it striving to quickly conclude EU agreements with countries such as India, and elbow out Britain. Will that happen? Well, even Brexit wasn't supposed to.

Ashok Malik is a Senior Columnist

The business impact of India in the EU

by Arnaldo Abruzzini

The EU-India Trade and Investment Agreement is still under negotiation. After the EU-India Summit in March 2016, some steps have been taken from both sides to improve the collaboration but still a lot needs to be done to reach a successful conclusion of the deal.

Indian Prime Minister Narendra Modi has launched more than thirty schemes to modernise India since taking office. Among these, several touch upon key sectors in both countries, including climate change, urbanisation, innovation and technology transfer, energy and water management. Europe enjoys great expertise in these sectors, as demonstrated by its SMEs' continuous development of new technologies. EUROCHAMBRES' experience shows that much of this know-how can be highly beneficial to Indian enterprises in the same sectors.

It is of utmost importance that the views of the business and policy communities from both sides are represented in a constructive negotiation process. The creation of a common action plan that accompanies trade negotiations encourages the business community to pave the way for a constructive dialogue and thus contributes to smoother EU-India trade and investment relations.

India is one of the fastest growing economies and is currently attracting ever more foreign investors. The European Union ranks first on the list of countries per number of investors in India. The potential of the Agreement as a tool of enhancing European economy is clear and although negotiations between the two blocs have at times proved difficult, we must renew our efforts for an agreement to be reached.

Drawing from our management experience of the European Business and Technology Centre (EBTC) assisting European companies and research centres in entering the Indian market, EUROCHAMBRES can testify that European small and medium enterprises (SMEs) are not waiting for a trade and investment agreement before doing business with India but the conclusion of the Agreement would ensure a more favourable environment in which companies can operate.

In the field of Intellectual Property Rights (IPR) protection, EBTC has established an IPR helpdesk with the support of the European Patent Office (EPO). The main aim of the EBTC IPR Helpdesk is to facilitate and assist European companies in protecting invention in India, identify issues related to market access, public procurement, competition law and coordinates with other European organisations to build IPR capacity in India including advocating with the relevant authorities on IPR issues and challenges.

In the IPR sector, a good collaboration has been established also with the Indian Government. For example the 4th Indo-European conference on patents and ICT, hosted by the EPO and the Indian Ministry of Electronics and Information Technology, in association with EBTC and the Centre for Development of Advanced Computing, will take place on 9 December in Munich and will explore the opportunities and challenges of Industry 4.0 for the patent systems in Europe and India. Both regions are among the trailblazers in the ICT sector, as their respective industries are highly inventive and competitive on a global scale.

A lot can be gained if both the EU and Indian side will collaborate further and, if at policy level the relevant actors are not taking the lead, the businesses will.

Arnaldo Abruzzini is the CEO of EUROCHAMBRES – the Association of European Chambers of Commerce and Industry representing over 20 million enterprises in Europe – www.eurochambres.eu

POST-BREXIT BRITAIN:

Something will have to give

by Gareth Price

To say that the UK's vote to leave the EU has ushered in a period of "uncertainty" would be something of an under-statement. Even though the UK voted decisively to leave the EU, there is no consensus on what Brexit means in practice. On the one hand, a few politicians, along with much of the press, are celebrating the UK's new freedom to pursue trade deals with fast-growing emerging economies such as China and India, for now this freedom is theoretical – the UK cannot make any new deals until it has left the EU. the At same time, leaving the world's largest and richest single-market brings its own risks.
The optimists, in reply, suggest that we will not lose access to the single market. But remaining in the single market will require the UK to obey the EU's rules and almost certainly pay into the EU, without having the proverbial seat at the table to make the rules. The clear trade off which is emerging at present is about the degree of market access the UK will have against the obligation of free movement. The EU argues that the two cannot be combined, so unless a compromise can be found, something will have to give.

General political discourse in the UK seems to interpret the referendum result as a vote to reduce unrestricted immigration from the rest of the EU. So the deal could involve some form of temporary cap on EU immigration. But according to one survey, only a quarter of immigration since 1990 has been from EU states. A much greater proportion – 40 per cent – has come from South Asia. This is pertinent to talk of a future, enhanced UK-India relationship. For many years, top of the list from the Indian standpoint has been a desire for easier access to visas. Many Indians resent the fact that Indian students who study in the UK are prevented from looking for work here – this despite the fact they have frequently studied the subjects in high demand in the labour market (and have paid handsomely to do so).

Now, in the current political environment it seems highly unlikely that this situation would change, and that Indian visa access would be eased. In contrast, many Indians have noted that access to the Schengen area is much easier. And they have also noted the use of English in many European business circles – both facts have been promoted within India by several countries.

And, this has had an impact before the UK vote. A few years ago three quarters of Indian investment to the EU went to the UK (and three-quarters of that to London). That figure is now down to half. The UK may still be the gateway to Europe, but not as much as it used to be.

And, herein lies the problem. As the UK's new prime minister, TheresaMay, noted on April 25th this year: "We export more to Ireland than we do to China, almost twice as much to Belgium as we do to India, and nearly three times as much to Sweden as we do to Brazil. It is not realistic to think we could just replace European trade with these new markets."

So what next? Clearly steps are being taken to negotiate a Brexit. If the UK gets a great deal, then presumably it will exit. The question is what happens if the deal is clearly worse than the status quo. Meanwhile, while talking continues, the economy will suffer. Most likely, immigration will fall, potentially changing domestic public opinion.

Of course, the optimists may be right, and the UK may flourish in its brave new world. Yet, while economics may be the dismal science, if 88 per cent of economists think that the UK economy will suffer, the smart money would be bet elsewhere.
Politics also weighs against. Both Northern Ireland and Scotland (which both voted to remain) would be at risk of some kind of political upheaval. As Theresa May noted before the referendum: "If Brexit isn't fatal to the European Union, we might find that it is fatal to the union with Scotland". Further, she argued that leaving the EU "… would not, I believe, be in our national interest."

Of course, she may have changed her mind in the face of the vote and the internal dynamics of her party. Time will tell.

Dr Gareth Price is Senior Research Fellow, Asia Programme, at Chatham House. His field of expertise include economic reform in India and international relations in South Asia.

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India comes to grips with creating world-class universities

Indian universities have had the dubious distinction of lagging far behind on global rankings for decades. However, this year marked a significant shift, with a record 31 making the grade in the definitive 'Times Higher Education World University Rankings' for 2016. 'India Global Business' looks into what is behind India being branded the "star" of South Asia this year.

The Indian Parliament had recently passed the Institutes of Technology (Amendment) Bill 2016, which is hoped to mark a watershed moment in the country's perception as an education hub.

It covers setting up of new IITs at Palakkad, Goa, Dharward and Bhilai as well as substantial funds to fix low international ranking of the IITs. The human resource development minister, Prakash Javadekar, also revealed that the government has formed High Education Financial Agency (HEFA) to upgrade infrastructure and move Indian universities to be counted among the global best.

"The government's credo is 'Sabko Shiksha Acchi Shiksa (Good Education to All)' and has taken a number of efforts in this regards," Javadekar recently said.

And, these efforts seem to be bearing fruit already if the latest 'Times Higher Education World University Rankings 2016' are anything to go by.

India not only has a record 31 universities in the overall ranking but also has two institutions in the top 400 – the Indian Institute of Science (201-250 group) and the Indian Institute of Technology Bombay (351-400 cohort). There are 14 new Indian entrants in this year's list, which is topped by University of Oxford followed by California Institute of Technology and Stanford University in second and third place.

South Asia as a whole has almost doubled its representation in this year's list of the world's top 980 universities, claiming 39 places, up from 20 last year. Sri Lanka makes its debut in the table with the University of the Colombo in the 801+ band, while Pakistan has five new entries, taking its total to seven.

Phil Baty, the editor of the 'Times Higher Education World University Rankings' said: "But the star of the region is India, which has 31

INDIA'S BEST OF THE BEST

RANK 2016–17	RANK 2015–16	INSTITUTIONS
201-250	251–300	Indian Institute of Science
351-400	351–400	Indian Institute of Technology Bombay
401-500	401–500	Indian Institute of Technology Delhi
401-500	501–600	Indian Institute of Technology Kanpur
401-500	401–500	Indian Institute of Technology Madras
501-600	401–500	Indian Institute of Technology Kharagpur
501-600	501–600	Indian Institute of Technology Roorkee
501-600	501–600	Jadavpur University
601-800	601–800	Aligarh Muslim University
601-800	601–800	Birla Institute of Technology and Science, Pilani
601-800	601–800	University of Calcutta
601-800	601–800	University of Delhi
601-800	501–600	Indian Institute of Technology Guwahati
601-800	NR	National Institute of Technology Rourkela
601-800	501–600	Panjab University
601-800	601–800	Savitribai Phule Pune University
601-800	NR	Sri Venkateswara University
601-800	NR	Tata Institute of Fundamental Research
601-800	NR	Tezpur University
801+	NR	Acharya Nagarjuna University
801+	NR	Amity University
801+	601–800	Amrita University
801+	601–800	Andhra University
801+	NR	Cochin University of Science and Technology
801+	NR	Maharaja Sayajirao University of Baroda
801+	NR	Manipal University
801+	NR	Osmania University
801+	NR	SASTRA University
801+	NR	Sathyabama University
801+	NR	SRM University
801+	NR	Vellore Institute of Technology

Source: Times Higher Education World University Rankings' for 2016

universities in the list. Its leading university – the Indian Institute of Science – is edging closer to the top 200, claiming a spot in the 201-250 band, its highest ever position, and the country has four new entries in the top 800.

"India's strong performance is partly thanks to the country recognising the importance of participating in global benchmarking exercises; just last month the government launched a new funding-backed project aimed at catapulting Indian Institutes of Technology to the top of world university rankings."

Baty also described as "encouraging" that the Indian government had displayed an ambition to create world-class universities, witnessed by the country's leading institutions "edging towards the world top 200".

Rajika Bhandari, deputy vice-president of research and evaluation at the Institute of International Education and co-editor of the book 'Asia: The Next Higher Education Superpower?' said the "sharp rise" of Asia's universities is due to three main factors: rapidly growing populations and demand for higher education in the region; governments making "significant investments" in universities; and improvements by individual institutions.

On advances at university level, she said that many Asian scholars who studied at Western universities are now academics in their home countries and have "really begun to transform their own higher education sectors".

"They have brought back to [their] home campuses some of the teaching values of critical thinking and liberal education, as well as the idea of promotion based on merit and research outputs," she said.

The other Indian universities on the list include Indian Institutes of Technology Delhi, Kanpur and Madras, all within the 401-500 ranks, and IIT Kharagpur and Roorkee in the 501-600 band.

The calculation of the 'Times Higher Education World University Rankings' is subject to an independent audit by professional services firm PricewaterhouseCoopers (PwC).

The rankings claim to be the only global performance tables that judge research-intensive universities across all their core missions: teaching, research, knowledge transfer and international outlook. It uses 13 calibrated performance indicators to provide the most comprehensive and balanced comparisons, trusted by students, academics, university leaders, industry and governments.

Flanders accelerates India toward a bright, high-tech future

Flanders is all about synergy – synergy between knowledge centers, corporations, universities, markets and culture. The region's perfect combination of talent, innovation, infrastructure and purchasing power make it a bustling metropolis that gives wings to Indian businesses. Are you ready to take off? The sky is the limit in Flanders.

The gateway to Europe's biggest markets

New to Flanders? As the northern half of Belgium, the region is located right next to the beating heart of European commerce. People and goods travel at lightning speed to Europe's largest capitals and biggest markets – the UK, Germany, the Netherlands and France - in just a couple of hours max.

- 60% of Europe's purchasing power is located within 500 kilometers of Flanders.

A history of collaboration

Doing business in Flanders isn't a new concept to Indian companies. India is Flanders' most important Asian trading partner, receiving almost EUR 7.6 billion in exports. Imports from India into Flanders totaled around EUR 4 billion in 2015. Since 2009, the Belgium-India Social Security Treaty has boosted Indian investment by exempting Indian personnel from Belgian social security contributions – and vice versa, for Belgian personnel in India. Belgium's funding opportunities and tax incentives are some of the most extensive in the world, and the work permit process is a breeze.

- India is Flanders' most important Asian trading partner.

The result? Indian investments in Flanders continue to accelerate year upon year, with over 60 Indian companies currently present, representing industries as diverse as ICT, pharma, automotive, cleantech and financial services.

Big names in big business

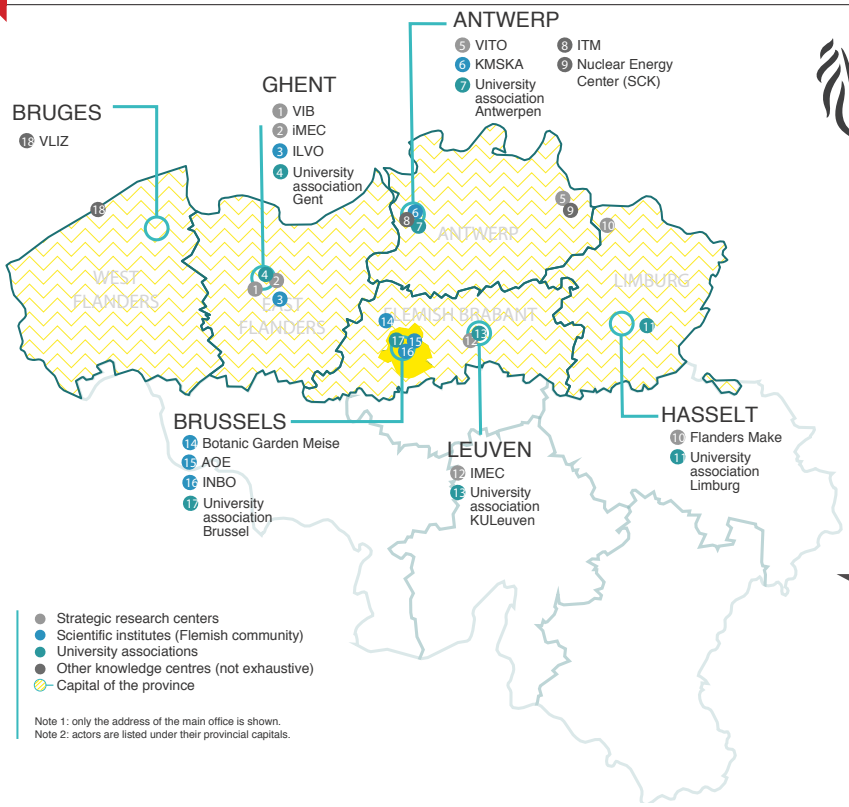
Add your name to the growing list of Indian companies – from newbies to global stars – that now call Flanders their strategic European home.

- Tata Consultancy Services
- Infosys
- Tech Mahindra
- Aditya Birla Carbon
- JBF Industries
- Piramal
- Godrej Group
- Binani
- Emrald Tyres
- State Bank of India
- Union Bank of India

Rewards for Indian investment

Knowledge-based economy

As an advanced region rich in talent, expertise, business and culture, the economy of Flanders is founded on knowledge – the new gold. The region is home to four of the world's most advanced science and technology research centers, which attract talent from across the globe. The rapid rate of innovation and scientific advancement in Flanders makes it the perfect place to generate high value returns and outpace other



FLANDERS INVESTMENT & TRADE

players, no matter the industry.

Skilled, multilingual, productive workforce

Ranked at the top of the list for quality of education, Flanders' workforce has a proven track record in math and sciences. The region also boasts 5 internationally-ranked universities and a number of globally-competitive management and business schools.

Flanders has the workforce worldwide. Workers in Flanders have an incredibly strong work ethic, outperforming workers in almost every other country in terms of productivity compared with labor cost. In fact, the workforce of Flanders is the 4th most productive in the world. The region's workers are also typically fluent in English, French and German and accustomed to international business environments.

A business-boosting blend of strategic research centers

Nothing highlights Flanders' frontrunner position in science and technology like the region's four knowledge centers. Nowhere else on earth are top-class facilities clustered together within such a small area. Tech transfer? Academic-industrial collaboration? World-altering breakthroughs? Flanders has it all.

INDIAN COMPANIES ARE PERFECTLY POSITIONED FOR HUGE GAINS HERE IN FLANDERS. THE REGION'S COMBINATION OF LOCATION, INCENTIVES, TALENT, KNOWLEDGE ECOSYSTEM, INFRASTRUCTURE AND CULTURE OF INNOVATION IS SO MUCH GREATER THAN THE SUM OF ITS PARTS. BUSINESSES HAVE EVERYTHING THEY NEED CLOSE AT HAND FOR SUCCESS IN EUROPE AND WORLDWIDE.

- Imec – leading nanotechnology research and digital innovation center.
- VIB – one of the world's premier life sciences institutes.
- VITO – multidisciplinary research center active in the fields of energy and sustainable development.
- Flanders Make – cross-domain research facility focused on the transformation of advanced production technology.

Ideal business environment

Indian companies are perfectly positioned for huge gains here in Flanders. The region's combination of location, incentives, talent, knowledge ecosystem, infrastructure and culture of innovation is so much greater than the sum of its parts. Businesses have everything they need close at hand for success in Europe and worldwide.

When it comes to ease of doing business, no other Western European country makes it simpler to get up and running. In addition to other personnel-related benefits, highly-qualified workers can receive their work permits in as little as two weeks. The governments of Flanders and the country of Belgium offer enticing business-boosting incentives and smart financing options to foreign companies with activities focused on green business, R&D, high-tech and more.

Get the facts: logistics in Flanders

Flanders is home to one of the most advanced logistics infrastructures in the world. With its high-capacity, high-throughput ports, extensive inland waterways and rapid rail, air and roadway connections to important European markets, it's no surprise that Flanders boasts more than 800 EDCs (European Distribution Centers). Bring your products to exciting new markets and go big via Flanders.

- Flanders has one of the most advanced logistics infrastructures in the world.

The numbers tell the tale, as Flanders has:

- 4 international seaports ranked 2nd best worldwide
- the world's densest road network
- the world's 2nd-densest railway network
- 1,375 kilometers of navigable waterways
- all major European markets within reach by road in under 24 hours

Superior in diverse tech sectors

As an urbanising economic powerhouse with a growing population, India stands to gain the most from innovations in ICT, advanced technology and cleantech. Flanders fits India's goals of empowering, connecting and improving the lives of its citizens like a glove.

- Leading-edge innovators in ICT, pharma, advanced technology and cleantech.

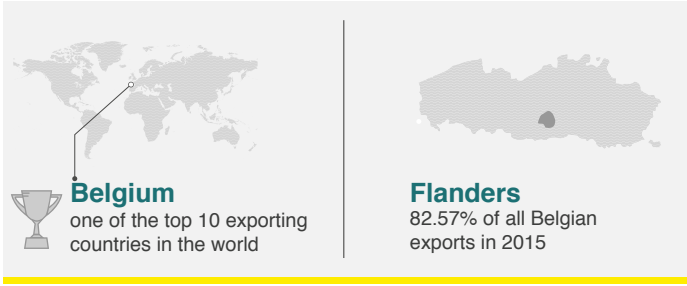
Cleantech was born in Flanders. Prominent renewable energy companies, innovative research centers and governmental support have been instrumental in developing Flanders' position as a pioneer in wind energy, solar energy, bioenergy and other alternative power sources. It's also a fact that 95% of all cleantech-related equipment produced here is exported abroad. Face the digital transformation head-on, save costs and outdistance your competitors by taking advantage of the advanced ICT infrastructure, technical knowledge and innovative atmosphere of Flanders. The region even offers unparalleled access to accelerators, technology clusters and incubators that can take Indian tech companies to the next level.

A match made in innovation

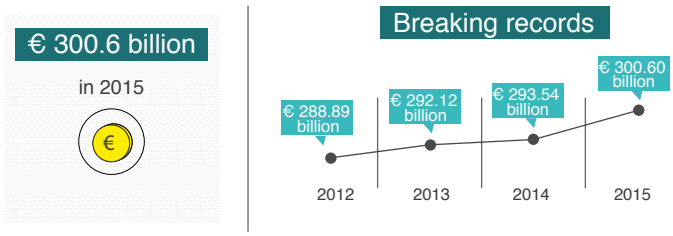
Flanders brings huge advantages to India in the form of technology and expertise in important sectors, including chemistry and pharma, advanced manufacturing and ICT. Technologies developed in Flanders are already resulting in huge payoffs for India – especially in the form of cleantech innovations and the establishment of smart cities.

India and Flanders? We need each other. With so much to offer on both sides of the equation, there's no question that Flanders and India are a match made in innovation.

FLANDERS' EXPORTS IN FACTS AND FIGURES



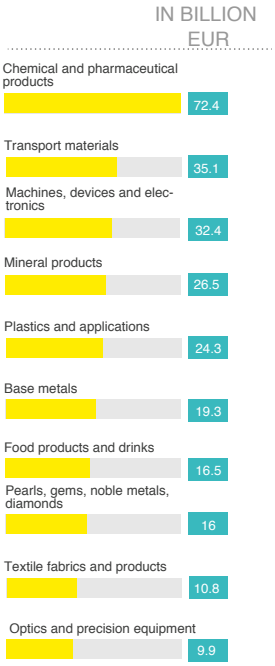
A CLOSER LOOK AT FLANDERS' EXPORT FIGURES FOR 2015



Top 10 export destinations

		IN BILLION EUR
1	GERMANY	51.3
2	FRANCE	38.1
3	NETHERLANDS	35.9
4	UK	27.4
5	US	18.1
6	ITALY	15.2
7	INDIA	7.6
8	SPAIN	7.3
9	CHINA	6.3
10	POLAND	5.7

Top 10 export sectors



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What made this Indian firm choose Flanders?

A Mumbai-headquartered manufacturer shares its reasons behind choosing Flanders as a European base.

The JBF Group specialises in polyester and related products with end-use applications in textiles and packaging. The group's activities in India are focused on polyester yarns & resin businesses and it recently announced its first foray into the petrochemical business with the setting up of a greenfield Pure Terephthalic Acid manufacturing plant in Mangalore.

The group's activities outside India operating manufacturing plant site located in UAE through its subsidiary JBF RAK LLC. It describes its UAE operations as a world-scale production facility for production of PET Bottle Resins & BOPET Films used in packaging/industrial applications. The UAE subsidiary further invested in expanding its global presence with setting up of new greenfield locations in Bahrain and Belgium.

Rohit Maindwal, director & chief operating officer (COO), JBF Group, explains the vision behind the latter

The selection of Flanders region was finalised as our feedstock supplier (BP) plant was already located in the region. The decision was simple and we worked on co-location model with BP from the beginning for our investment. The land lease was also provided by BP to facilitate the co-location of downstream unit.
Apart from this raw material co-location concept, logistics and support infrastructure in Flanders was ideal for setting up the most modern and largest PET plant in Europe. Logistics connectivity by roads/railways/waterways via Albert Canal were key points for our selection of location.

All our important suppliers were already located in petrochemical belt of ARA (Antwerp Rotterdam Area). Some of our largest downstream customers have their manufacturing sites within 200km radius of Benelux. The Flanders region being part of the ARA Petrochemical belt also provides easy availability of skilled manpower and support service contractors needed for running large manufacturing locations. The port of Antwerp provides an excellent gateway for global operations and traditionally many large logistics operators are based in region. This logistics efficiency is key to set up large modern operations to service requirements at competitive costs for the entire north western Europe region.

Due to the logistics efficiency of the area, our product can reach north Italy/east Europe locations using efficient multimodal infrastructure at competitive costs. This provides JBF a better reach to customers and market access to a larger geography than initially conceptualised as a primary market.

The waterways connectivity via the Albert Canal provides clean and efficient transport solutions, which is particularly preferred by our large brand owner customers for a lower carbon foot-print.

Our investment in Flanders was conceptualised with a target primary market definition in north-west Europe. The UK was not a primary sales market for JBF products manufactured in Belgium. So apart from global impact of Brexit to the EU economy, we do not foresee any direct impact to our operations.
Our message to other Indian firms looking at Europe would be to consider Flanders region as an option for your investments. The ARA region is ideal especially for petrochemical and downstream segments.
Flanders Investment & Trade (FIT) is one of the most supportive and investor-friendly team of people. They provide excellent support services for all new foreign investments in the region.

INDIA-AFGHANISTAN: A united front against terrorism

Manpreet Vohra took charge as the Indian Ambassador in Afghanistan last year and has already presided over some high-profile bilateral developments. The former Joint Secretary in the Ministry of External Affairs (MEA) has solid credentials behind him to handle the rigours of his latest diplomatic posting, also having served in the Indian High Commission in Pakistan. He took time out for 'India Global Business' to address some pressing questions as well as take stock of ties with Afghanistan, where India has invested over $2 billion in aid and reconstruction.

Would you say India and Afghanistan are on the same side when it comes to their stand against cross-border terrorism?

Yes, indeed. Our individual experience, our intel and our analyses all demonstrate that the driver of terrorism directed against both of us is common and from across the border. The safe haven, sanctuaries and support systems provided to the terrorists are also common.

Both countries hold the view that cross-border terrorism directed against them is the one fundamental issue that does not allow for normal inter-state relations to flourish and stymies bilateral and regional cooperation.

We have both consistently demanded that Pakistan should live up to its bilateral and international commitments, take decisive action against various terrorist groups and not allow its soil or territories under its control to be used by terrorists against us.

Incidentally, this is a belief and concern about Pakistan's duplicity and its real actions and intentions, as opposed to its words and assurances, that is now also widely shared by the entire international community.

What kind of positive role have Indian businesses been playing (and continue to play) in the region?

Many Indian businesses are now efficient and competitive global players. They trade and invest substantially in the region, which is an extremely positive phenomenon. Joint ventures with local companies also create synergies and serve to build domestic capacities in the other countries.

What are some of the Indian trade/business/developmental success stories that don't often get highlighted?

In Afghanistan, some of the infrastructure projects being executed by Indian companies in challenging circumstances often go under-reported. So do their contributions in the medicine, health and education fields. India's small development projects, which are in the hundreds

BOTH COUNTRIES HOLD THE VIEW THAT CROSS-BORDER TERRORISM DIRECTED AGAINST THEM IS THE ONE FUNDAMENTAL ISSUE THAT DOES NOT ALLOW FOR NORMAL INTER-STATE RELATIONS TO FLOURISH AND STYMIES BILATERAL AND REGIONAL COOPERATION. WE HAVE BOTH CONSISTENTLY DEMANDED THAT PAKISTAN SHOULD LIVE UP TO ITS BILATERAL AND INTERNATIONAL COMMITMENTS, TAKE DECISIVE ACTION AGAINST VARIOUS TERRORIST GROUPS AND NOT ALLOW ITS SOIL OR TERRITORIES UNDER ITS CONTROL TO BE USED BY TERRORISTS AGAINST US.

and in every province of Afghanistan, also do not get adequately highlighted as compared to some of our larger and more high-profile projects.

What impact has the recent visit by PM Modi [August 2016] had on India-Afghan ties?

Prime Minister Modi has visited Afghanistan twice in the space of less than six months. This itself is quite unprecedented and reflects his personal interest in and commitment to Afghanistan. The vision that he described in his memorable address to the Afghan Parliament on 25 December last year caught the imagination of all Afghans and re-energised our bilateral relationship. It has reassured Afghanistan that India will not be deterred and will never abandon it. Instead, India will stand firmly with its Afghan friends through thick and thin and will continue to assist them in their reconstruction and nation-building efforts, economic rejuvenation and human resource development. More assistance has been pledged by India. New avenues of cooperation have been identified by both governments and there is a firmer resolve on both sides to cooperate even more actively and find innovative solutions to build greater connectivity.

On a personal note, what have been some of the highlights during your posting?

Prime Minister Modi's visit to inaugurate the India-Afghanistan Friendship Dam (Salma Dam) is certainly the first. That the real impact this project has quickly made, exceeding even our expectations, is a matter of immense pride and satisfaction.

So is the signing of the trilateral Chabahar Agreement with Iran and Afghanistan. Visits to India by President Ashraf Ghani and Chief Executive Dr Abdullah Abdullah have also been highlights.

India's announcement last month of additional assistance of $1 billion to Afghanistan, and the impact it made at the Brussels Conference on Afghanistan this month, has been most satisfying.

Finally, the regard that I see for India, and the affection I have received from Afghans, has been extraordinary.

How do you perceive India-Afghan ties shaping up in the near and long term?

There is much natural and spontaneous warmth between Indians and Afghans and a firm belief in our civilisational links. This, coupled with the contemporary aspects of our strategic partnership and deep cooperation and mutual assistance, will ensure further strengthening of our ties in the years ahead.

RUNNING THROUGH THE OBAMA LEGACY

Nisha Desai Biswal as the Assistant Secretary of State, Bureau of South and Central Asian Affairs, US Department of State, is at the heart of foreign policy affairs in Washington DC. Despite a hectic schedule in the lead up to the elections, she took time out for 'India Global Business' to track the legacy President Obama is likely to leave behind and what lies in store for India-US ties under a new leader.

How much of the recent US-India bonhomie is because of the personal chemistry between President Obama and Prime Minister Modi?

The strategic partnership between the United States and India is anchored on the premise that our two democratic, pluralistic, and secular societies share many of the same attributes and aspirations.

Yes, the two leaders share a rapport, but it is that premise that led President Obama to characterise the relationship as a defining partnership of the 21st century. And it isn't just the relationship between our two leaders that defines the partnership – it is also the millions of human ties that link us together. There are over 3.4 million Indian-Americans living in the United States. Indians are one of the fastest growing ethnic groups in the United States and one of the most economically successful.

Thousands of Indians come to the US every year to work and study. Some stay on to become US citizens and others return to India to start businesses and raise their families. Each represents a link between our countries. The two leaders' personal chemistry has certainly boosted bilateral ties and a sense of common purpose, but our partnership with India preceded that relationship and will continue to grow based on broad, bipartisan support.

India is the world's largest democracy, world's fastest-growing major economy, and soon-to-be the most populous nation on Earth. How India expands its economy, evolves its strategic doctrine, asserts its interests and values, and projects its growing economic, military, and political power will have important consequences not just for 1.25 billion Indian citizens, but increasingly for the rest of the planet. That is why the US-India partnership is of such extraordinary importance for the United States and will, I believe, shape the future of geo-politics and global economics in the 21st century.

What would you say would be President Obama's legacy vis-a-vis India?

President Obama was prescient when he declared at the very beginning of his term that the US-India relationship is a defining partnership for the 21st century. The events of the last eight years are a clear indication of that vision.

One of the most important outcomes, in my mind, of the years of effort, is the clear and compelling vision that was laid out by Prime Minister Modi during his visit in June of this year, before a Joint Session of the US Congress. The Modi Doctrine laid out a foreign policy vision that "overcomes the hesitations of history" and embraces the convergence between our two countries and our shared interests. The Prime Minister harkened back to the framing of his mentor, Prime Minister Vajpayee, to invoke the natural alliance between our two countries, calling the United States India's indispensable partner. He reiterated his bold joint strategic vision with President Obama for a US-India partnership that can anchor peace, prosperity and stability from Asia to Africa and from the Indian Ocean to the Pacific, and can help ensure security of the sea lanes of commerce and freedom of maritime navigation.

PRESIDENT OBAMA WAS PRESCIENT WHEN HE DECLARED AT THE VERY BEGINNING OF HIS TERM THAT THE US-INDIA RELATIONSHIP IS A DEFINING PARTNERSHIP FOR THE 21ST CENTURY. THE EVENTS OF THE LAST EIGHT YEARS ARE A CLEAR INDICATION OF THAT VISION.

In addition to the strong bilateral relationship, I imagine the President is pleased with India's commitment to combating global climate change through the ratification of the Paris climate change agreement. India is one of the most important countries in the world in terms of global energy and, by joining the Paris agreement, Prime Minister Modi has shown global leadership in climate change mitigation.

What are the foundations laid and what new beginnings have been made?

There was no hyperbole in Secretary Kerry's statement last year that "we may do more with India, on a government-to-government basis, than with any other nation". The bilateral architecture of the US-India partnership reflects the investment both countries have made in building ties between our people, our industries, our governments, and our security establishments. It has created a platform for an unprecedented level of cooperation meant to expand our respective economies and make our citizens more secure.

As we reflect on the ambitious trajectory of this relationship, we have to give credit to the previous administrations in the United States and India for setting us on this path. The US-India Civil Nuclear Agreement of 2008, signed by President Bush and Prime Minister Singh is historic. It not only made possible civil nuclear cooperation between the United States and India that will provide power for 60 million Indians and create thousands of new jobs in both countries, but also laid a foundation on which we have built a strategic partnership that has made both countries safer and more prosperous.

The US-India Strategic Dialogue, launched by Secretary Clinton in 2009, has expanded dramatically in the past seven years and now includes high-level bilateral dialogues and working groups spanning policy planning, global leadership, finance and economics, commerce, transportation, aviation, space, climate change, maritime security,

TODAY, THE UNITED STATES IS ONE OF INDIA'S LARGEST TRADE AND INVESTMENT PARTNERS. OUR BILATERAL TRADE IN GOODS AND SERVICES HAS GROWN TO OVER $100 BILLION, FIVE TIMES WHAT IT WAS 10 YEARS AGO

energy security, infrastructure, cyber policy, defense policy, political-military relations, homeland security, the oceans, East Asia, Africa, the Middle East, and the United Nations.

India also represents a key part of this Administration's Asia policy.

India's Act East strategy and the US Rebalance to Asia are complementary and mutually reinforcing, promising to bring greater security and prosperity to the Indo-Pacific region. At a time of new challenges from both state- and non-state actors to the international rules-based order, India has increasingly taken a strong stand in defending a system that has sustained global security and prosperity for over seven decades. Nowhere is this expressed more clearly than in our Joint Strategic Vision for the Asia Pacific and Indian Ocean Region, issued by President Obama and Prime Minister Modi last year. This Vision enshrined our mutual commitment to safeguarding maritime security and ensuring freedom of navigation and overflight throughout the region, including in the South China Sea, and across the globe. We're now implementing a roadmap that sets out a path of cooperation to realise this commitment and enable India to become a net provider of security in the Indian Ocean region and beyond.

We have also expanded our cooperation with India to combat terrorism and violent extremism, through a joint working group and a bilateral agreement to exchange intelligence and terrorist watch-list information. This cooperation, which includes regular trainings through the State Department's Anti-Terrorism Assistance programme, as well as joint sponsorship of terrorist designations at the United Nations, has made both our nations more secure.

How feasible is the recently set target of $500 billion for bilateral trade given the overall global slowdown?

The United States is committed to working with India to fully unlock the true potential of our economic ties.

Today, the United States is one of India's largest trade and investment partners. Our bilateral trade in goods and services has grown to over $100 billion, five times what it was 10 years ago. Import tariffs on average are more than 30 times lower than they were in 1991, when then-Finance Minister Manmohan Singh began sweeping reforms. And since 2005 we have seen an increase in goods trade by 250 per cent, in services trade by 350 per cent. Bilateral trade of $100 billion is a good start but we have room for significant growth, especially if we can move forward on a high-standard Bilateral Investment Treaty (BIT), the completion of which would help India attract more US capital and technology. As part of Prime Minister Modi's Invest India campaign, India is working to bring international investment into the country and create opportunities for the one million Indians entering the workforce every month. A BIT will go a long way toward bringing our economies closer and reducing the friction that's only natural with two complex free-market systems such as ours. It will help us move past the choppiness that comes from not having an over-arching investment framework. And it will open up even more opportunities for American and Indian firms.

India is making strides to improve the ease of doing business, and I congratulate the country for moving up 16 spots in the World Economic Forum's ease of doing business rankings. Further changes in India's investment and tax policies could attract increased capital flows from across the world. The passage of the national Goods and Services Tax is a huge step forward, but regulatory requirements need to be transparent and consistently enforced. As in any country, contracts must be upheld and honoured across jurisdictions, and intellectual property rights – based on international norms – must be recognized. Such efforts support the growth of American companies in India while supporting Indian households.

Which sectors will drive this growth?

There is tremendous economic potential in clean energy. The United States and India have mobilised nearly $3 billion in the last six years for projects in India. Together we are doing cutting-edge research on solar, biofuels, and energy efficient buildings. New energy storage technologies being developed in the United States could revolutionise how renewables are deployed and grids are built in India. Our civil nuclear cooperation continues to advance, and will be a vital part of India's energy future.

Infrastructure needs in India are estimated to be in the $1.5 – $2 trillion range. The Indian government has a strategic focus on infrastructure development and has initiated an ambitious nationwide program to build 100 Smart Cities. This will mean a wide variety of major infrastructure projects across the country in sectors ranging from water and power to transport and healthcare that will offer opportunities for collaboration between our companies both large and small.

Beyond energy and infrastructure, services from both countries will continue to be a major source of trade growth. As the country

continues to grow economically, India's ability to both supply and demand new services will improve dramatically. Defence and aerospace will also be drivers for growth. India has made impressive progress in recent economic reforms such as the new bankruptcy legislation and the Goods and Services Tax. These are important developments and will benefit the Indian economy tremendously.

However, barriers to trade and investment, such as a lack of sufficient intellectual property protection and enforcement, continue to limit trade opportunities.

What are your views on the concern in India about the US making it difficult for Indian professionals, especially in the IT sector, to go and work in that country?

Promoting economic and social ties between the United States and India is one of the highest priorities of the US Mission/Department of State. We are committed to providing the highest level of service possible in adjudicating visas for Indian citizens. Mission India's non-immigrant visa workload is one of the largest in the world. This reflects the expansion in people-to-people ties and our bilateral relationship.

Accommodating visa demand on this scale requires adequate staffing. We are encouraged by recent developments in our discussions with the Government of India to add new consular positions to meet the needs of our growing, vibrant relationship.

Increasing US-India business-to-business ties remains one of our highest priorities and we greatly value Indian companies' continued investment in the US economy, which supports thousands of US jobs. As was the case with the previously enacted fees, the new H-1B and L-1 provisions are not limited to nationals of India or any other country. Mission India continues to process the world's largest number of H1-B and L-1 cases. In FY 2015, Indian citizens received 69 per cent of all H-1B visas and 30 per cent of all L-1 visas issued worldwide, more than nationals of any other country.

The US stand on Indian domestic sourcing norms for solar panels is seen in India as harsh and unfriendly; your comments?

The United States remains committed to working with India to realise our shared vision of strengthening the clean energy sector and deploying solar energy in India. We enjoy ongoing and productive collaboration on energy, which we view as a strategic pillar of the relationship and essential to meeting our continued work on clean energy and realising our mutual commitments to mitigate climate change.

However, local content requirements, a requirement that a certain percentage of material in the production process come from local

sources, can undermine efforts to promote clean energy by requiring the use of more expensive and less efficient equipment, and we have encouraged our partners to avoid such policies. We look forward to continued cooperation with India on energy access and security goals.

and security in the Asia Pacific and Indian Ocean region. The United States supports India's rise as an increasingly capable actor in the region, and we are deepening our strategic partnership. Signing of the Logistics Exchange Memorandum of Agreement (LEMOA) in August was a big step in this direction and we continue to conduct robust service-level exercises, including our annual MALABAR naval exercise with India and Japan.

> **The United States is now one of India's leading defence suppliers and has proven itself a reliable defence partner, with a record for transparency, timely delivery and superior technology.**

There is a feeling in India that the US remains reluctant to part with really cutting edge defence technology to India. Why?

Of all the areas that define the future of a strong US-India partnership, none has seen more growth than our defence and security ties. Without ensuring the safety and security of our democracies, the other areas of cooperation would simply not be possible. Our defence partnership with India is among our most important in the world and during Prime Minister Modi's June visit to the United States, India was designated a major defence partner. As President Obama has stated, India can be an anchor of stability

India now conducts more military exercises with the United States than with any of the other 23 countries that it holds bilateral exercises with. These military exercises have grown not just in number, but also in complexity.

The United States is now one of India's leading defence suppliers and has proven itself a reliable defence partner, with a record for transparency, timely delivery, and superior technology. Under the Defence Technology and Trade Initiative, we're working to co-develop and co-produce new defence technologies, including jet engine technology, to support India's indigenous defense sector.

Our aircraft carrier working group under this initiative marks the first time the United States has lent support to another country's indigenous carrier development programme, and we hope to see a day in the not-too-distant future when the US and Indian navies – including aircraft carriers – operate side-by-side to promote maritime security and protect freedom of navigation for all nations.

The Narendra Modi government is trying to isolate Pakistan internationally. How does the US government view this initiative?

Since his inauguration, I believe that PM Modi, working with his Pakistani counterpart, Prime Minister Sharif, has made significant and important efforts at fostering a much needed dialogue between the two nations. We give credit to both governments for a number of important efforts, including PM Modi's visit to Lahore in December 2015.

However, it is clear that militants in the region clearly do not want this dialogue to proceed, and we recognise that in the aftermath of terrorist attacks, like the one that killed so many Indian soldiers on September 18 in Uri, dialogue is difficult. However, I firmly believe that a better future for the region – for the prosperity and security of both countries, as well as for our own interests in the region – comes via dialogue and communication, even on the most difficult issues. Indeed, perhaps it is most important on the most difficult issues.

So we will continue to support both countries' efforts to get back to talks, and to a regional environment that is conducive and supportive of such talks.

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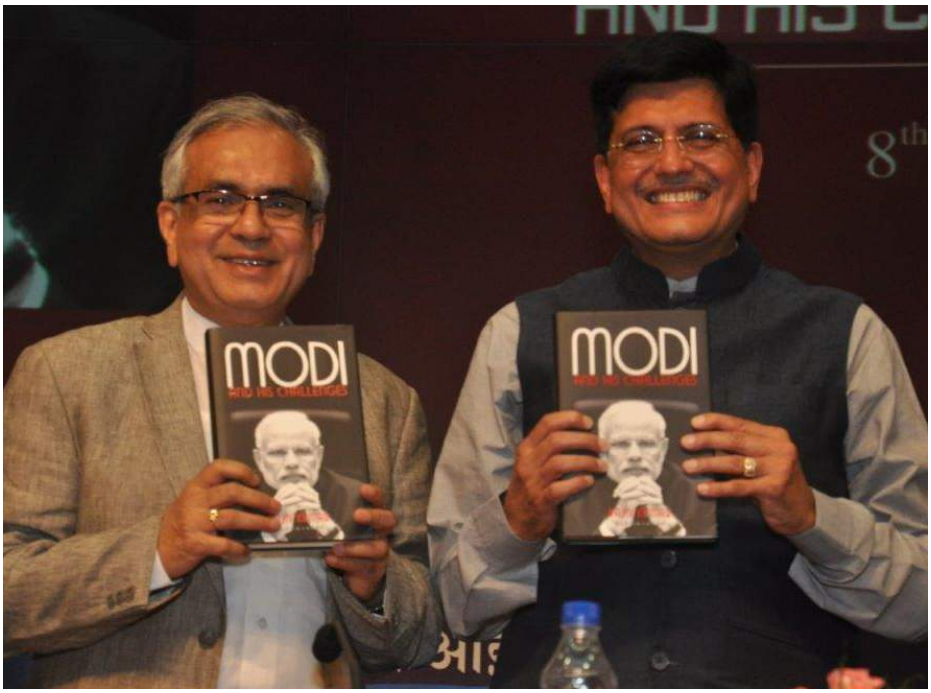
Taking India-US ties to a new level needs a bold Indian initiative

by Dr Rajiv Kumar



The general mood within the US has changed over the last few years, as reflected in the aggressive 'US first' stance of both candidates, argues a senior foreign policy expert. In this 'India Global Business' exclusive, he weighs up the steps India can take in the post-Obama landscape.

Irrespective of who moves into the White House on November 8, the four key determinants, from the Indian perspective, of establishing robust and mutually beneficial Indo-US relations will remain unchanged.

These determinants are:

- securing greater access for Indian exports of goods and services in the US markets;
- improving India's access to sophisticated, possibly dual use technologies for upgrading capabilities of domestic companies for production and export of strategic equipment;
- addressing India's security concerns, both in our immediate neighbourhood and more widely in Asia;
- and US assistance in securing India's position on the high table of global governance.

In the above context, India will surely like to push forward with the strengthening of bilateral economic and commercial relations, which despite the unprecedented rapport between Prime Minister Modi and President Obama, continue to remain well below their actual potential.

While India would like to build greater momentum on economic, commercial and technological flows, for the US, it may be more important to first assure itself of a convergence with India on global geo-strategic issues.

Global circumstances as well as the general mood within the US has changed over the last few years, as reflected in the aggressive 'US first' stance adopted by both Presidential candidates. In this context, the next President could insist on achieving geo-strategic convergence between the world's two largest democracies as a pre-condition for further bolstering of economic and technological ties. Prime Minister Modi would do well to assure the next US President of India's readiness to forge an effective strategic partnership with the US. This would provide the most powerful basis for boosting Indo-US economic and commercial ties, thereby achieving the significant potential that has hitherto remained unachieved.

It can hardly be assumed that the next President will automatically continue the surge in US interest in promoting Indo-US ties, as done by President Bush and largely sustained by the Obama administration. It can be argued that to sustain US interests in further strengthening the bilateral Indo-US relationship, India will have to demonstrate its willingness to actively identify areas of strategic convergence with the US and show readiness to work together with the US in achieving these convergent interests.

This may imply a greater willingness on India's part to accommodate US interests and not always insist on a "relationship at its own terms". This necessitates a continued engagement between the two countries at the highest strategic levels and the understanding that a more nuanced approach is required

to forge convergence where possible and persist with dialogue in other areas where present positions of the two may be somewhat divergent. Such a strategic approach will lift the relationship above the transactional space in which a strict quid-pro-quo becomes the norm and a defensive rather than a progressive stance comes to dominate the bilateral relationship.

Given India's relatively low share of 1.6 per cent in global exports, it is critical to achieve better access to the largest market in the world. The US has shown the smartest recovery amongst all OECD economies, in the post Lehman period. It had done relatively far better than the Euro area and Japan, which are both struggling to regain their growth momentum, with the former also now enmeshed in deepening social and political strife triggered by the growing migrant crisis.

The US, which continues to account for a quarter of the global consumption is not only by far the largest single market in the world but is likely to remain relatively more open and accessible than the Europe, China and Japan. The common historical experience of nearly all successful Asian emerging economies like China, Korea and Taiwan has been their dependence on the US market for absorbing their rising exports, which have fuelled their GDP growth over decades.

India also cannot hope to achieve the required employment intensive double digit rate of GDP growth without significantly expanding its exports of both goods and services to the US. It is perhaps obvious that without the active support/pull of the US corporations who procure globally for the US market and are key to Indian companies being included in the global supply chains, directed to the US and European markets, a sustained upsurge in Indian exports of both goods and services, will be very difficult if not impossible. A comparison with China is revealing and has some important lessons for India. In 1985, Chinese exports to the US at $3.8 billion were marginally higher than Indian exports of $2.3 billion. By 2015, the difference between the two countries' exports to the US was of more than $400 with Chinese exports mounting to $483 billion while India's climbed to a mere $45 billion.

The general understanding about the Chinese success in expanding its exports to the US by more than 150 times over 30 years has been that it was the US MNCs that imported from China and not Chinese firms that exported to the US. The critical difference between the two countries experience was China's amazing success in attracting export-oriented corporate investment from the US. Similarly, India will have to give up its remaining reservations against FDI and try its best to attract the US MNCs to invest in India. Indo-US trade relationship will necessarily be built upon an edifice of rising two-way investment flows between the two economies. It is therefore essential that the two countries work to finalise the Bilateral Investment Treaty that has been hanging since almost a decade. Prime Minister Modi should direct the Indian negotiators to

complete this task as it will reassure US investors of receiving appropriate protection under Indian laws for their joint ventures in India.

For reducing import dependence for strategic equipment and over time export such equipment to third countries, the Indian industry, both private and public sector, has to upgrade its technology and R&D capabilities virtually across the board. Some of this is already beginning to happen with the recent trend of rising defence imports and technology transfer from the US companies to Indian firms. This is a direct result of Prime Minister Modi's initiatives in jettisoning past mistrust and putting Indo-US relations on a qualitatively higher footing. While the importance of enhancing our domestic R&D capabilities can hardly be over emphasised, it is palpably evident that better access to high technology imports from the US can significantly contribute to India's efforts in this regard.

Following the signing of the Indo-US Civil Nuclear Agreement, the dual use technology denial regime has been substantially transformed and is likely to be applied differently to India. A more positive US stance on high-technology exports will also improve access to such technologies from other sources like Japan, Germany and Israel. A significant foreign policy thrust is needed at this stage, for India to be recognised, in as short a time as possible, as 'being on the same side' by high technology producers in the US and its allied countries. India should take the lead in developing a symbiotic relationship with the US, that can grow over time to fulfil President Obama's promise of Indo-US relations being the defining relationship of the 21st century.

To conclude, India should, in its larger and longer term national interests, offer relatively greater space for perceived US economic interests. Examples would be to allow FDI in multi-brand retail and further liberalise the financial sector. Such win-win actions, which also serve India's own growth objectives should be expedited.

The ongoing discussions on bilateral Indo-US investment treaty, which India has already signed with a number of other countries, should be concluded speedily. And bilateral trade negotiations, which have been meandering in recent years could be given a sharper focus and brought to some conclusion.

India would do well to offer to negotiate a free trade in goods and services agreement with the US. With such an offer from India on her table, the incoming US President will find it much easier to convince her administration to make extra efforts for promoting Indo-US bilateral ties. The short but important point is that by offering greater economic space to the US, India would profitably serve both its economic and political interests.

Rajiv Kumar is Founder-Director of Pahle India Foundation and Senior Fellow at Centre for Policy Research, Delhi.

India makes its mark in the US market

From ICT to pharmaceuticals, Indian firms have made some major strides in the American market in recent months.

TCS among Top 100 US brands

Tata Consultancy Services, India's leading global IT services, consulting and business solutions organisation, announced its ranking as the 58th most valuable US brand in the annual 'Top 500 US Brands' survey by brand valuation firm Brand Finance.

The Brand Finance study evaluates the financial value of a company's brand name, intellectual assets and trademark as compared to companies across industries. TCS is one of only four global IT services companies recognised as a Top 100 Brand in the US and is the sector's most powerful brand with a score of 78.3 points, earning it an AA+ rating. Moreover, TCS brand value grew 286 per cent from $2.3 billion in 2010 to $9.04 billion in 2016, marking the fastest growth across the IT Services industry during this period.

David Haigh, CEO of Brand Finance, said: "TCS' customer focus has been central to its recent success, but a closer look at our data shows strong and improving scores for brand investment and staff satisfaction, too.

"It has emerged as a dominant force in the IT services industry and is the strongest brand in the sector. Its brand power is indisputable."

Chennai firm plans US expansion

Chennai-based self-publishing start-up Notion Press announced it has raised $1 million in pre-series A funding.

Naveen Valsakumar, co-founder and CEO, Notion Press said: "We are growing aggressively and looking to go international this year. We will be intensifying our coverage across India and fuel our operations internationally as well with the raised funds.

"We are launching our US operations in the middle of September and would be launching in three other countries by end of this financial year. With support from our investor group, we will be able to execute our vision more rapidly and broadly."

The firm also wants to venture into the regional language space, leveraging the technology.

It was founded in 2012 and has published over 2,000 authors across 100 countries. It offers various publishing, book printing, distribution and marketing services to both authors and publishers from around the world.

Azure Power scales down NY IPO

Indian solar power producer Azure Power Global Ltd reduced the number of shares it plans to sell under its initial public offering (IPO) in New York after it agreed a $75-million (€67mn) investment from a Canadian pension fund manager.

Azure Power said last month it planned to sell a bit over 5.86 million equity shares at an estimated price of between $21.00 and $23.00 apiece. The company has revised its filing and now intends to offer 2.45 million shares at that price range.

The reason for this move is that CDPQ Infrastructures Asia Pte Ltd, a wholly-owned unit of Caisse de depot et placement du Quebec, has agreed to buy $75 million worth of newly issued equity shares at a price per share that is equal to the lesser of $22.00 and the actual IPO price.

The Madangir-based company was founded in 2009 and booked $46 million in sales for the 12 months ended June 30, 2016.

TRUMP VS CLINTON:
Who is likely to be India's next best friend?

by India Inc. staff

With just weeks to go, the search for the 45th President of the United States is getting increasingly tighter and fractious. 'India Global Business' evaluates the strengths and weaknesses of the two main candidates – Donald Trump and Hillary Clinton – to see what India has in store under a new US President.

Traditionally, the 50 states vote either for the Republican or Democrat candidate largely on a set pattern based on the two parties' take on a host of issues that confront the world's most powerful country. This time around, the challenge posed by multi-billionaire businessman Donald Trump – the outsider – who first confounded everyone when he became the Republican candidate and has continued to befuddle his critics and political experts alike with his strong campaign, has added much spice to the election. Trump does not have a political legacy and lacks experience in fighting electoral battles. Yet, he has used his position as a rank outsider to question the prevailing political discourse and funnel the disenchantment among the people against the political "elites" as a whole.

Pitted against a seasoned Hillary Clinton — a former First Lady and Secretary of State — the cacophony surrounding the campaign trail has often bordered on the bizarre. Even though it belongs to the other end of the planet, India has a lot at stake in the November 8 elections.

The country enjoys an upper hand in bilateral trade and the growing proximity between the two nations since 2000 has helped India tackle some of its problems, including managing its troublesome neighbours China and Pakistan. The US can do much more but India must first find out where the two stand on issues that impact its interests.

Indo-US trade: Who can take it to next level?

In terms of economy and trade, US plays a critical role for India. Any major step that alters the scenario in the States will have a significant impact in India. The US is the second-largest trade partner to India, next only to China, and bilateral trade between the two countries was $96.7 billion in 2013, up over 400 per cent from $23.9 billion in 2003. Of this, US exports to India were $35.7 billion and imports were $61 billion, producing a bilateral trade deficit of $25.4 billion in 2013 that itself grew from a deficit of $6.3 billion in 2003.

The US stock of foreign direct investment (FDI) in India has also increased — over 600 per cent since 2003 — from $4.8 billion in to $28.4 billion in 2012. And while Indian investment in the US has experienced 1,400 per cent growth, this was on a low base of $350 million in 2002 and was only $5.2 billion in 2012.

An important aspect of this two-way trade is in services, which grew 600 per cent since 2003, from $5.8 billion to $32.5 billion in 2013. This includes an increase in India's services exports to the US of over 900 per cent since 2003 — from $2 billion to over $19 billion in 2013 — and growth in US service exports to India of over 350 per cent from $3.7 billion in 2003 to almost $13.5 billion in 2013. Even though the US enjoys a services trade surplus with the rest of the world, with India its services trade deficit has been growing since 2006.

It is this imbalance in trade both in goods and services that has featured on numerous occasions during the campaign trail of the two candidates. There is a not-so-insignificant chunk of America's population that feels aggrieved by job losses through outsourcing. India and China are the main culprits in popular perception. Trump's campaign has often focused on the bilateral trade mismatch and his attacks on many previous administration's free trade agreements (FTAs) have found support with the traditional American voter.

"People are tired. They want to have strength. They don't want to have trade deals where China has got a trade deficit of $505 billion a year; where we have trade deficits, massive trade deficits with Mexico, with Japan, with Vietnam, with India, with everybody, folks, with everybody," Trump had said at a crowded election rally in Atlanta, Georgia in June. "I mean, practically every country in the world when they do business with the US, it's called let's rip them off. It's like we're all the big, bad dummies. Those days are over if I win. Those days are over. They're over."

It is still unclear how much or what exactly he will do should he become the next US President but based on the evidence of his campaign, his victory will not enthuse the average Indian investor or businessman. Despite the progress made in the last 10 years, there are significant opportunities for India and the US to deepen their bilateral trade and investment relationship. The growth in the last decade has been on a low base and seen in context with other countries, Indo-US ties do not look that impressive. America's goods trade with China, a country with a comparable population, was over $560 billion in 2013 — almost nine times its trade with India while with South Korea, a country whose GDP is 60 per cent that of India's, it had a similar level of goods trade in 2013.

It is no wonder that Clinton is a more favoured candidate for those who mean business in India. On September 27, the day of the first Presidential debate, the Bombay Stock Exchange (BSE) registered an initial spurt enthused by Clinton drawing first blood against Trump. The Democrat candidate is a known entity in India, has visited the country many times and is generally pro-liberalisation. She also has the unequivocal backing of the small but, in some cases, powerful Indian American lobby that is also expected

How they performed in the primaries

Donald Trump won the support of **1,543 delegates** of the total 2,472 Republican delegates leading to his nomination as the Republican Presidential Candidate on July 18, 2016. The minimum number of delegates required to win the nomination is 1,237.

Hillary Clinton won the support of 2,814 of the 4,762 Democratic delegates leading to her nomination. The minimum number of delegates required for a Democrat nomination is 2,383.

to have a significant presence in any future Democrat administration. There is little ambiguity in the minds of investors she would be better for Indo-US trade ties.

"She helped lay the foundation to deepen the relationship between President Obama and Prime Minister Modi, to get an outcome at the Paris negotiations, and the ambitious clean energy agenda India has set," says John Podesta, chairman of Clinton's campaign committee. "She will take relations with India to a new level and better economic and strategic ties will anchor the US in the region."

Next President & impact on H1-B visas

The most contentious of all issues and one which has particular relevance to India in this Presidential elections is that of reforms in issuing non-immigrant H1-B visas for professionals in the US. Every year, the country issues 65,000 such visas and India's $146-billion IT industry is a major beneficiary of it. There has been a raging debate for reforms on issuing these visas that has divided the country down the middle.

While one section which includes Hillary Clinton wants to raise the number of visas every year by three times, citing the benefits of professionals coming in from around the world and contributing to the US economy, the other section that has Trump as the ring-master severely opposes it. The Republican candidate has repeatedly accused countries like India, China, Mexico, Philippines and Vietnam for stealing jobs from the US, playing to the underlying discomfort with outsourcing of a section of the US population.

"The influx of foreign workers holds down salaries, keeps unemployment high, and makes it difficult for poor and working class Americans — including immigrants themselves and their children — to earn a middle class wage," says Trump's official campaign website on his immigration plan in August 2015. "We need companies to hire from the domestic pool of unemployed. Petitions for workers should be mailed to the unemployment office not USCIS [US Citizenship and Immigration Services]."

Money Matters

	HILLARY CLINTON	DONALD TRUMP
Money raised so far	$516.79 million	$205.86 million
Money spent so far	$407.26 million	$143.37 million
Money in hand	$109.53 million	$62.49 million

Source: www.opensecrets.org

PITTED AGAINST A SEASONED HILLARY CLINTON — A FORMER FIRST LADY AND SECRETARY OF STATE — THE CACOPHONY SURROUNDING THE CAMPAIGN TRAIL HAS OFTEN BORDERED ON THE BIZARRE. EVEN THOUGH IT BELONGS TO THE OTHER END OF THE PLANET, INDIA HAS A LOT AT STAKE IN THE NOVEMBER 8 ELECTIONS.

Some of the assertions cannot be simply brushed under the carpet as protectionism. Skilled professionals in the US have often alleged that companies have used H1-B visas to bring skilled but cheap labour from abroad even when such professionals were available. Trump has harped on this issue promising to raise the prevailing wage for H1-B visa professionals and forcing companies to look for talent outside only if they do not get it in US. As the campaign has unfolded and the emotive issue has taken centrestage, even Hillary Clinton has felt the pressure and had to sound conciliatory on a few occasions.

In July, Clinton lashed out at replacement of US IT workers with H1-B visa workers, referring to workers at Disney where US citizens had to ironically train their foreign replacements as part of their severance package.

"The many stories of people training their replacements from some foreign country are heartbreaking, and it is obviously a cost-cutting measure to be able to pay people less than what you would pay an American worker," she said. "It's really hard when you are the one who has lost the job, when you are at Disney in Orlando and you are told to train your successors."

The merits of a more liberalised visa regime are also similarly loaded. Jayshree Sengupta, senior fellow at Observer Research Foundation, says the truth is the average American has greatly benefited from trade with China and outsourcing services from

India have helped save Americans millions of dollars.

"Americans would have to pay much more for services currently outsourced to India compared to what they would pay if they were to be rendered at home by Americans, simply because wages are much lower in India," she says. "Similarly, China's supply of cheap goods to US has kept its economy afloat and Americans have been able to enjoy a high standard of living and low inflation."

People are tired. They want to have strength. They don't want to have trade deals where China has got a trade deficit of $505 billion a year; where we have trade deficits, massive trade deficits with Mexico, with Japan, with Vietnam, with India, with everybody, folks, with everybody.

Donald Trump, Candidate for President of the United States

As is his nature, Trump has also flip-flopped on the topic more than once. During the Republican debate in March, Trump admitted he was changing his stance on the visa issue and presented a starkly different view to what was posted on his campaign website in August 2015.
He said: "We need highly skilled people in this country, and if we can't do it, we'll get them in. But, and we do need in Silicon Valley, we absolutely have to have. So, we do need highly skilled, and one of the biggest problems we have is people go to the best colleges.

"They'll go to Harvard, they'll go to Stanford, they'll go to Wharton, as soon as they're finished they'll get shoved out. They want to stay in this country. They want to stay here desperately, they're not able to stay here. For that purpose, we absolutely have to be able to keep the brain power in this country."

Yet not enough new jobs are being created in the US and the problem is very real. In August, only 155,000 fresh non-farm jobs were created against an expected 180,000. In May, the number of jobs created had plummeted to an abysmal 24,000. The unemployment rate in US is currently stable at 4.9 per cent but if discouraged workers and those who only have part time jobs are included then it swells to 9.7 per cent. The issue's electoral potential is obvious. "Hillary Clinton is a known entity. She has had a long association with India both as First Lady and then as Secretary of State. She has great empathy for India's interests," says Shashi Tharoor, two-time member of Parliament and a former international civil servant.
"On the other, Donald Trump is an unknown entity whose random statements may not turn out to be an accurate guide to the policies he will actually pursue."

Any move, howsoever diluted, that puts curbs on the existing visa regime will be detrimental to the interests of India. In 2013, US government data showed Indian citizens accounted for nearly two-thirds of all H1-B visas issued during the year. The large number of people employed overseas also makes India one of the top remittance receiving country in the world. In 2012, remittances to India stood at $70.39 billion and represented 4 per cent of the country's GDP while non-resident Indians (NRIs) in the United States sent nearly $11 billion in remittances in 2012 that was second only to remittances from the United Arab Emirates (UAE).

The US administration's decision to expand or reduce the number of temporary visas will directly affect the mood in the corporate offices of Infosys, Wipro, TCS and countless other IT firms in Bengaluru and Hyderabad. The US accounts for 60 per cent of India's software exports. With Clinton favouring an increase in the number of visas and Trump almost certain to at least attempt at bringing that number down, it is clear which side India is batting for on this count.

Terrorism and regional security

India's vulnerability with its neighbours in Asia and its status as a preferred target for global terrorism means the merits or demerits of Clinton and Trump cannot only be decided by economic or trade related parameters. The US holds a critical place and has invested much in the South Asian region, both by waging a war against terrorism where it utilised Pakistan's territory against Islamic radicals in Afghanistan, and its increasing proximity to India with which it has robust economic ties. At the same time, it is aware of China's growing superpower ambitions and nervous about the dragon's aggressiveness in South China Sea. The two candidates present a study in contrast on these issues. Clinton is often seen as a hawk who is very suspicious about China's ulterior motives and wants to counter it in no uncertain manner. As a product of the established political system, she is in support of America's various alliances many of whom are in direct conflict with China on the contentious South China Sea.

In the case of Pakistan and India, the Democratic position is more diplomatic. Only recently, Clinton has voiced her concerns on Islamic radicals getting access to Pakistan's nuclear weapons and using them for terrorism worldwide. At the same time, US military and civilian aid to Pakistan in 2016 would be less than $1 billion, the lowest since at least 2007 and a far cry from the $ 3.5 billion in 2011.

Yet, it does not really mean Clinton will put sanctions on Pakistan

terror state. Just three days after the terrorist attack in Uri that led to the death of 18 Indian soldiers, US Secretary of State John Kerry met a delegation in Pakistan and issued a joint statement that "recognised the centrality of the US-Pakistan bilateral security partnership to their overall bilateral relationship". The timing could not have been more off target.

Trump on the other hand is more critical of radical Islam, which he considers is the root cause of global terrorism and he may be more inclined towards taking drastic steps on Pakistan. He has reiterated his commitment to isolationism – making allies pay, stepping away from policing the world, and moving the US military out of regions he doesn't think are important. Should he implement that, the fallout in Asia, where America has much less at stake and allies have less money to pay, could be immediate. At the same time he is also aware of the threat of Pakistan's nuclear weapons getting into the hands of terrorists but unlike Clinton he may actually do something about it.

"The single biggest problem we have is countries with nuclear weapons. And it's not only a country, you have nine countries right now with nuclear weapons. But Pakistan is semi-unstable. We don't want to see total instability. We have a little bit of a good relationship. I think I'd try and keep it," said Trump on campaign trail in April this year. "We give them money and we help them out, but if we don't, I think that would go on the other side of the ledger and that could really be a disaster. At the same time, if you look at India and some of the others, maybe they'll be helping us out, because we're going to look at it. We have many, many countries that we give a lot of money to and we get absolutely nothing in return and that's going to stop fast."

Trump is more ambivalent on China, berating them for job losses in the economy but appears less determined to help allies like Japan in its fight in the South China Sea. While he has admitted there are serious differences between the US and China, he has maintained the two countries are not destined to be adversaries and a common ground could be sought on shared interests. Clinton is somebody China clearly fears more.

"Beijing dreads the thought of her in the White House," says Sean King, senior vice-president with consulting firm Park Strategies.

On more tangible aspects, there may not be much impact of the elections on Indo-US defence ties. Since 2010, India has been one of the largest importers of arms and ammunition globally and the US is its second-largest supplier. Between fiscal 2013 and 2015, US supplied weapons worth $4.4 billion to India.

As the conflicts in the South Asian region escalate, India's demand for weapons would only increase and the US will be more than happy to supply them. More business means better relationships, at least in the short term.

With the world staring at multiple conflicts in all directions, it is the strategic vision of Trump and Clinton that will decide their usefulness for India. Clinton's background makes her more palatable to politicians around the world and promises stability in policy essential for long-term relationships. Trump's maverick and at times inconsistent views bring an element of uncertainty and surprise to the table. It may not always be a bad thing.

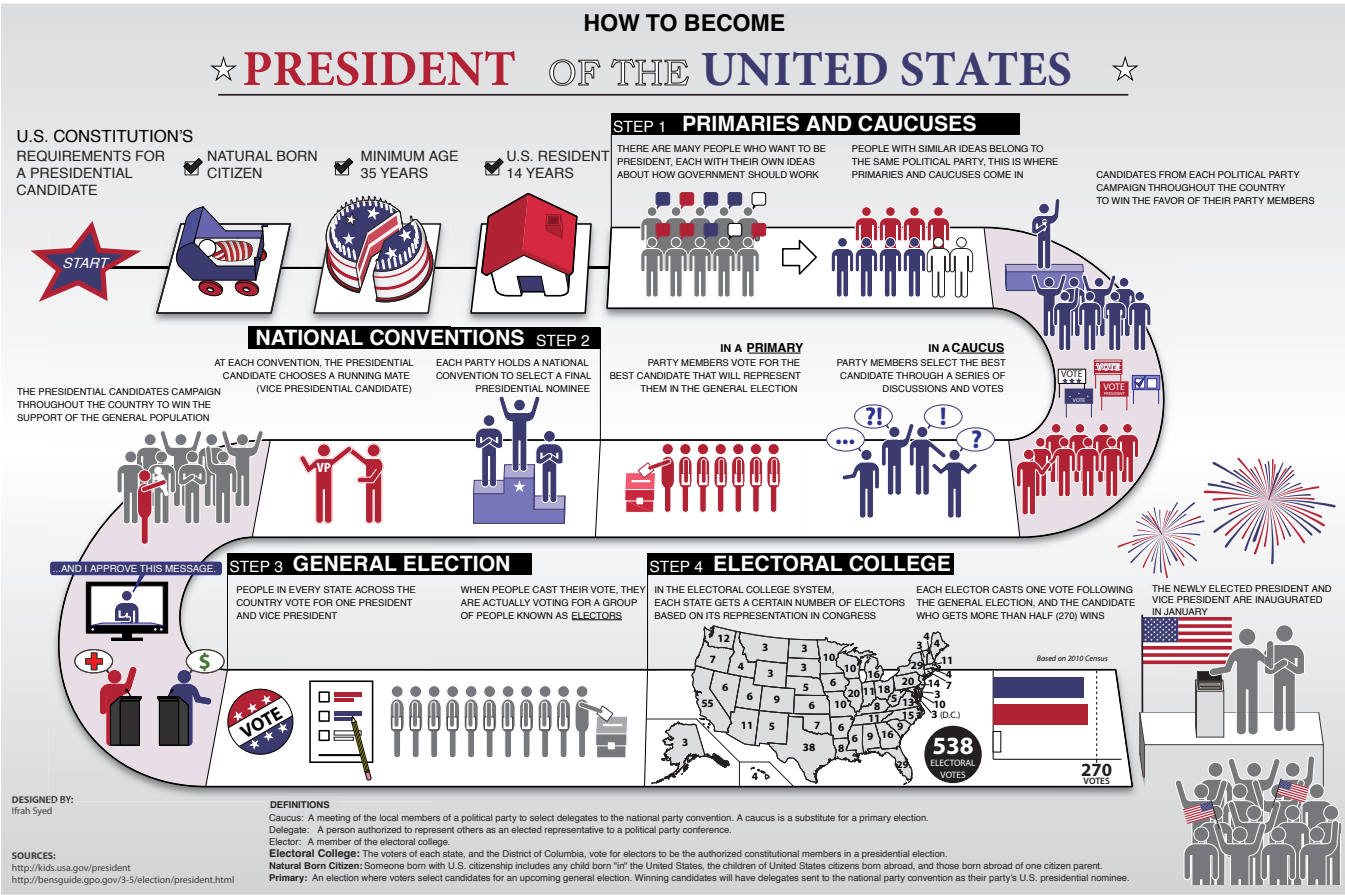
Their contrasting views on many issues and ambivalence or clarity on some others means India stands to both gain and lose in either of their tenures.

How the US Electoral College works

The US Electoral College consists of **538 electors**—a sum total of **435 Representatives, 100 Senators and 3 electors.**

The winning candidate needs the support of a majority or more than 270 electors to win the presidential election.

Every four years on a Tuesday following the first Monday of November—8th November this year, voters poll between themselves in all the 50 states in US to vote for the electors in the states. In 48 of the states, any candidate who wins majority of the votes in a state gets all the state's electoral votes. In a state like New York for example that has 29 electors, a candidate who wins a majority of say 15 also gets the remaining 14 that he/she has actually not one. This ambiguity has in the past led to four instances when a candidate who wins the popular vote does not actually end up being the President. The most recent such example was in 2000 when Republican George W Bush edged out Democrat candidate Al Gore despite losing the popular vote. These electors who are part of the electoral college in turn vote for the President and Vice President on Monday following the second Wednesday of December—19th December this year. The sealed votes will be opened and read by the President of the Senate on January 6 and the winner will be sworn into office on January 20.



Source: www.usa.gov

What Trump and Hillary need to do to get into the White House

As mentioned above, they need the backing of at least 270 or more electors to win the election. In every election a majority of the states are firmly in the corner of one or the other candidate (blue for Democrat, red for Republican) much before the actual voting happens. The remaining referred to as the purple or swing states that have historically displayed the propensity to swing this way or the other.

Psephologists say this year there are at least 10 such states that would be key to winning or losing the elections. These states that include Florida, Pennsylvania, Arizona and Colorado and account for 136 of the total 538 electors in the electoral college. If the other states vote as expected, Clinton leads Trump 226 to 154 electoral votes. Trump needs the purple states to overwhelmingly turn red on November 8 while Clinton has to ensure that does not happen.

HOW INDIA IS IMPACTED

HILLARY CLINTON

“

India should not just look east, but engage east and act east — to emerge and consolidate its position as an Asian power.

IMMIGRATION

Any reform on H1-B visa is not part of Clinton’s campaign and as the secretary of state she has had working ties with India’s largest software firm Tata Consultancy Services. Her election would mean Indian IT industry can continue to work in the US as they have all along.

Her long familiarity to India and a general pro globalisation stance means bilateral trade between the two countries may grow. Her flip flop on the Trans Pacific Partnership that includes 13 Asia Pacific countries but excludes India, also works in favour of India.

DEFENCE TIES

Will not deviate from the current state of defence ties between the two countries.

Will continue with current policy direction with no incremental impact except in case of a conflict.

SOUTH CHINA SEA

Will be even tougher on China and the dispute on South China Sea could be the first flash point. The Obama administration resumed sale of lethal weapons to Vietnam earlier this year after a 30 year hiatus and has been supplying arms to Philippines since 2014. Clinton may take it a few steps further.

Will continue with Obama administration’s support on both.

Trump and Clinton, who is better for India?

Donald Trump, the Republican candidate, is a rank outsider in the US political circles and his brazen straight talk on issues that have sometimes bordered on the ridiculous, is one of the reasons for his popularity. Democrat Hillary Clinton is a more amenable known entity for India and represents status quo on policies and strategies. While the former may bring in unforeseen variables to the table, Clinton is expected to stick to stated positions on Indo-US ties.

Has repeatedly promised to stem immigration, initiating H1B visa reforms and stop "India, Phillippines and China" from stealing jobs from US. Not good news for Indian IT sector.

TRADE

Has been categorical about his hatred for free trade agreements that he claims has robbed blue collar jobs off America and moved factories elsewhere. Has at least on one occasion pointed at trade imbalance with India as an example of how countries are "ripping" off America. His protectionist stance may pose road blocks in Indo-US bilateral trade relations.

His nervousness with Pakistan may result in closer ties with India and more joint military drills could be in the offing. He may also lobby hard to sell American arms and ammunition to India.

INDIAN OCEAN

Has talked of disentangling from areas where US has no interest and the Indian Ocean could be one of the regions. A complete withdrawal is far fetched but will make India vulnerable should China also decide to intervene.

His distrust of China may over ride his broader view to withdraw from areas where US doesn't have a direct bearing.

NSG AND UNSC SEAT

Unclear as he is yet to voice his opinion in this matter but may not divert from US government's current favourable stance on the issue.

DONALD J TRUMP

"I am a big fan of Hindu, and I am a big fan of India. Big, big fan. I have great respect for Hindus. I have so many friends that are Hindu. They are great people, amazing entrepreneurs.

India puts all its energy behind going green

India's state-owned energy major, NTPC, recently celebrated its Green Masala Bond listing at London Stock Exchange (LSE), raising $300 million – double the initial target set. 'India Global Business' caught up with Kulamani Biswal, finance director of the company, in London to explore what lies behind this first-ever Indian quasi-sovereign's Masala Bond issuance, the proceeds from which will be invested in the renewable energy market in India.

What does this first Green Masala Bond at the London Stock Exchange mean for NTPC?

NTPC is the largest power generating company in India. We have 47,228GW installed capacity – 16 per cent of India's total installed capacity – and we generate around 24-25 per cent of the total country's generation. Moving forward we are going towards 10GW solar power by 2022 in furtherance of government of India's programme to have 175GW by 2022. This initiative to raise money from the global market in terms of rupee is aimed at our solar projects. NTPC is the first corporate to go for Green Masala Bond and it is the first PSU [public sector unit] to raise money through this instrument.

For the first time, we got it listed in the London Stock Exchange (LSE) and we received an overwhelming response from the investors. More than 66 accounts participated and the transaction was oversubscribed by 2.9 times. Initially, we had a plan to raise Rs 1,000 crores but looking at the interest of the investors, we have doubled it to Rs 2,000 crores [$300 million]. This reflects strong confidence in NTPC and the Indian market.

How do you see this bond's trajectory?

It will be traded in both the Singapore Stock Exchange and London Stock Exchange. For the first time, we have got it certified by the Climate Bonds Initiative, which gives comfort to the investors that this money would be spent only for green purposes. We have projects already lined up; this year we are going to install 1GW in solar energy.

We have recently completed 250MW in Ananathapuram, Andhra Pradesh, and another 250MW is under construction there.

Then we have the Bhadla project in Rajasthan and Mandsaur in Madhya Pradesh – 250MW and 260MW respectively. In addition, we also plan to put up solar capacity in Karnataka, Rajasthan and UP. Our targets are on track and we are confident of

meeting them with the help of this fund-raising internationally.

How important are instruments like these in meeting India's renewables target?

There is huge potential outside India for rupee-denominated bonds. The biggest advantage is that you get to avoid the currency risks because you are raising money in rupee terms outside India. At the same time, the investors get better returns. It is a win-win for all sides.

The government has been proactive and consistently easing investment norms so that money can be raised through innovative instruments. Recently, they have also allowed bankers to raise money through this Green Masala Bond.

We have a hydro station in operation, 800MW is in generation and is doing well and another 1,500MW is under construction. We don't have any wind capacity in our portfolio as of now but we are trying to acquire some wind assets. We are also looking at setting up Greenfield projects. It is in the due diligence phase.

What actions is NTPC taking to meet the government's affordable power for all goal?

NTPC as a responsible generator is constantly trying to reduce its cost of generation so that cheap power can be made available to consumers. By coal rationalisation, we are trying to reduce our fuel cost. Similarly, we are going for international competitive bidding for our thermal projects so that capital cost per MW is reduced. We also always try for cheap finance to meet our funding requirements so that the ultimate burden on the consumer is reduced.

What are your future plans for the international markets?

NTPC has one of the largest capex plans among any India PSU this year and in coming years. Our investment plan is worth Rs 30,000 crores [$4.5bn], out of which Rs 20,000 crores [$3bn] would be raised in the form of debt. We raise money from both the domestic as well as international markets. We have a plan to come again for dollar-denominated bonds within a month or two to meet our debt requirements for conventional source of energy.

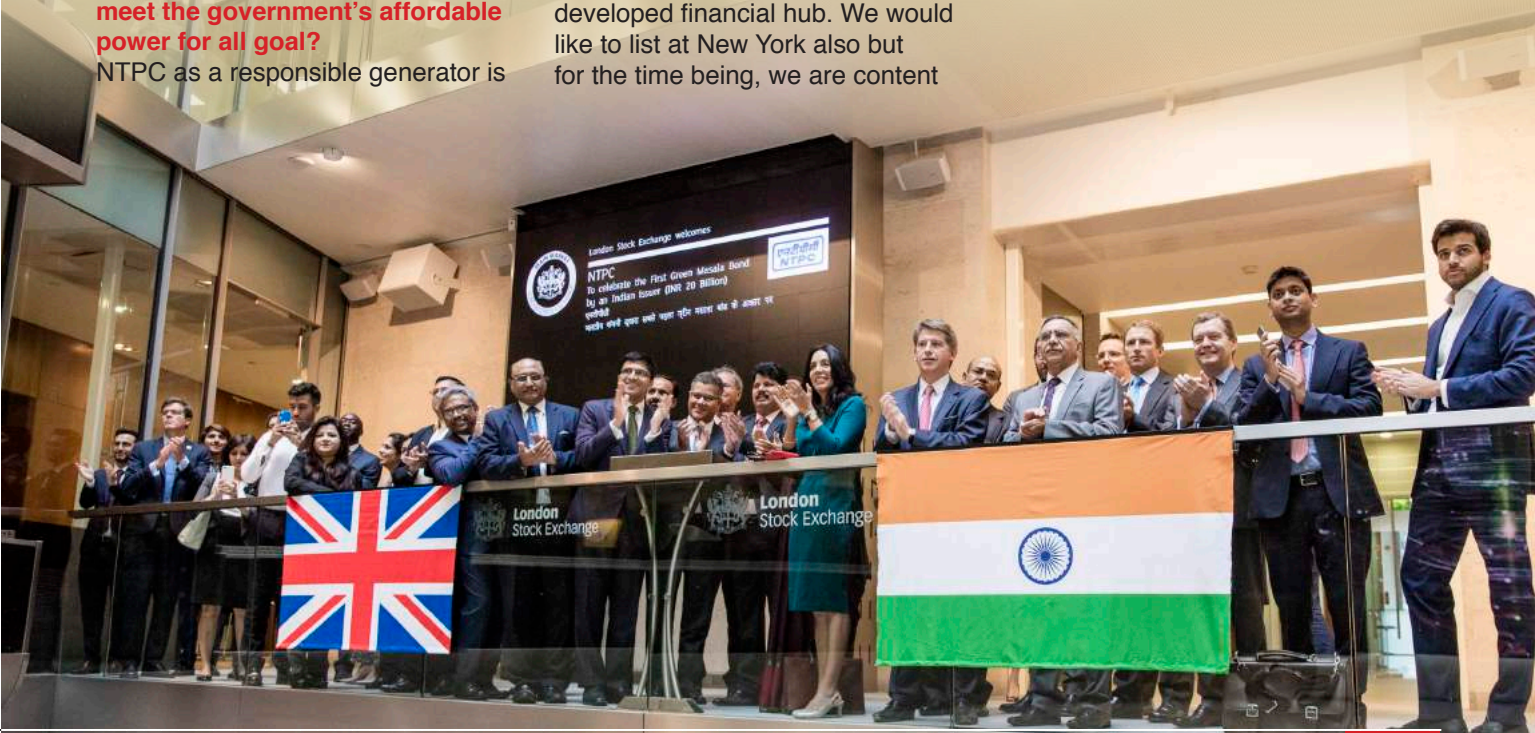
We can plan more Masala Bonds next year because already we have Rs 2,000 crore [$300mn] to spend. Once that is spent, we can look into the second tranche. London Stock Exchange is one of the most developed financial hub. We would like to list at New York also but for the time being, we are content going with LSE and Singapore. Our experience has been good – we have got some Middle Eastern investors for the first time in any book in India.

What is your message for foreign investors looking to invest in India?

When you look at Asia, there are two countries – China and India. And, India is the largest democratic country and we have a stable and proactive government and it is expected that this year the GDP will grow at more than 7.5 per cent.

This government is doing everything to attract international investors. It is the right time to think about putting money in India's infrastructure – not just power. India is the only emerging market with corporate governance at a high, established legal system and total transparency, which gives a lot of confidence to investors as to where the money is going.

And with Brexit happening, Europe one is not sure about where it is going. The US has its own problems; worldwide yields have really fallen so India in such a situation offers a very safe haven for investments and good returns, much better than elsewhere.



RAHUL MUNJAL:
Renewable energy crusader

A staunch advocate of reversing the ill effects of climate change, Rahul Munjal is quickly gaining prominence in the green economy and already has India's largest rooftop solar installation and first certified commercial green bond to his name. Inspired by his father who founded what was to become world's largest two wheeler maker--Hero MotoCorp, the junior Munjal is hoping his venture would be as successful in its own way.

On October 23, 2014, Pawan Munjal, the chairman and CEO of Hero MotoCorp the world's largest two wheeler manufacturer was busy showcasing the company's new factory in Neemrana to a select group of media persons. The facility with a capacity to make 7.5 lakh units every year was Hero's fourth in the country and one of the most modern and sophisticated two wheeler manufacturing facilities. Due to be inaugurated the following day, Munjal was at pains to explain how this factory was unlike any other. Before the journalists could be taken to the shop floor—the heart of any automotive facility where the assembly of vehicles takes place—Munjal escorted all of them to the roof of the building.

Unlike any other factory in India, the roof of the Neemrana facility is almost entirely covered by solar panels. The factory building is oriented diagonally based on the sun path so that the 1.5 megawatt solar photovoltaic modules get maximum exposure to the sun. It is one of the biggest solar rooftop installations in the country with a capacity to produce 5.5 Megawatt of direct current electricity to the air conditioning system. To get this job done, Munjal did not have to look very far. The entire installation was done by his nephew Rahul Munjal—son of the late Raman Munjal, the eldest son of patriarch Brij Mohan Lal Munjal. His father had founded the company in 1981 in the first place.

For somebody who belongs to what is referred as the first family of the domestic automobile industry, Rahul Munjal's interest in the renewable energy is led by his concern of the ill effects of climate change on the environment at large. In a span of just 4 years, his company--Hero Future Energies, is already among the top 10 independent power producers in the country.

"I have always been fond of nature and respect it deeply. But the more I read and the more I know about climate change- it disturbs me greatly," he says. "I consider myself extremely fortunate to be in a position where I can follow my passion and create a viable business and have a positive impact on our planet. As the Indian economy continues its growth trajectory, we are poised to provide clean power to industries, businesses, educational institutes, non-profits and governmental organizations at competitive rates. We will assist our clientele in fulfilling their Renewable Purchase Obligations (RPOs) by reducing their dependence on power generated by fossil fuels like coal, oil and natural gas."

Spurred by Modi's government's robust thrust on renewable energy with a target of achieving 175 gigawatt power by 2022—100 GW of solar, 60 GW wind and 15 GW biomass, Munjal who has a degree in Economics from University of Rochester, has been doubling his own capacity every year. Its operating capacity today is at 360 Megawatt with an additional 620 megawatt under construction in fiscal 2017. By the turn of this decade, he hopes his capacity will rise over 8 fold to nearly 3 gigawatt.

"As a group we will be investing progressively in Wind, Solar and Hydro sectors over the next few years," he says. "Renewable energy is serious business and a gradual transformation to green energy is non-negotiable in order to avert an environmental catastrophe. India's leadership in establishing the International Solar Alliance (ISA) which was launched at the UN Climate Change Conference in Paris (COP 21), is a part of the government's big bet on solar.

The government's commitment to the growth of renewable and its efforts have fructified, by attracting an 80% rise in solar power financing that now stands at $5.6 billion. India's target of 175 GW of renewable energy generation by 2022, got off to a good start with nearly 12 GW likely to be installed by 2017. At the beginning of this year, the government asserted sanctioning of 30% capital subsidy for rooftop solar installations to residential, government, social and institutional segments, which is expected to support total rooftop capacity of 4,200 MW till this budget is exhausted."

The rapid expansion at Hero Future Energies would suggest everything has been a smooth sailing for the young entrepreneur. But his first tryst in a new venture was at best a moderate success. Prior to turning his focus towards the energy space, Munjal tried his hand at a unified retail payment venture—EasyBill way back in 2003. Targeted at consumers in the smaller towns of the country who did not enjoy the technology benefits of their counterparts in big cities, EasyBill offered flexibility for payments like utility bills, mobile phone recharges, air, railway, bus ticket bookings or even money transfer. The relatively quick adoption of mobile wallets like Paytm however, somewhat stunted EasyBill's prospects and it could not fulfill its initial promise. Munjal has not given up on the venture yet and will launch his own mobile services soon but it will nevertheless, be a belated entry.

"Through Easy Bill(my first venture) I had delivered the benefits of technology to my countrymen. It pioneered in providing a retail channel to Indian consumers for payments at a time when these transactions were extremely inconvenient and time consuming. This mode and channel of payment was unheard of in India and educating people and developing the market for payments through retail outlets has been a very challenging but satisfying journey," he says.

"We developed the technology backbone and strong relationships with utilities and other billers for providing these services. With over 20,000 payment outlets all over India we are still leaders as far as cash and cheque payment is concerned. Easy Bill is not that impacted by mobile payments as our target customers (especially in Tier 2 and Tier 3 cities) still prefer cash payment over mobile/ internet payments all though we are in the process of launching our mobile services soon."

As an early mover in the wind and solar energy sector, Munjal is in a more secure territory with HFE. At present, renewable energy accounts for around 15 percent of India's total installed power generation capacity of 288 GW. Developed countries like Germany have a far higher share of 33 per cent or more. The gap provides ample scope for capacity addition and makes an attractive destination for investment. In May earlier this year, Munjal himself raised Rs 300 crore for expanding its wind energy capacity by issuing the country's first certified climate bond. A recent Renewable Energy Country Attractiveness Index released by consultancy firm EY put India in the third position behind only US and China.

His stints in manufacturing, sales and marketing roles with Honda Motorcycles in US and Hindustan Unilever has made Munjal into somebody who thrives on program implementation and strategic planning. These qualities are coming in handy at HFE where everything is being built from scratch. His association with Hero Group has also given him experience on how to tackle the tenuous and at times uncertain regulatory landscape in India.

"These are early days yet for the renewable energy sector, but industry's confidence to achieve the targets that have been laid out has grown stronger with the expectation of necessary action plans by government agencies," he adds.

"The push for decentralized renewable solutions like mini grid, in additional to solar, is expected to generate 500 MW of power to supply energy to the farthest corner. However, the ultimate success of India's big bet on solar will require focus on research, affordable project financing, and viable solar projects that will pass on the benefit to end consumers. Both solar and wind integration into the grid faces resistance from grid operators.

However as our economy grows, grid size increases and new technologies related to scheduling and forecasting are in place, integration issues are likely to be resolved. Initiatives by the current ministry, like green corridor and emphasizing on improving the overall infrastructure is likely to smoothen the last tumbling block." Should Munjal achieve what he has set out to do, he would at least partly mitigate the contribution of his father's company to climate change by the millions of two wheelers that hit the roads every year. Even that, is no small matter.

Why foreign investors are bullish on Solar India

by Ketan Mehta

There is a very huge requirement for equity capital investment in the Indian solar sector and a lot of that capital will come from foreign markets. London, as one of the financial centres of the world, has shown a growing interest in solar in India as a promising story.

Our company, Rays Power, in the span of less than five years has become the third largest solar power project developer in India. It boasts of a track record of 300MW across technologies, geographies and project size. It reflects the kind of potential there is in the market.

Act rather than react

Solar is a sector with very tight timelines, so it is important to foresee any bottlenecks and solve them upfront, rather than waiting for them to arise and then take action. SunEdison India's woes, for example, were due to being over-leveraged.

The most important challenges and risks to bear in mind while developing new projects in India are:
Land risk: Availability of the land and legal title correctness of the land are some issues that need attention.
Off-take risk: The power needs to be sold at all times and you need to be paid for that. That is one aspect which solar developers have to take on board.

As a company we have dedicated teams to deal with all these aspects. It is important to have an understanding of the regulations and then go step by step.

World View

One thing is clear that all investors, be it from the US or the UK, are looking at the Indian solar sector in a very positive manner. At the same time, they are also looking for the right global partners. Nobody wants to go it alone and face all the challenges solo. That is where various structures and models come in.

By the end of this year, India will be the third largest solar market in the world, after China and the US. With the US gradually saturating, very soon India is set to become the second-largest market. So no investor wants to ignore the market.

The Indian government's steps in the last couple of years have been very positive. They have opened the doors

for the foreign capital to come in and there is a lot of relaxation in the rules. The flexibility is there in the sector for all these players.

Foreign investors also palpably feel more comfortable investing in India under the new regime.

Green Bonds

All the commissioned projects, will ultimately go the Green Bond route because this is ultimately the lowest cost funding and capital which is available. There is enough appetite in the market to buy these bonds. Solar tariffs have gone down and grid parity has already been achieved, which is a big advantage. Solar no longer requires subsidy because it is self-sustainable and will attract people voluntarily towards itself.

We are very bullish on the residential solar market and are developing various projects to suit the requirements of different kinds of consumers. Our own internal target is to own up to 2GW of rooftop projects in the next five years, from around 2.5MW right now.

We also have a model where the initial investment is taken care of by the company and the consumer pays on a per unit or per month basis. This means zero investment and savings from the word go, so this has proved an attractive model. Community centres, schools, hospitals, apartment blocks and petrol pumps are some of the utility side areas where companies like Rays Power also makes a difference.

There is a lot of awareness among the common man with the government's drive. It is a very appealing new concept for everyone. As more and more people are installing it, the awareness is spreading like fire. It makes environmental sense, social sense as well as commercial sense because solar power now is cheaper than the grid.

Goals & Challenges

Rays Power is a pan-India company, which at the moment operates in eight different states. We have commissioned more than 320MW of renewable projects. This year alone we plan to do 250MW. The growth has been exponential.

This is a time when an external equity investor has to come in to take the company to the next level and there has been a lot of global interest. We plan to close our first round of capital raising by September this year.

The most keen investment in this sector is coming from the US, which has some very big players. After that it is from London and Singapore. The government's solar target is divided between 60GW of ground-mounted and 40GW of rooftop. The former is undoubtedly achievable, even before time.

On the rooftop side, some challenges remain.

This is an industry which drives you every day. You are doing something new, something also for the society. We are in the process of supplying solar lighting systems to all the villages in a particular state, which means they will now have power for life without the need for transmission lines and grids. The name of the state will also be revealed soon.
In a country where almost 50 per cent of the population is without power, this is the best way to reach them – cleanest, safest and easiest. And, the best part is that India is a sunny country with more than 300 days of sunlight in most parts of the country.






Ketan Mehta is co-founder of Rays Power Infra, a leading Indian integrated solar power company with presence across the entire solar value chain. Mehta is the visionary strategist behind the organisation and takes care of the company's strategy and planning, finance, investments and operations.

RIDING ON AN ENTIRELY INDIAN SOLAR SOLUTION

Naveen Rabelli recently completed a unique 10,000-km journey from India to the UK in a fully solar-powered auto-rickshaw. His mission was simple: To show the world what Indian jugaad or frugal innovation can achieve in the world of renewables.

A colourful solar-powered auto-rickshaw rode into London recently to complete its 10,000-km journey from India.

The autorickshaw, or tuk-tuk as it is known in some parts of the world, was driven by Indian engineer Naveen Rabelli who had set off from Bengaluru in February. He arrived at Dover ferry crossing in the UK on September 12, five days later than expected because he was robbed during a toilet break last week as he approached the ferry crossing from France.

"The purpose of this journey is to create awareness of alternative mobility solutions for passenger vehicles in Asian and European countries using renewable energy – mix of solar and electricity," explains the 35-year-old, who refused to let the robbery in France get him down. "My passport and wallet were stolen when I parked to go to the toilet at a fast food restaurant at Sarcelles, about 45 km west of Paris. I reported it to the police, where there were some language issues but after a few hours they found an officer who could speak English. They are very helpful and sorry when they heard that I was about to finish my trip," he said. India-born Rabelli, who now holds an Australian passport, was able to acquire an emergency travel document and complete his journey. He drove up to Buckingham Palace in London and then attended the Low Carbon Vehicle Event 2016 in Millbrook, Bedfordshire, in September, seven months after he set off from India.

"The aim was to highlight an entirely Indian solution to the world and show the benefits of using a prototype that is reliable, feasible and affordable," said Rabelli.

The mission was to spread awareness about the power and potential of clean energy. "It's really feasible. A person like me in a garage can make it and live his dream of traveling from India to London, so maybe in the future we can really see it's quite possible."
The specially-modified autorickshaw, which is equipped with a bed, food cupboard and solar-powered cooker, was shipped from India to Bandar Abbas in Iran from where he kick-started the overland mission to drive through Iran, Turkey, Bulgaria, Serbia, Austria, Switzerland, Germany and France before arriving in the UK.

Among his more memorable experiences, he recalls how in one town in Iran he smoked horse shit. "It seems that this special horse shit

THE TUK TUK

The Piaggio Ape diesel three-wheeler was converted into an electric solar-powered one. Keeping modularity in mind, new components have been integrated in a way that enables convenient replacement. This approach leaves scope for development in the future. The unique and different feature of the prototype is the iData Acquisition System (DAQ), an on-board computer and a driver display system, to monitor the performance of the vehicle.

is good for sore throats, which I had at the start of the journey in Iran. At first I thought it was prank, but other people too smoked the same," he said.

The diesel-powered autorickshaw cost him $1,500 to buy, on which he spent an additional $11,500 to get it ready for the zero-emission adventure, entitled "Tejas". His website solartuktuk.com offers people the chance to track his journey and plans in the future.

He recalls: "It's going to take some time for me to believe that this has happened! I hardly had any time to myself to think about this because I was meeting a lot of people. When I was in ferry from Calais, from the top of the deck and half way through I could see Calais on my right hand side and on left Dover was arriving. At that particular moment I knew that I had done it.

"My mind had glimpses like a show reel of the all the work done and all the people I met for last four years."

Rabelli holds a Master's degree in electronic engineer and has experience as a product development engineer in the automotive industry.

THE JOURNEY

India/UAE; Bangalore – Pune – Mumbai – Sharjah (plane) – Bandar Abbas (by ferry)

Iran; Bandar Abbas – Shiraz – Isfahan – Tehran – Bazargan

Turkey; Bazargan – Erzurum – Ankara – Istanbul – Kapikule

Greece: Thessoloniki

Bulgaria; Kapikule – Plovdiv – Sofia – Kalotina

Serbia; Kalotina – Nis – Beograd – Novi Sad – Bogojevo

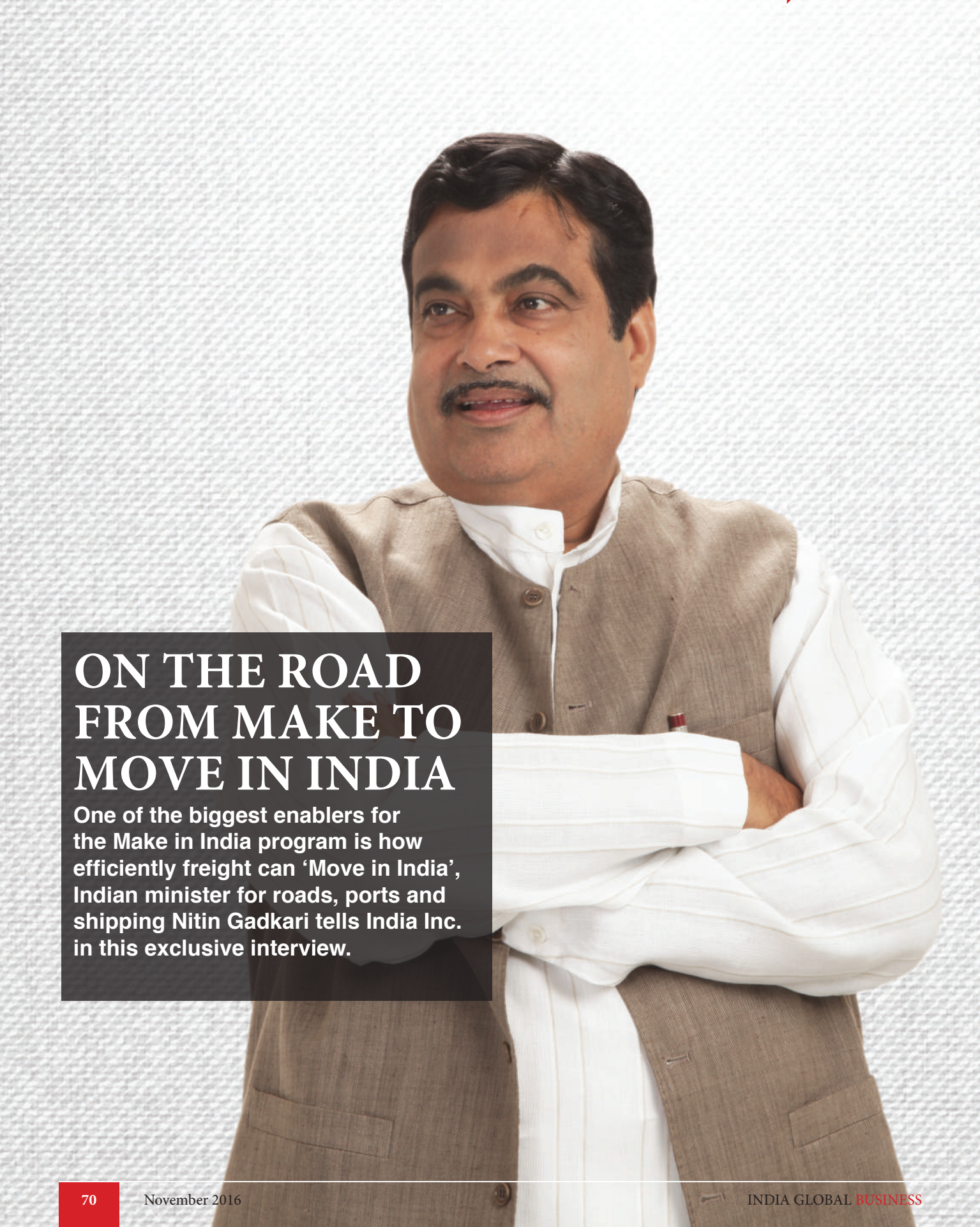
Austria; Spielfeld – Graz – Wien – Schörfling – Salzburg – Freilassing

Germany: Freilassing – Munchen – Augsburg – Stuttgart

Swiss: Zurich-Lucerene- Luassange

France; Strasbourg – Metz – Reims – Paris – Calais –

England; (by ferry) Dover - London



ON THE ROAD FROM MAKE TO MOVE IN INDIA

One of the biggest enablers for the Make in India program is how efficiently freight can 'Move in India', Indian minister for roads, ports and shipping Nitin Gadkari tells India Inc. in this exclusive interview.

Nitin Gadkari is among one of the Narendra Modi led government's biggest assets and has undoubtedly shaken things up as the minister for road transport, highways and shipping. He takes some valuable time out of his incessant schedule for India Inc. to take stock of where things stand in terms of his enormous infrastructure challenge.

How do you see your vision on ports and roads translating into milestones for the Make in India and Smart Cities programme?

One of the biggest enablers for the 'Make in India' program is how efficiently freight can 'Move in India'. In both our ministries, the primary objective has been to reduce the logistics cost. As far as the smart city program is concerned, we are planning to contribute to it by building smart cities in our 12 major ports.

How do you see your ministry's innovative approach and financing models producing results on the ground?

When our government came into power, the road sector was in a bad shape. Most of the PPP (public-private-partnership) projects were languishing and the private sector willingness to invest in the segment was low.

We had to innovate to bring in private sector investment. The Hybrid Annuity Model is one step in that direction. The model so far has received very good response from the market. We are trying to introduce new models like TOT (toll-operate-transfer) to attract more private sector investment.

What are some steps taken to overcome the challenge of NPAs (non-performing assets)?

We have taken several steps to de-risk the road projects. We are closely working with the banks to infuse liquidity in the sector and complete most of the ongoing projects. We have also taken certain policy decisions that have improved the viability of languishing projects, including extending the concession period for delays not attributable to the concessionaire.

Please elaborate on the progress of the government's approach to attract international funds.

The government is keen on improving the equity base of the private sector in the infrastructure space. Infrastructure offers the best investment opportunity for patient capital. The government has been creating new instruments to offer various opportunites for investors. Infrastrucutre is one of the sectors where FDI is allowed 100 per cent.

> **Quick decision making, quality of project preparation and acceptance of new technology and innovation are the top three levers to build infrastructure on a large scale.**

How do you see the role of SPVs in tying in local regional development needs to wider central projects such as Clean Ganga?

PPP has been a very succesful model in bringing in private sector efficiency in government run infrastructure programs. The cost, time and quality efficiency brought by PPP has helped the government in effectively using tax-payer money for developing infrastructure. SPV (special purpose vehicle) is an instrument for the PPP model and the government plans to use it wherever it is the right model to adopt for implementation.

What are some of your highlight plans on infrastructure in the coming months? Are there still some bottlenecks to their fruition?

We are driving the ambitious Sagarmala program through our shipping ministry. The program will help us use our waterways effectively to lower the logistics cost for both domestic and EXIM trade. The advantage of Sagarmala is to bridge the infrastructure deficit with minimal investment.

What are some personal targets you have set yourself in terms of infrastructure building?

We have set ambitious targets in both our ministries. We are trying to build over 10,000km of roads this financial year. We are planning to build five new ports in a span of five years. There are several challenges in achieving the same and I am confident that we as a team would be able to overcome them and achieve the targets we have set for ourself.

What are the top three things that you feel would make your task at hand easier?

Quick decision making, quality of project preparation and acceptance of new technology and innovation are the top three levers to build infrastructure on a large scale. I am hopeful the initiatives we are taking in this direction will bear fruit and increase the pace of infrastructure development.

What are some of your most fulfilling achievements as head of this department so far?

The attention neglected inland waterways and coastal shipping is getting now has been very satisfying. These are the most cost-effective and eco-friendly modes of transport. Their promotion is very essential as India grows into a large economy.

Momentum is behind ease of doing business in India

Nirmala Sitharaman, India's commerce minister, maintains a punishing 14-15 hour daily work schedule. Over the last two years, she has been in the thick of the action and has earned a reputation for being a tough task master and a committed reformer.

She spoke exclusively to India Inc. Consulting Editor Arnab Mitra and discussed a wide range of economic issues in this exclusive interview.

There have been mixed reports on how Brexit will impact India. What is the government's take on this issue? Does the government have a plan to maximise the opportunity and minimise the cost for Indian companies?

The finance ministry, the Chief Economic Advisor, the Niti Aayog and other concerned ministries have been monitoring the situation even before the outcome of the referendum was announced. We have traditional and mutually beneficial trade and other relationships with both the UK and the European Union (EU). About 800 Indian companies are present in the UK. They are creating jobs, both in the UK and the rest of EU and serving the entire region. I'm sure they, too, have a Plan B to deal with the situation. We are watching the situation very closely and foresee short-term and medium-term volatility. India is better placed than many other nations to face the turmoil generated by Brexit but the uncertainty may linger.

The UK pulling up the drawbridge for our talent will not be good for India. What is the government doing about this?

Much before Brexit, I'd gone to the UK and met the immigration minister on the high visa charges and other (restrictive) immigration policies. I also asked the minister about student visas and the cost of studies in the UK. Our High Commissioner to the UK brought up the issue of the UK denying work permits to Indian students who graduate from British universities as was the case earlier. That condition may continue for some time. But now, post-Brexit, we hope our boys and girls will get better access to British universities and better conditions for students following their studies.

We are seeing a rise of protectionism in the US. In particular, the issue of free movement of Indian professionals, especially the grant of H1B visas to Indian IT professionals, is once again becoming an issue. How is the government dealing with this issue?

We have discussed the visa-related matter with the US at various levels. We have talked to US Trade Representative and US Commerce Secretary both during our strategic dialogue and later. We have also made it public that we may approach the WTO on increase in visa fees as this could be viewed as a non-tariff barrier. This is against the spirit of free trade practices on the movement of personnel. So, we may take the US to WTO.

India's exports have been falling

for 18 successive months. What is the government doing to arrest this trend?

The quantity of our exports hasn't fallen. But because of falling commodity prices, the value of our exports has fallen. But there is no across the board fall; several sectors, especially some labour intensive sectors, are holding out.

We can now hope for a steady revival. We are making efforts to find new markets. In this context, some new markets have opened up in Africa. Central Asia is another region that we're focusing on. Then, the interest equalisation scheme will reduce the cost of credit for exporters. We've also taken steps to encourage exports from small and medium companies. These measures will begin to show results in the near future.

Was the recent announcement of liberalised FDI [foreign direct investment] norms in nine sectors a reaction to Raghuram Rajan announcing his return to academia?

These decisions couldn't have happened overnight. We announced the first tranche of FDI-related changes – what you call reforms – in November 2015. Since then, we have worked out how to ease FDI norms further and concluded that FDI under 49 per cent cap can be moved to the automatic route.

Such decisions across so many sectors cannot happen overnight. Work was going on and we announced the changes once it reached a logical conclusion. It just happened that the announcement was made on the Monday that followed the RBI Governor's announcement the previous weekend.

Isn't the further liberalisation of FDI norms in defence an admission that the previous norms were too restrictive? Instead of opening up the sector incrementally, why doesn't the government announce 100 per cent FDI through the automatic route? After all, this would be an improvement over importing entire systems from abroad.

Even when we announced the FDI policy for the defence sector in November 2015, we made it clear that foreign investment up to 49 per cent would be permitted through the automatic route and any foreign stake beyond that limit would be allowed on a case by case basis if it brought in "state of the art", "cutting edge" or "modern" technology. This, we found, was creating confusion about what was "state of the art", "cutting edge" or "modern". So, we have decided to remove the confusion. It is not incremental, but a simplification of an existing policy.

INDIA IS NOT FIGHTING SHY OF SIGNING FTAS. INDIA IS A LARGE MARKET... THIS MAKES INDIA A VERY ATTRACTIVE MARKET FOR ANYONE NEGOTIATING WITH US.

The liberalised FDI norms have been widely welcomed by industry and analysts. But some of your own allies have opposed it. Given this disconnect between the government and an important part of its support base, how united is the party on economic reforms?

The party is completely united. We have been engaging with these groups and will be engaging with them on a continuous basis. The government's decision is in line with what the BJP manifesto said in 2014 – that we will push reforms, improve the ease of doing business and create jobs. So, these measures are not a violation of our manifesto.

The latest round of FDI reforms significantly liberalises e-commerce and single brand retail. Some say easier entry norms for foreign players in food retail could be the first step towards allowing MNCs into multi-brand retail – which, incidentally, hasn't been removed from the statute books. Your comments...

I want to dispel this inference. What we have done is introduced a level playing field between ecommerce and brick and mortar stores. We have done nothing on multi-brand retail. That is a commitment in our manifesto.

The TPP [Trans-Pacific Partnership] is now a reality. The ASEAN [Association of Southeast Asian Nations] has been around for decades, as has the EU, despite Brexit. India is not part of any regional trade pact. Is the country losing out because of this? What is the way forward?

India is actively engaging in negotiations with ASEAN–plus and the Regional Comprehensive Economic Partnership and hope to sign an agreement as soon as possible.

India has been negotiating FTAs with Thailand, New Zealand and the EU for a long time but nothing much seems to have come of these talks. Why is India shy of signing FTAs with our trading partners?

India is not fighting shy of signing FTAs. India is a large market. We have a large middle class with substantial purchasing power. This makes India a very attractive market for anyone negotiating with us. At the same time, we also have a large number of people who are poor.

The government has to keep their interests in mind. Then, there are sectors such as automobiles, auto components and pharmaceuticals, to name only three, in which India is globally competitive and in which our companies have earned global acclaim. When we negotiate trade deals, we have to ensure that our partner country gives us as much access in these and other sectors such as services as we give them.

There has to be a spirit of give and take when working out the details and we have to make sure we get a good deal that protects our national interest.

India has laid out the red carpet for Chinese investments in our infrastructure sector. Several issues, such as security and other clearances have been eased. Yet, China continues to play hardball with India on terrorism and NSG entry. Does India have a Plan B to deal with this kind of behaviour?

II'll deal only with that part of this question that concerns my department. We've had lots of exchanges with China and made it clear that we welcome its investments and goods. But we're also negotiating with them to give access to our pharma, IT, ITeS, seafood and agri products companies.

The presence of Indian banks would have helped Indian industries enter China. We're trying to put in place institutional arrangements to make access easier for Indian companies.

What is the latest on ease of doing business? After the initial burst of announcements, things seem to have gone quiet on this front? How long will it take for India to break into the top 50 nations as envisioned by the Prime Minister?

No, the momentum has not been lost. An initial list of 98 conditions to improve the ease of doing business have been fulfilled by states. We have ranked all the states on the ease of doing business. Now, we're discussing another 340 different other issues affecting the ease of doing business with the states.

I urge your readers to go online and check the dashboard on ranking. The cumulative aggregation of scores is done in a totally transparent manner. It is a dynamic system that ranks states on various parameters on a real time basis.

This is generating healthy competition among the states and we expect to perform much better this year. (Last year, India's rank had jumped 12 places from 142 to 130).

FDI flows have increased, reforms are underway and GDP is growing at a fast clip. Yet, not enough jobs are being created. How long will India have to wait for the feel good factor to return?

Investments typically create jobs with a time lag in most sectors. This has to be kept in mind. But the government's push towards job creation in the textiles and retail sectors and also in Tier 2 cities will begin to show results soon.

There was a lot of disquiet over the manner in which Raghuram Rajan was hounded by a section of politicians. Do you think this has hurt India's image abroad?

Both the Prime Minister and the finance minister have spoken on the topic. They have said they respect what Raghuram Rajan has contributed to the RBI, just as they respect his decision to leave after competing this full term.

And finally, what big changes will we see in the Indian economy over the next one year?

GST will be the next big thing. It will be a game changer for the Indian economy.

Some gains on ease of Doing Business, but more needs to be done

by Rita Ramalho

World Bank Group's programme manager for the 'Doing Business' rankings writes for India Inc.

The private sector is often described as the 'engine of economic growth', given its critical role in creating jobs, which enable citizens and countries to prosper. However, several factors, such as lack of access to finance or burdensome processes for starting a new business, can undermine private enterprise and, if left unaddressed, can impede growth.

For India, job creation and fostering entrepreneurship that creates formal jobs are of particular importance, given the country's demographic profile – 744 million working age people, of whom 326 million are youth aged 15 to 29 years.
Studies show that creating a regulatory milieu that enables private enterprise, especially small firms, to function and be creative has a large positive impact on job creation and is, therefore, good for the economy.
It is in this spirit that the World Bank Group's 'Doing Business' report shines a spotlight on the main regulatory constraints affecting domestic small and medium-size enterprises in 189 economies from around the globe, including India.

While the report does not measure many factors that are important to a well-functioning business environment, such as macroeconomic stability or the availability of a skilled workforce, 'Doing Business' covers several critical factors throughout the life cycle of a small and medium enterprise (SME).

The areas of business regulation covered by the report's 10 indicators are: Starting a Business; Dealing with Construction Permits; Getting Electricity; Registering Property; Getting Credit; Protecting Minority Investors; Paying Taxes; Trading Across Borders; Enforcing Contracts; and Resolving Insolvency.

Based on data collected every year, the annual 'Doing Business' report presents results for two aggregate measures:

- The ease of doing business ranking, which compares economies with one another; and
- The distance to frontier (DTF) score, which shows the absolute progress made towards best practice.

In the latest 'Doing Business' report, published in October 2015, India's ease of doing business ranking is 130, compared to 134 in the previous year, while its DTF score is 54.68, up 2 points over the previous year.

The improvements on both measures were driven mainly by reforms in both Mumbai and Delhi (the two cities covered by the report) across two 'Doing Business' indicators, namely "Starting a Business" and "Getting Electricity".

INDIA'S SCALE OF IMPROVEMENT IN DOING BUSINESS

Topic	2016	2015	Change
Getting Electricity	70	99	Up by 29
Starting a Business	155	164	Up by 9
Dealing with Construction Permits	183	184	Up by 1
Registering Property	138	138	No change
Enforcing Contracts	178	178	No change
Protecting Minority Investors	8	8	No change
Resolving Insolvency	136	136	No change
Trading Across Borders	133	133	No change
Getting Credit	42	36	Down by 6
Paying Taxes	157	156	Down by 1

Source: Doing Business 2016

To make starting a business easier, India adopted amendments to the Companies Act that eliminated the paid-in minimum capital requirement. Now, Indian entrepreneurs no longer need to deposit INR 100,000 ($1,629), which is 111 per cent of India's income per capita in order to start a local limited liability company.

The amendments also ended the requirement to obtain a certificate to commence business operations, saving entrepreneurs an unnecessary step and five days.

In the area of "Getting Electricity", utility companies in Delhi (TATA Power Delhi Distribution Limited) and Mumbai (Bhrihan Mumbai Electricity & Transport Undertaking) eased the process for obtaining a new electricity connection. As a result, it now takes less time for a business to connect to the grid in both cities.

These reforms, coupled with others undertaken by India over time, are encouraging. Indeed, India has recorded a total of 25 reforms easing business regulation since 2004 (when the first edition of 'Doing Business' was published) in all areas measured by the report, except in the area of Enforcing Contracts. These have led to tangible improvements for budding small businesses in India.

Three examples come immediately to mind:

- Since 2004, India has made starting a business easier by reducing the time required for obtaining the permanent account number (PAN), speeding up the process for obtaining a tax registration number; and establishing an online system for value added tax (VAT) registration.

- As a result, considerable gains have been recorded. Ten years ago, for instance, it took an entrepreneur in Mumbai almost 100 days and cost 62 per cent of GNI per capita and required a paid-in minimum capital equivalent to 352 per cent of the GNI per capita. Now, the process can be completed in just 29 days, it costs only 17 per cent of GNI per capita and there is no paid-in minimum capital required.

- A little over a decade ago, an entrepreneur seeking a loan to grow his business would have had little luck, because financial

INDIA vs THE WORLD

Economy	Year	Ease of Doing Business Rank	Overall DTF* (% Points)	Starting a Business Rank	Starting a Business DTF*	Getting Electricity Rank	Getting Electricity DTF*
Bangladesh	DB2015	172	42.71	111	81.36	189	12.99
Bangladesh	DB2016	174	43.10	117	81.72	189	15.31
China	DB2015	83	62.81	127	77.43	86	68.52
China	DB2016	84	62.93	136	77.46	92	68.66
India	DB2015	134	52.67	164	63.69	99	64.39
India	DB2016	130	54.68	155	73.59	70	74.56
Mexico	DB2015	42	72.15	63	88.85	76	70.64
Mexico	DB2016	38	73.72	65	88.94	72	73.27
Russian Federation	DB2015	54	69.26	34	92.17	53	77.89
Russian Federation	DB2016	51	70.99	41	92.35	29	84.22

Source: World Bank * DTF - Distance To Frontier

institutions lacked access to information systems to assess his credit-worthiness. Today, thanks to the creation and expansion of a national credit bureau offering credit scores and coverage on par with those in some high-income economies, a small business in India with a good financial history is more likely to get credit and hire more workers.

In 2014, India strengthened minority investor protections by – among other things – requiring greater disclosure of conflicts of interest by board members and introducing additional safeguards for shareholders of privately held companies.

As a result, India is in the top 10 on the Protecting Minority Investors indicator and minority shareholders benefit from strong protection from conflicts of interest and enjoy extensive rights in major corporate governance.

However, while India leads the South Asia region in the number of reforms undertaken historically, the pace of reforms has been irregular over time. For instance, India did not record a reform in 'Doing Business 2014'.

Going forward, India's renewed efforts to improve the country's performance on 'Doing Business' measures will need to be sustained over some time.

And, while businesses in India continue to face a wide array of challenges, the biggest improvements need to be made in the areas of "Dealing with Construction Permits" and "Enforcing Contracts".

For instance, on "Dealing with Construction Permits", an entrepreneur faces an average of 34 procedures, compared to a global average of 14 procedures. In "Enforcing Contracts", it takes 1,420 days to settle a commercial dispute through local courts in India, which is more than double the global average.

A study of 'Doing Business' data shows that the countries that have reformed the most over the past 12 years (i.e. Georgia and Rwanda), have also increased their national per capita output and firm creation.

So, too, can India reap the benefits of a thriving private sector by providing a better business framework for entrepreneurs.

Rita Ramalho is the program manager of the World Bank Group's Doing Business, which provides objective measures of business regulations for local firms in 189 economies and ranks the economies in 10 areas of business regulation, such as starting a business, resolving insolvency, and trading across borders.

INDIA ON A CLICK

by Amit Agarwal

Amazon's India chief explains how the global e-commerce giant is using technology to evolve and transform lives.

As a rule, Nadeem would come across as a predictable face in a 'National Geographic' documentary on Mumbai's humming Dharavi. His job in a small leather workshop earned him just enough to meet household expenses. However, the changing growth dynamics brought him to his destiny; an opportunity to do business on his own through the ecommerce platform of Amazon's Global Selling Program. Nadeem promptly registered on the platform and took off, listing original leather jackets at attractive prices. Today, Nadeem does business worth over $8,000 each month on Amazon.in and intends to focus more on expanding his online business.

Nadeem is among thousands of ambitious youth, eager to exploit the tremendous customer base offered by the e-commerce platform. India is home to the world's fastest growing Internet user base. Thanks to a great telecom penetration in rural areas, the number of web users in India may touch 730 million by 2020 as against 350 million in 2015. A report, compiled by Nasscom and Akamai Technologies India, says 75 per cent of new Internet users will come from rural India, leaving the US far behind, but placing it only next to China.

Rightly so, Amazon has stepped on the gas in India. For one, it has launched some India-specific services like Easy Ship, Fulfilment By Amazon, Amazon Now, I have Space programme to facilitate small businesses across the country. The immense infrastructure investment by Amazon is a significant way for these small and medium sized companies to leverage the online platform without worrying about distribution and logistics, while nonetheless getting access to a pan-India and even global customers, allowing them to scale up their business.

In a way, Amazon India that began operations in 2013 and is already among the top three e-commerce platforms in the country, is bringing the best of global technology to change not just the Indian e-commerce landscape, but create opportunities on the go for sellers across the country to transforms the way they sell and how consumers buy.

As a corollary, Amazon.in this year outlined an additional investment of $3 billion (taking it to $5 billion) which is equal to its global marketing costs in 2015, but marginally higher than its total capital expenditure last year ($4.5 billion). A significant part of

this additional fund will be to ensure the Indian customers continue to enjoy a vast selection on its platform, including with innovative programs for the local sellers, while at the same time adding to its infrastructural strength for the right logistics support. This clearly validates its commitment to the country especially leveraging its 7.5 per cent economic growth – a bright spot in the low global growth numbers – as well as the opportunity presented by the young demographic of the country.

Fashion to fibre: When sellers find more buyers

Naturally, the youth is bustling among the Amazon seller base. Take Sujan Basha (30), fashioning to be the modern face of the handloom industry for nearly two years now. He runs his own company Sabita Handloom in Nadia, West Bengal and travels to Kolkata and Delhi to sell his offerings. Now, Sujan says online selling is far more profitable as it enables a seller to reach a larger customer base (even globally) with a wider repertoire of products. Says he: "I was not getting the right value for my products through offline selling as my reach was limited to local areas. I am glad to be a part of Amazon; I am learning new weaving techniques besides understanding the importance of branding for effective marketing. Today, I can confidently cater to customer demands."

It's not just fashion being impacted by prospects galore: even your local kiranawallas are happy to get more business. In fact, while opening up the retail business to large players, the Government had concerns regarding the smaller kiranawallas but the technology seems to have provided an even, level playing field. The Amazon Now program has helped local kiranas and offline players to grow exponentially. Using Amazon Now, customers can now shop for over 6000 everyday essentials from local kirana stores as well as bigger chains, and get them delivered to their doorstep within two hours.

I Have Space: Know Your Customer

But given India's unique heterogeneous geography as well as vastness, Amazon has launched some distinctive programs for India such as the IHS (I Have Space) programme. With this, Amazon joins hands with local store owners to provide pick-up and delivery to its online customers. Under IHS, the local kiranawalla can act as the nearest `pick-up point' for customers or can deliver products directly to customers. The programme multiplies his prospective customer base, business income

and expansion opportunities. Amazon has 12,000 IHS points across the country.

Neha who owns a small kiosk of cosmetic goods, "Maharani Shringar" in Patna City is a classic success case of IHS. She has been associated with IHS since last few months, attracted by the viability of the concept. Currently, she delivers 35-50 packages on a daily basis, earning an extra income of INR 18000-20000 per month over and above her regular income of Rs 12000-15000 from the kiosk. She has employed a local boy for delivery, enabling him to meet his educational expenses with this part time job.

"Amazon has given me an identity in my locality which has increased my sales. I want to give a better future for my daughter with this additional income. I am also trying to get more women to be associated with this programme. It would make them independent as there are fewer opportunities for women in Patna, "says Neha.

Easy Ship: Sellers leveraging Amazon logistics

There are those who began to leverage the power of technology early. Vinayak Gautam who owns Todu Price, a small enterprise run by 4 friends, began selling on Amazon.in when he was just 21 years old. Though it all started to make some pocket money, he had soon built a fledgling business that turned into a fulfilling career. Into his fifth year in the e-commerce arena, Vinayak generates a turnover in seven digits, thanks largely to Amazon India's innovative Easy Ship – wherein sellers can leverage Amazon's investments in logistics to have their orders shipped straight from their own warehouses across India.

In other words, all the small local sellers, with very specific kinds of products, such as kitchen ware, gardening products, etc, can unshackle their potential and improve their customer experience with the Amazon Easy Ship to make the delivery simpler and more reliable.

FBA – fulfilling the customer trust

Trust is another word that Rakesh Ramrakhani – owner of 'Lali Prints' in Jaipur - adds to the Amazon-customer association. Ramrakhani who runs his family textile business was slow to realise the potential of e-commerce, but joined Amazon in time to reach out to customers beyond the Pink City. He joined Fulfilment By Amazon (FBA) - a pay-as-you-go fulfilment service wherein Amazon keeps sellers products in its warehouse, packs and ships them to customers, manages returns and services customer on their behalf. "The best thing about Amazon is the customer's trust," says Ramrakhani whose sales have gone up over ten times in no time. In fact, Amazon has been acting as an enabler for India's vast small and medium businesses at every stage of their business lifecycle.

Seller programmes to hone basic skills

With its commitment to Indian consumers to get a vast product portfolio and to the sellers to ensure they are easily able to reach larger customer audiences, there are various seller programmes - an example is the Seller University for educating and onboarding sellers – under which current and new sellers are assisted to enroll, manage and grow their business profitably.

Another pioneering innovation for sellers is Seller Flex, which allows sellers to list their entire products on Amazon.in but push them using the FBA service without moving them out of their own warehouse. This cuts the cost of transporting goods to Amazon storage and back. For customers, this means a greater selection at no or very low incremental fixed cost. At present, Amazon has 100 Seller Flex sites.

Amazon Seller App is another innovation that enables buyer-seller communication, order notification, order detailing, shipment confirmation and order fulfilment notification through mobile devices.
The App that enables a seamless management on the go has been downloaded by over 73,500 sellers. Much in line with the Indian tradition, Amazon has launched Amazon Tatkal, partly to debunk the myth that selling online is tough and a time consuming process. Here, SMEs can get on to Amazon.in, fill up and sell within just sixty minutes. In line with the Government vision to empower women, Amazon has launched a first-of its-kind women-only delivery stations in March this year; the first two centres came up at Thiruvananthapuram, Kerala and Chennai in Tamil Nadu. Through this initiative, Amazon has taken the lead to engage women, create unique job opportunities and enable them to be achievers in this field.

Amazon India's growth stems largely from its enabling role; that of a strong e-commerce platform that manages concerns of both sellers and buyers. Its steady investments in logistics and enabling services are boosting the confidence of Indian businessmen while the fulfilment services are cementing trust factor among customers. For millions of Indians, this could be the ultimate freedom to chart their own course of life.

Amit Agarwal is vice-president and country head at Amazon India, responsible for Amazon's consumer and seller businesses in India. He joined Amazon.com in 1999, and has led several new initiatives in the formative stages of Amazon's seller, web-services and external payments businesses. He has served in a variety of leadership positions, including Global Technical Advisor to Jeff Bezos and vice-president, international expansion.

Let cleanliness prevail in the backyard of our Swaraj

by Priti G. Adani

The Adani Foundation chief talks India Inc. through her vision for a cleaner, healthier India.

As I pen down this piece, it evokes me to tread a little back to the 1990s when the writings of Mahatma Gandhi on cleanliness, health and hygiene, were reproduced and hugely circulated post the unfortunate outbreak of plague in Surat, Gujarat. Only for the reason that we were all sensitised and motivated so much on maintaining sanitation and hygiene, Surat was transformed to become one of the cleanest cities of the nation. And, it continues to be so till date.

Although, the "medieval disease" became a blessing in disguise for Surat; we, as a nation, still have a long way to pave as far as sanitation and hygiene are concerned. I just wish that we do not need to have such a dreadful occurrence to make our people painfully aware that cleanliness is the prerequisite for a healthy living.

Not only healthy living, sanitation is, in fact, the first parameter to pass through when we calculate the socio-economic status of a country. To corroborate this fact, I would like to quote an incident. Once Mahatma Gandhi had visited Kumbh Mela and upon encountering the grave sanitation situation there, he excruciatingly said: "While I realised the grandeur of the holy Ganga and the holier Himalayas, I saw little to inspire me in what man was doing in this holy place. To my great grief, I discovered insanitation, both moral and physical."

Fenced upon this passion and concern of Gandhiji on sanitation, our respected Prime Minister, Shri Narendra Modi, rolled out the ambitious Swachh Bharat Mission (SBM) in 2014. While there are myriad of opinions and sentiments on the campaign; all I want to say is it does not matter how slowly you progress as long as you do not stop.

And the way we as a nation have come together speaks volume about the momentum of this campaign. Numerous corporates have joined hands in meeting the objectives of SBM. Individuals alike are also contributing their bit in one way or other. In a nutshell, the campaign has made all of us more conscious and concerned towards maintaining cleanliness in our surroundings.

For us at Adani Foundation, sanitation has always been viewed with great gravity. To complement government efforts towards cleanliness, since 2008 the Adani Foundation started providing material support for individual household toilet construction in the villages. I am very pleased to write that 26 villages in Mundra block (Gujarat) and two villages in Tiroda block (Maharashtra) were converted into 100 per cent Open Defecation Free (ODF) villages. Coming to numbers, in Mundra (Gujarat) and Tiroda (Maharashtra) alone, we built a total of around 4,000 toilets for individual households. Under our Rural Infrastructure Development activities, we laid an 81 km long drainage line covering 16 villages of Mundra.

This initiative was done with partial financial support from WASMO and a minimal 8-10 per cent contribution from the beneficiaries, just to instil a sense of ownership and belongingness among them.

Besides, we ensured that the all government schools and aanganwadis had appropriate number of toilets especially for girls at various locations. Apart from the schools, around 100 aanganwadis

were also provided with toilet facilities, in and around Mundra. Having mentioned all these, I would like to reaffirm that women in particular can play a key role in changing the mind-set and behaviour of the people toward using toilets. Since women have a direct bearing on other family members, we roped them in along with the adolescent girls to create awareness and motivate communities to promote and accept the general concept of household sanitation. With a quest to mobilise support, a number of innovative methods were put into practise to make the women aware about the vital issue.

For instance, 'Matka' (pot) meetings were conducted, wherein discussions and deliberations would take place till the 'matka' runs out of water. Further, interesting and innovative ways like 'Thali bajao' (beat the plate) activities etc. were organised with the help of the children of the community. The kind of buzz these initiatives created, it was way beyond what we had envisaged.

In another modest step to support municipal schools in Ahmedabad, we facilitated transforming the sanitation infrastructure of 40 such schools through an NGO. The transformation has been so impactful that I can comfortably say that the children in our facility now have access to clean drinking water and cleaner toilets. Since we as a group are into ports, a humungous part of our social endeavours have always been centred on the marginalised communities of the operational locations. Fisher-folk community in Kutch (Gujarat) have been the cradle of our interventions. Among other regular CSR initiatives on education, health, livelihood and infrastructure, we had recently conducted a day-long cleanliness drive at Juna Bandar, Mundra, which is a temporary habitat of the community for as long as eight months in a year.

Apart from rigorous interaction with the women of the community on the co-relation of hygiene and health, the drive urged the women to inculcate the habit of using toilets amongst all their family members. Further, while attempting to instil into them a sense of personal hygiene, we also took to the distribution of small gifts like a small set of a nail-cutter and toiletries etc. Waste bins were also distributed to all the dwelling unit holders and the fishermen for dumping the garbage of their houses and boats.

Giving a further thrust to this momentum, we have envisaged a nation-wide campaign which is inspired from the first and largest mass movement – "Satyagraha" – and is complementary to SBM. Like Satyagraha, we intend to make a cleanliness movement; a movement of the people, by the people and for the people. The initiative has been envisioned to rope in future generations of the nation and help them be the change agents to create a culture of cleanliness in the entire nation. I anticipate the movement will ensure that India not only achieves the state of cleanliness but also remains litter-free beyond 2019 and forever.

As far as our regular course of action is concerned, we are incessantly working towards providing several varieties of sanitation infrastructure in and around our operational sites for the rural populace. Having a stringent belief in investing towards promotion, protection and up-gradation of physical capital, i.e. infrastructure and equipment, we attempt bridging the gaps on community needs by ensuring that our infrastructure development programs are firmly footed and responsive to the actual needs of the community.

Lastly, as I believe in the reinforcement theory, let us keep reminding ourselves that this clean India fire that our Hon'ble PM has kindled must not douse off. It's time to make cleanliness, integral and important to our nation.

Let's blur the boundaries and make our public places as spic and span as our households, because it's undeniable that the entire nation is our home and it is our responsibility to keep its backyards, hygienic and sanitised. After all, a nation's cleanliness is its nationals' pride. Jai Hind!

Dr Priti G. Adani is the chairperson of the Adani Foundation, which under her leadership is focusing its activities in four core areas of education, community health, sustainable livelihood development and rural infrastructure development. The foundationis engaged with communities and their upliftment across 12 states of the country where the Adani Group operates.

Harish Dass is part of Smith & Williamson's tax team in London and has substantial experience of tax planning for UK resident and Non-Domiciled individuals. He also heads up Smith & Williamson's Asian Business Group.

Operational mechanics for new non-dom laws

by Harish Dass

In August 2016, the UK government issued further consultation on the rules affecting the taxation of non-UK domiciled individuals and inheritance tax on UK residential property. In the lead up to the final legislation which will follow the consultation, a tax expert delves into the impact on Global Indians.

Draft legislation includes details of wide-ranging changes to the tax landscape for so-called "non-doms" and UK residential property, due to take effect from 6 April 2017.

Domicile

Deemed domicile

In any given year, individuals who are UK resident for at least 15 of previous 20 tax years before the year in question will be deemed to be UK domiciled for income tax, capital gains tax (CGT), and inheritance tax (IHT).

This does mean that the £90,000 remittance basis charge will be no longer payable.

For IHT, if individuals are non-UK resident in a tax year, and also non-UK resident for the previous four consecutive tax years, then for IHT only, they are not deemed-UK domiciled. This also applies to spouses who have previously elected to be UK domiciled for IHT purposes.

An individual returning to the UK, though, must have been non-UK resident for six complete tax years in order to break the deemed UK domiciled position for income tax and CGT.

UK domicile of origin

Where an individual was born in the UK, has a UK 'domicile of origin', and has acquired an overseas domicile, when UK resident in a tax year from 6 April 2017 they will be UK deemed domiciled for income tax and CGT purposes.

For IHT purposes, such an individual is deemed to be UK domiciled if UK resident in a given tax year and one of the previous two tax years.

Many second generation UK Indians may not have had a UK domicile of origin at birth, despite being born in the UK, and it is possible that they may be outside the scope of this particular set of provisions.
It has not yet been established exactly how these rules interact with the existing double tax treaty between the UK and India, which exempts UK residents with an Indian domicile from an IHT charge on death for non-UK situs assets.

Rebasing

For those becoming deemed-UK domiciled from 6 April 2017 (but not on a subsequent date), provided the Remittance Basis Charge has been paid at least once since April 2008, it will be possible to rebase foreign situs assets that were held at 8 July 2015. We are awaiting further details on the mechanics of making this election, but it will be on an asset-by-asset basis.

Mixed funds

There will be a one-off window between 6 April 2017 and 5 April 2018 for individuals who are becoming UK deemed domiciled and who have claimed the remittance basis in the past, to separate their clean capital, capital gains and income held offshore. Once separated, these funds can be remitted to the UK as necessary. In practice, this will require a careful analysis to ensure unintended tax charges do not arise.

Offshore Trusts

Under the proposed new rules, where individuals become deemed-UK domiciled from 6 April 2017 are settlors of offshore trusts, it is possible for the settlor to be taxable on all income and capital gains within the trust as they arise, if the trust is not 'protected'. Trusts would lose protection if there are additions made after the settlor has become deemed-UK domiciled, or if benefits are conferred on the settlor, their spouse or minor children in excess of any income entitlement they might have under the terms of the trust.

Further clarity is still awaited on any new rules where individuals who are treated as deemed-UK domiciled are beneficiaries of offshore trusts.

In the majority of cases, assets held in trusts established before an individual becomes deemed-UK domiciled will continue to be "excluded property", and outside the scope of IHT. The exception is where UK residential property is held in an offshore structure.

It is important that individuals and their fiduciary service providers seek advice to ensure that the administration of offshore structures does not inadvertently prejudice their UK tax position post 6 April 2017.

UK residential property

The Government has signalled a clear intention to ensure that all UK residential property is within the scope of UK IHT, regardless of whether it is owned by an individual, trust or via an offshore corporate entity.

Where there has been residential and non-residential use, the rules state that a property is within the IHT charge if it has been a dwelling at any point in the two years preceding an IHT event.

IT HAS NOT YET BEEN ESTABLISHED EXACTLY HOW THESE RULES INTERACT WITH THE EXISTING DOUBLE TAX TREATY BETWEEN THE UK AND INDIA, WHICH EXEMPTS UK RESIDENTS WITH AN INDIAN DOMICILE FROM AN IHT CHARGE ON DEATH FOR NON-UK SITUS ASSETS.

Mixed use commercial and residential properties will be charged to IHT based on the proportionate value ascribed to the residential element.

It will not be possible to sell a property where there is an IHT charge outstanding. Any person who has legal ownership of the property, including a company and its directors, will be personally liable for any IHT liability. Where an offshore company owns the property, it is the value of the shares themselves that will be subject to the charge.

Debt that relates to the property itself will be allowable as a deduction against the value of the property for IHT purposes. Loans between 'connected parties' will be disregarded, though we do not have a full definition of what a 'connected party' is.

It appears that the Government will not bring in any transitional reliefs to incentivise 'de-enveloping' properties by unwinding holding structures. This is disappointing as there is likely to be an SDLT liability incurred in de-enveloping properties.

Business Investment Relief

Business Investment Relief (BIR) was introduced in 2012 to encourage non-doms who are taxed on the remittance basis to invest their offshore funds in the UK without giving rise to a taxable remittance. It has not proved as popular as was hoped and the Government are consulting in order to make this scheme more attractive to potential investors.

Conclusion

Given the direction of travel that the draft legislation demonstrates, non-doms should consider an immediate review of all offshore structures, especially those that hold UK residential property. This should be looked at in line with the changes to SDLT rates and income tax restrictions for property finance that were announced earlier in the year.

First and second generation UK-resident Indians may wish to consider undertaking a review of their domicile position to ensure certainty going forward.

The draft legislation might also prejudice existing succession planning, and it may also be prudent to review such planning alongside non-tax factors before the new rules come into force on 6 April 2017.

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