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Trade minister on India visit sells Costa Rica as ally for IT, services

Huma Siddiqui, Financial Express

New Delhi, 19 September 2013: Expecting India to become a significant source of foreign direct investment (FDI) in coming years, Costa Rica is inviting Indian businesses in IT, knowledge and services fields to set up base there as it tries to strengthen its services sector.

Costa Rica's minister of foreign trade, Anabel González, along with representatives of the Costa Rican Coalition for Development Initiatives (CINDE), was in India to launch 'Essential Costa Rica' and to invite Indian companies to the third edition of the 'Latin America Outsourcing Summit' in the first week of December.

In an exclusive interview to FE, Gonzalez said, "The visit was aimed at presenting the advantages of Costa Rica as a number of major companies offer value-added services, for which they require an ally in the Americas."

"There is great potential for strategic alliances between Costa Rica and India in areas of business process services, knowledge process operations, digital animation and software development, among others," she said.

According to the visiting minister, "The new country brand, well-positioned and managed, will allow us to express a consistent and articulate central idea of the country, differentiating it from its competitors. This is key to enhancing foreign direct investment and promoting exports and tourism".

"The December summit aims to educate vendors, buyers, c-levels, decision-makers, consultants and multinationals looking for either captive or outsourcing solutions in Latin America on the opportunities, trends, best practices and, more specifically, IT innovation, process standardisation, human resource retention, increasing business value, quality improvement, creativity and user experience," she pointed out.

"Over the past four years, we have made a significant effort to diversify sources of FDI. In case of India, we have sought to position the country as the best option for Indian companies looking to start operations in the Americas. "

"In fact, five of the largest 'service sector' Indian companies, including Infosys, CSS, Aegis, WNS and Amba Research, are currently considering expansion in the Costa Rican market. The companies are attracted because of our proximity to and time zone compatibility with the US as well as the quality of human resources and the positive business climate."

"Their success stories in Costa Rica allow us to demonstrate better the country's capacity and help attract other Indian companies," Gonzalez pointed out. According to Gonzalez, "The IT companies in Costa Rica are into multilingual operations, such as in English, Portuguese and Spanish."

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Large FDI from China way to address huge trade deficit: Manmohan Singh

PTI

Beijing, 22 October 2013: Expressing concern at the "unsustainable imbalance" in trade with China, Prime Minister Manmohan Singh today welcomed enhanced Chinese investment and the proposal to set up an industrial park in India as a way to overcome the growing trade deficit.

"India faces an unsustainable imbalance in its trade with China. One of the ways of overcoming the trade deficit is for India to attract larger flows of Foreign Direct Investment from China," Singh, who is starting his three-day visit here today, said in an interview to official Chinese media.

Bilateral trade touched $66.5 billion last year, of which China's exports to India totalled to about $47.7 billion. The burgeoning trade deficit has touched almost $20 billion amid declining Indian exports of raw materials like iron ore.

"We are happy that more Chinese firms are looking to India as an investment destination. During his visit to India, Premier Li (Keqiang) suggested that we look at the option of establishing a Chinese Industrial Park in India where companies and firms from China could cluster together," he said.

"We welcome this idea. Recently, a Chinese delegation visited India and had good discussions with our concerned officials. We have also shown them a few possible sites for a Chinese Industrial Park. We will work with the Chinese side in implementing the idea," he said.

To a question on the progress of the discussion of Regional Trading Arrangement (RTA) between China and India, he said the large trade deficit is causing concern in India. Both countries asked their Commerce Ministers to explore the idea of RTA, for which some studies were conducted a few years ago, he said.

"I am sure the Commerce Ministers will continue to discuss this idea. But I must be honest that there is a great deal of concern in our industry, given the large and growing deficit in our trade with China. When conditions are more propitious and trade is more even, we will find it more feasible to discuss an RTA or an FTA between our countries," he said.

On China's offer to build High Speed Railways (HSR) in India, he said India has not yet taken a decision on building HSR. "We are aware of China's High Speed Railway development. India is currently undertaking techno-economic studies on HSR. We have not yet made a decision on whether to go forward with construction of HSR in our current stage of development," he said.

Meanwhile, the railway authorities of India and China have been in touch with each other and are considering cooperation in station development, heavy-haul freight traffic and raising the speed of passenger trains on existing tracks, he said.

On the proposal to build a corridor linking Bangladesh, China, India, Myanmar (BCIM), he said India is promoting regional connectivity for balanced economic and infrastructure development within the country and accelerated integration with the neighbourhood, including Southeast Asia.

"We believe that the BCIM Economic Corridor can potentially reinforce our existing connectivity initiatives and we have expressed our support in principle to the idea during Premier Li Keqiang's visit to India," he said.

"To take the idea forward, we need to first get the support of the other two countries, namely Bangladesh and Myanmar and together study the various practical elements of such a corridor, its alignment, funding, responsibility of member countries, economic potential, soft infrastructure requirement, etc," he said. "Following our agreement during Premier Li's visit to set up a Joint Study Group of all four countries, we have set up the Indian component of this JSG (Joint Study Group). India will participate with great enthusiasm in its deliberations," he said.

On the prospect of India-China cooperation in BRICS (Brazil, Russia, India, China and South Africa) framework and progress of India's capital implementation of the BRICS Development Bank, Singh said the bloc's cooperation draws strength from bilateral relationships between its individual members, including between India and China, "which have acquired significant depth and substance".

There are many functional areas of cooperation such as urbanisation, agriculture, health, science and technology under BRICS in which India and China find synergies, he said.

"It is a matter of satisfaction that BRICS Development Bank, which was first mooted during the New Delhi Summit in March 2012, has registered significant progress," he said. "There is now agreement on key issues. I hope that BRICS technical experts would be able to resolve the remaining issues before the next summit," he said.

Singh said that setting up of the New Development Bank would send a strong signal of collective capacity of BRICS to help each other as well as other developing countries to address challenges relating to deficit of long-term infrastructure financing, state-run Xinhua news agency reported.

"Another important BRICS initiative is the Contingent Reserve Arrangement, which will help stimulate trade among our countries," he said.

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EU Parliament panel may raise FTA issue with Anand Sharma

PTI

New Delhi, 14 October 2013: India-EU free trade agreement is expected to be a major issue that will come up in the meeting between a high-level delegation of European Parliament's panel on international trade and Commerce Minister Anand Sharma.

The seven-member delegation led by Maria Badia, a member of European Parliament.

"One of the main areas of interest expressed by the delegation is India-EU free trade agreement. On October 29, they will meet Sharma and likely to discuss the pact," a commerce ministry official said.

The delegation would also share views on India's position at the forthcoming meeting of WTO members at Bali in December.

India and the 27-nation bloc EU had failed to reach a consensus on the proposed pact in May here. Both the sides had failed to bridge substantial gaps on crucial issues, including insurance and data security status for IT sector.

Launched in June 2007, the negotiations for the proposed broad-based bilateral trade and investment agreement (BTIA) between India and the EU has witnessed many hurdles.

The EU side has been pressing for hiking FDI cap to 49 per cent in the insurance sector. India has expressed its inability to do so without an approval from Parliament.

Besides demanding significant duty cuts in automobiles, EU is also demanding for tax reduction in wines and spirits and dairy products and a strong intellectual property regime.

On the other hand, India is asking for granting data secure nation status by EU. The matter is crucial as it will have a bearing on Indian IT companies wanting market access. It also wants liberalised visa norms for its professionals and market access in services and pharmaceuticals sector.

The two-way trade between India and EU stood at USD 91.3 billion in 2010-11.

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India, US to work on understanding on investment issues

Lalit K Jha, PTI

Washington, 14 October 2013: With India among the fastest growing sources of investment into the US, the two countries have agreed to further strengthen bilateral economic ties and work towards a greater understanding of investment related issues.

"Indian foreign direct investment (FDI) in the US increased from USD 227 million in 2002 to almost USD 5.2 billion in 2012, making India one of the fastest growing sources of investment into the US," Finance Minister P Chidambaram and his American counterpart Jack Lew said in a joint statement after their meeting here yesterday.

During the fourth annual meeting of the India-US Economic and Financial Partnership held at the IMF headquarters here, the two leaders agreed that the economic and financial relationship between India and the US continues to deepen and strengthen.

"Despite a challenging global economy, US-India bilateral trade in goods and services grew from USD 59.9 billion to USD 92.5 billion between 2009 and 2012," the joint statement said. "Total FDI inflows from the US into India, from April 2000 to July 2013, are USD 11.492 billion," it said.

Chidambaram and Lew agreed to continue working towards a greater understanding on all investment related issues including taxation and IT enabled services, an equitable and principled resolution of ongoing tax disputes and strengthened bilateral ties in this regard, the joint statement said.

The two leaders agreed to continue to cooperate on deepening capital markets and strengthening financial regulation.

"We committed our financial sector experts to holding the next meeting of the Financial Regulatory Dialogue, which brings together our respective financial sector regulators, to consult on the full range of domestic and international regulatory concerns, in India in 2014," the joint statement said.

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EU may push for deeper auto tariff cuts, insurance FDI hike

Dilasha Seth, Economic Times

New Delhi, 29 October 2013: A visiting EU parliamentary delegation is likely to push for deeper auto sector tariff cuts and raising of the foreign direct investment (FDI) cap in insurance at a meeting with commerce and industry minister Anand Sharma.

This follows EU chief negotiator Ignacio Garcia Bercero's stand last month that progress on the India-EU free trade agreement would be difficult without "significant commitment" from India. "It is not possible to imagine the EU concludes an agreement with India with tariffs on some key sectors, such as cars at 60-100%. There will have to be substantive efforts to bring this down," Bercero said at the EU-India FTA discussions in September. "Again, without key outcomes on sectors such as banking, and insurance, then it will not be possible to conclude the negotiations."

The EU parliamentary delegation is expected to reinforce this stand at the meeting, expected this week. Negotiations for the broad-based investment and trade agreement (BITA) between India and EU began in 2007, and the two sides have had 15 rounds of talks over the last six years. However, agreement on some contentious issues remains elusive. For instance, the EU wants auto-sector tariffs to eventually become zero, but India is reluctant as it sees such a move hurting domestic industry.

Analysts say the upcoming elections in India and several EU countries could also delay in any such pact. The EU has also been demanding a hike in the foreign direct investment (FDI) limit in insurance and banking.

The Indian Cabinet has cleared the increase in the FDI limit in insurance to 49% from 26%, but it still requires parliamentary approval.In banking, India has set a cap on the number of branches a foreign lender can operate.

"To be clear, the current situation is that the European banks established in India have limited opportunities to open new branches. The EU hopes the new policy announced by the Reserve Bank of India is going to be implemented quickly," Bercero said.

The Reserve Bank of India is expected to relax norms for entry of foreign banks into the country. BITA will be India's first bilateral agreement (including services) with a large trading partner and EU's first comprehensive agreement with a large emerging economy.

India, on the other hand, is seeking 'Mode 4' of the proposed pact, which will allow Indian professionals to work in EU member states, a segment where India sets to gain the most. After the economic crisis and the ensuing impact on employment in Europe, the EU added a safeguard clause under Mode 4,which will clock in when 20% of the limit is touched. Since these safeguards are sectoral, the safeguard clause will impact IT companies the most.

"The EU has offered its greatest flexibility on Mode 4, than it has done for any of its previous negotiations with other trading partners," Bercero said.

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No change in pharma FDI norms: Sharma

Business Line (The Hindu)

New Delhi, 29 November 2013: Facing strong opposition from the Finance Ministry and the Planning Commission, the Government has decided against revising the foreign direct investment (FDI) limit for the existing pharmaceutical companies.

The Union Cabinet, which met here on Thursday, has rejected a proposal in this regard.

"We are not reducing (the FDI cap in brownfield pharmaceuticals) for the moment," Commerce and Industries Minister Anand Sharma told reporters on Friday.

The proposal before the Cabinet was to prescribe three broad categories.

New projects will continue to have 100 per cent FDI. Existing projects producing non-rare/non-critical drugs will also have 100 per cent FDI.

However, a third category for existing projects producing critical or rare drugs was created. This category will have 49 per cent foreign equity and it will be combination of FDI and FII (Foreign Institutional Investors).

Currently, the FDI limit for both, the new or greenfield pharmaceutical projects and existing or brownfield projects, is 100 per cent. However, the approval route is automatic for the new ones, while for existing projects, the proposal needs clearance from the Foreign Investment Promotion Board (FIPB). The Cabinet proposal was prepared in the backdrop of increasing number of mergers and acquisitions of existing pharmaceutical companies. The proposal also talked about tightening some norms such as mandatory investment in R&D and doing away with non-compete clause.

However, not only change in FDI provisions, but also many of the stringent norms barring one was rejected. Sharma said the non-compete clause would be done away with. Such a clause prevents the acquired entity from producing similar products by the acquirer.

RBI data show that during April 2012 and June 2013, brownfield pharmaceutical projects got $2,034 million worth of FDI while greenfield ones attracted just $90 million.

It means over 96 per cent of total FDI in pharmaceutical projects are merely substituting domestic capital by foreign capital rather than adding new capital.

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Rebound in FDI flows into India, says World Bank report

Business Line (The Hindu)

Mumbai, 9 December 2013: The foreign direct investment (FDI) flows received by India in the January-March 2013 period reflects a rebound in inflows, said a World Bank Group arm. This is a result of the new investment policies put in place for select sectors, such as telecoms and insurance.

In its World Investment and Political Risk Report, the Multilateral Investment Guarantee Agency, said India is by far the largest recipient of FDI in South Asia, comprising India, Pakistan, Sri Lanka and Bangladesh, and changes in its flows influence the picture for the entire region.

According to RBI data, India saw higher FDI inflows of $4.5 billion in the January-March 2013 period against $1.4 billion in the year ago period.

The growth of FDI flows into developing economies has been dominated by Brazil, China, and India, according to the Report, which examines the overall trends in political risk perceptions, foreign investment intentions, and longer-term demand for political risk insurance (PRI), especially in emerging economies.

In 2012, China received 10.5 times more FDI than India. While India received $24 billion, China received $253.5 billion.

Together the three countries have accounted for just over half of all FDI flows received by developing economies during 2000-2012.

According to the report, over the past decade a second layer of developing economies has experienced accelerated FDI growth. These include Ghana, Indonesia, Kazakhstan, and Nigeria, where the growth rate of FDI flows has exceeded that for all developing economies.

With outflows of $68 billion in 2012, the report observed that Brazil, China, and India continued to account for the bulk of outbound FDI from developing economies and their firms continued to extend their global reach.

China has emerged as one of the largest investors in Latin America in recent years.

Other developing economies are also emerging as sizeable outward investors, notably Indonesia, Hungary, Malaysia, and Mexico.

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100% FDI in pharma stays; Govt notifies policy

Business Line (The Hindu)

New Delhi, 8 January 2014**:** India will continue to allow 100 per cent Foreign Direct Investment (FDI) in existing pharmaceutical companies despite concerns over continued availability of affordable life-saving drugs raised by some ministries and departments.

Domestic companies selling their facilities or operations to foreign players, however, will not be barred from starting a fresh venture in the same area as the "non-compete" clause will not apply in deals except in special cases.

The Department of Industrial Policy & Promotion (DIPP), on Wednesday, formally notified both the decisions taken by the Union Cabinet six weeks ago following extensive inter-ministerial consultations.

"The Government has reviewed the position in this regard and decided that the existing policy would continue with the condition that 'non-compete' clause would not be allowed except in special circumstances with the approval of the Foreign Investment Promotion Board," the DIPP said in a Press Note.

There have been a number of high profile acquisitions of Indian pharmaceutical companies over the last few years which includes the recent take-over of Bangalore-based pharma firm Agila Specialties by US-based Mylan Inc and Piramal Healthcare by US company Abbott Lab.

The DIPP had sought reduction of FDI limit for brownfield pharma projects from 100 per cent to 49 per cent in "critical'' areas as it feared that acquisition of Indian companies could vitally affect availability and affordability of generic (off-patent) medicines.

In an earlier note, the DIPP had pointed out that most of the FDI that has come into the pharma sector in the country has come in brownfield projects and soon the existing facilities in the country that produce cheap life-saving medicines may completely be taken over.

The Department of Science & Technology and the Health Ministry also shared the DIPP's concerns. The Department of Science & Technology, had expressed concern that takeover of Indian pharmaceutical companies by foreign investors could lead to a waste of Government efforts, research and resources as many of these companies sourced their technologies from Government laboratories under the CSIR.
The Finance Ministry and the Planning Commission were, however, of the view that there should not be any changes in the existing FDI policy as it would serve as a deterrent for foreign investors.

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FDI inflows into India up 17% at $28 bn last year: UNCTAD

PTI

United Nations, 29 January 2014: FDI inflows into India grew 17 per cent to $28 billion in 2013 despite unexpected capital outflows in the middle of the year, according to a United Nations report.

It also said that foreign direct investment across the world rose to the levels not seen since the start of the global economic crisis in 2008.

India ranked 16th among the top 20 global economies, receiving the maximum FDI.

Global FDI

Global FDI increased by 11 per cent to an estimated $1.46 trillion in 2013, with the lion's share going to developing countries, according to the UN Conference on Trade and Development (UNCTAD) report. UNCTAD forecasts that FDI inflows will gradually rise to $1.6 trillion and $1.8 trillion in 2014 and 2015, respectively.

As global economic growth gains momentum, this may prompt investors to turn their cash holdings into new investments, it said.

However, uneven levels of growth, fragility and unpredictability in a number of economies and risks related to the tapering of quantitative easing could dampen the FDI recovery.

FDI inflows into developing economies reached a new high of $759 billion, accounting for 52 per cent, during the year. Developed countries, however, remained at an historical low (39 per cent) for the second consecutive year.

FDI inflows into developed countries increased 12 per cent to $576 billion, with such investments into the European Union increasing, while flows to the United States continued their decline. The US received $159 billion in FDI inflows last year.

The BRICS — Brazil, Russian Federation, India, China and South Africa — continued to be strong performers in attracting FDI. Their current share of global FDI inflows at 22 per cent is twice that of their pre-crisis level.

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India reviewing its 83 bilateral investment pacts: Anand Sharma

PTI

New Delhi, 22 February 2014: The government today said it is reviewing all its bilateral investment promotion and protection pacts amid global firms raising concerns about India's investment policies. So far India has implemented 83 bilateral investment promotion and protection agreements (BIPPAs) with various countries.

"We have 83 BIPPAs which are currently under review because there are lessons learnt when these have been invoked by some (foreign) investors...then there is question of domestic jurisdiction in many cases. It was debatable and that is why it has led to a number of international arbitrations," Commerce and Industry Minister Anand Sharma said here at a function.

Referring to the invocation of these pacts by major foreign telecom firms like Telenor, Sistema and Etisalat, he said these companies came in after thorough scrutiny by government agencies like RBI and FIPB.

With the cancellation of telecom licences by the Supreme Court in 2012, Norway-based Telenor, Etisalat of UAE and Sistema of Russia went for international arbitration citing bilateral investment pact with India.

"We have bilateral treaties with these countries and these investments came in through our FDI policy, through the RBI, through proper scrutiny of FIPB approval and CCEA approval," he said.

The Supreme Court had on February 2, 2012 quashed allotment of 122 2G licences given during the tenure of the then Telecom Minister A Raja in 2008 on the ground that they were issued in a arbitrary and unconstitutional manner.

"Once the investment comes in, they enjoy full protection under the law which cannot be taken away and that has to be borne in mind because in recent past we have seen some developments which did cause anxiety...," he added.

He also pointed out that efforts are being made to determine what the legal framework of the agreement should be in the investment protection agreements.

"How to protect your investment and to assure your partner country that the investment that they make in our country have adequate legal protection," he said at an India International Law Foundation function.

"The specific issue which is being discussed is what should be the legal framework of the agreement in the investment protection agreements and treaties, whether it should be only the same protection as we give to domestic businesses for investment or it has to be beyond," he added.

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Korea could invoke Bipa for arbitration

Nayanima Basu, Business Standard

New Delhi, 5 April 2014: South Korea is considering invoking provisions under the bilateral investment promotion and protection agreement (Bipa) against India for the hit on Samsung Electronics' investments, following a Supreme Court order asking its chairman, Lee Kun-Hee, to appear within six weeks before a Ghaziabad trial court in a pending payment case.

This comes even as Commerce & Industry Minister Anand Sharma expressed apprehension the apex court's decision might adversely affect India's investment climate.

Sources told Business Standard the Korean embassy here had taken up the matter with the foreign ministry of that country. Currently, Korean ambassador Lee Joon-Gyu is in his home country.
Under the India-South Korea Bipa, a party can drag the other to international arbitration if its investments are threatened.

Earlier this week, the Supreme Court had directed Lee Kun-Hee to appear before a Ghaziabad court in a $1.4-million cheating case filed against him.

The Centre believes it is Samsung India that is "to be blamed, as it did not foresee it coming and mishandled the case", says a senior official, adding the apex court order had given an option through which an exemption could be sought from Lee's personal appearance.

The government is verifying the credentials of JCE Consultancy, complainant in the case. Initial investigations have revealed the company isn't registered with the Ministry of Corporate Affairs and doesn't have its sales tax number registered.

"The case has zero merit. The government is fully behind them. JCE Consultancy is a fraud company and is tactfully misusing the Indian judicial system," said an official directly handing the case on behalf of the Indian government.

Sharma, however, said, "Samsung is one of the largest companies of Korea and has huge presence and investments in India...It (the court order) sends a very negative message and will definitely impact the investment and business climate adversely." But he added the courts had to take a view.

Meanwhile, B D Park, regional president and chief executive of the company's southwest Asian operations, and Ravinder Zutshi, Samsung India managing director, on Friday met Amitabh Kant, secretary in the Department of Industrial Policy and Promotion.

"Samsung is a victim of fraud here. We have to make sure their investments continue and we should encourage their investments here. It should not be impacted," said Kant.

Sharma said companies functioned in an executive hierarchical manner, adding their chairmen should not be summoned in case of complaints. "This is my view...It sends a very negative message."

Earlier, South Korea had "threatened to stop all investments coming into India", an official said.
The Supreme Court had passed its order on an appeal filed by Lee, challenging an Allahabad High Court order dismissing his plea for setting aside an arrest warrant issued against him. The order was passed on a complaint filed by an Indian company, JCE Consultancy, against Lee in a Ghaziabad court for allegedly

cheating it of $1.4 million.

Now, the Centre is planning to approach the court and request it to either allow one of Samsung's representatives to appear before the trial court or postpone the date of hearing in a manner that it comes up after a new government takes charge. The government is also concerned because of dismal progress in the $12-billion Posco steel project, the Koreans might abandon India for Vietnam or Thailand.

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India-Asean services FTA in limbo over retail FDI

Nayanima Basu, Business Standard

New Delhi, 15 April 2014: India's free trade agreement (FTA) on services with the 10-member Association of Southeast Asian Nations (Asean) is still in limbo, as three members – Thailand, Indonesia and the Philippines - are yet to ratify the deal. While Thailand and Indonesia are demanding unconditional access to India's multi-brand retail trading segment, the Philippines appears to be scared of India's information technology (IT) sector.

Indonesia and Thailand have categorically told India they will not ratify the deal, unless the "federal nature of the FDI (foreign direct investment) policy in multi-brand retail" is relaxed. They are particularly annoyed that it is a state-enabling policy, which means a final call on whether or not to allow a foreign retailer to set up hypermarkets or chains is to be taken by state governments, highly placed sources involved in the talks told Business Standard. The two countries have informed the commerce & industry ministry and external affairs ministry that they will enter India only on the condition that their retail chains are allowed to set up shops "anywhere and everywhere".

The demand from Thailand and Indonesia comes at a time when the United Progressive Alliance (UPA) government's decision to allow up to 51 per cent FDI in multi-brand retail has drawn attack from political opponents, though the policy is more diluted than that demanded by Thailand and Indonesia.

The Philippines, which is gearing up to become the call-centre hub of the world, is apprehensive of the fact that the Indian IT-ITeS (information technology-enabled services) sector might eat up its jobs. India has been trying to negotiate with that country by saying it has moved from being a call-centre hub to the more high-end and complex IT jobs.

The FTA for services was approved in India by the Cabinet Committee on Economic Affairs in December last year, despite objections from the finance ministry. This was the last FTA signed by the ruling UPA before the country went to polls.

This also was one of the crucial FTAs, under which India hoped to get greater market access for its professionals in countries like Singapore, Malaysia and Indonesia. However, it now seems that road ahead is not going to be smooth.

The retail sector in Indonesia and Thailand has witnessed a boom over the past decade. In Indonesia, the food and clothing retailers have massive expansion plans and they have been eyeing India for long. Big Indonesian retailers like Matahari Putra Prima, Indomarco Prismatama, Mitra Adi Perkasa and Ramayana have set aside huge investment plans.

Similarly, in Thailand, despite the current political tension, the retail sector is growing 9-10 per cent annually. The Thai Retailers Association has projected 12 per cent growth in the current financial year. The absence of a stable government in Thailand, too, has delayed the process of ratification. India is also negotiating for a separate bilateral trade treaty with Thailand. However, the Indian government is hopeful the ratification process will be over by October this year.

Trade between India and Asean was worth about $76 billion in 2012-13. Both sides have set a target of increasing this to $100 billion by 2015.

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India needs to modify IPR regime to attract FDI: EU

PTI

New Delhi, 7 May 2014: India needs to modify its Intellectual Property Rights (IPR) regime and fast-track legal system to attract foreign investments, a report said Wednesday. "India must sort out some contours of its IPR regime. The legal system must be fast-tracked and the use of compulsory licensing (CL) for essential pharmaceutical drugs must be the exception and not the norm," it suggested. The report has been released by the Europe India Chamber of Commerce (EICC) and European Business and Technology Centre (EBTC) in co-operation with the European Business Group.

The US industry too has raised concerns over India's IPR laws particularly in the pharmaceuticals sector. However, Indian government has maintained that its IPR laws are in compliance with WTO norms and rules.

The report also said that over the last two years, Indian Government has taken several steps to remove FDI barriers in a range of sectors but "it calls for swift implementation" of those measures. It said: "Modalities such as land acquisition, revenue sharing and others must be discussed and debated by the states and the Centre before a formal policy decision is taken.”

"Many EU companies find out that the actual market scenario in India is distinctly different from their original understanding." Reforms also need to be initiated in trade facilitation and export promotion, it added.

"Companies that invest in India need to have lot of patience and deep pockets to sustain cash flow uncertainties. They should focus on the potential and not the short-term challenges," EICC's Research Head Adith Charlie said.

Further, it claimed that European companies had spent USD 198 billion in India during the last 10 years.

"In the same period, Japanese and US firms channelised USD 138 billion and USD 50.7 billion respectively into their India units. This gives EU enterprises the distinction of being the largest inbound investor into India," it said. EU firms have spent USD 118 billion on 2,566 greenfield (new) projects and also acquired interests in 1,442 companies for USD 80 billion.

"Tactical Greenfield investments, landmark acquisitions and steadfast dedication through uncertain economic cycles have been the key ingredients of the success enjoyed by European companies in India," it said quoting EICC Secretary General Sunil Prasad.

The study found that despite the challenges facing the Indian economy, EU firms are optimistic about the next 5 years.

"The common consensus is that the next government would usher in a fresh round of growth," Prasad added.

The report titled 'European Companies in India: Reigniting Economic Growth', said that EU companies collectively provide direct employment to 1.5 million Indians. Of this, about 562,335 new jobs were added in the last 10 years alone through the greenfield route, the report added.

"To ensure continued high levels of FDI, essential to India’s future economic growth, government and industry alike must engage in novel thinking and disciplined implementation - only then will the so urgently required paradigm shift happen," EBTC Director Poul Jensen said.

It said that huge potential is there in sectors such as education, energy, food processing, life sciences, advanced engineering and infrastructure.

Meanwhile, Ambassador of EU Delegation to India Joao Cravinho said in the report's foreword: "The sheer scale, diversity, and regulatory and tax complexity of India can be overwhelming for a foreign company.

"Companies have to be patient and committed to experience sustainable growth in the country over the longer term."

He added that the EU is committed to strengthening trade relations with India and "we are confident that the conclusion of the EU/India Broad-based Bilateral Trade and Investment agreement is possible in the near future".

The total India-EU bilateral trade was USD 94.43 billion during April-February, 2012-13. It was USD 109.86 billion for the entire 2011-12 fiscal.

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