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India-Asean services agreement to be signed in December

Nayanima Basu, Business Standard

New Delhi, 1 November 2013: The much-awaited pact on trade in services and investment between India and the Association of Southeast Asian Nations (Asean) is likely to be a reality finally by the end of next month, which will open up greater job opportunities for India's professionals in information technology, healthcare, designing and research.

India and the 10-member Asean trading bloc already have a goods agreement in place that came into force from August 2011, providing tariff-free access to a range of product lines such as textiles, pharmaceuticals, chemicals, engineering products, processed food and auto parts among others. Hence, after the signing the deal in services and investment, the free trade agreement will be called a Comprehensive Economic Partnership Agreement (CEPA).

It is expected to be signed on the sidelines of the World Trade Organisation ministerial meet in Bali in December. According to a senior ministry of external affairs (MEA) official, the CEPA with Asean will be operationalised by July 2014.

"We are happy with what we have got under the services agreement. This will throw open the Asean markets. There will be more job opportunities and an easier business visa regime. Businesses would now have to utilise it properly," the MEA official told Business Standard.

The deal in services was supposed to have been signed in 2009, when the goods pact was agreed upon. However, at that time, some of the Asean countries, particularly the Philippines and Indonesia were apprehensive of Indians "eating away their jobs" and they were also not open to the idea that similar concessions have to be given within the Asean members also, officials in the commerce department said.

Earlier, while addressing the Confederation of Indian Industry, Ashok Kantha, secretary (East), MEA, stated that bilateral trade between India and the Asean region has increased nearly 10 times in the last 11 years. Presently, two-way trade stands at $76 billion in 2012-13. Both the sides have aimed at increasing it to $100 billion by 2015.

Ever since the talks began in 2005, India's main demand has been to obtain greater job opportunities for its professionals in the 10 member-Asean countries of Singapore, Malaysia, Indonesia, Vietnam, Thailand, the Philippines, Cambodia, Laos, Brunei and Myanmar.

However, the deal has now been finally sealed during Prime Minister Manmohan Singh's visit to Brunei on October 10 during the Asean-India Summit at Brunei Darussalam.

India is the tenth largest services exporter in the world while Asean is a net importer.

The services sector is of main interest to India as it contributes over 55 per cent to the country's gross domestic product and in terms of export revenues.

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India-Asean services FTA may stumble again

Nayanima Basu, Business Standard

Nusa Dua (Bali), 3 December 2013: The India-Asean free trade agreement (FTA) on services and investment, expected to be signed on the sidelines of the World Trade Organization ministerial conference here, might face another delay due to the absence of Thailand, the Philippines and two other Asean countries, a senior commerce and industry ministry official told Business Standard.

The trade pact entails greater access to the Asean countries - Singapore, Malaysia, Indonesia, Vietnam, Thailand, the Philippines, Cambodia, Laos, Brunei and Myanmar - by Indian professional and a relaxed investment regime.

During the Cabinet meeting last week, Finance Minister P Chidambaram and Law Minister Kapil Sibal had expressed their displeasure to Commerce and Industry Minister Anand Sharma for not consulting them on matters related to gaining market access through investment.

India and the 10-member Asean bloc already have a goods agreement in place since August 2011, providing tariff-free access to a range of product lines such as textiles, pharmaceuticals, chemicals, engineering products, processed food and auto parts, among others. Hence, after signing the deal in services and investment, FTA will be called Comprehensive Economic Partnership Agreement.

The deal in services was supposed to have been signed in 2009 when the goods pact was agreed upon. However, at that time, some Asean countries, particularly the Philippines and Indonesia, were apprehensive of Indians "eating away our jobs" and they were also not open to the idea that similar concessions have to be given within the Asean members, commerce ministry officials said.

Ever since talks begun in 2005, India's main demand has been to obtain greater job opportunities for its professionals in the Asean countries.

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Time we pushed Asean pact on services

Rajrishi Singhal, Business Line (The Hindu)

30 January 2014: India's resolve to get closer to Asean countries is faltering at the altar. After signing a free trade agreement on goods with Asean, a similar pact on trade in services and investment — unarguably India's strong suit — still eludes the country. Marked by public squabbling between ministries, it is quite likely that the final agreement will be signed only after elections.

Make that one year from now. Once the new government takes over, it will be another six-seven months before it can sink its teeth into bilateral trade deals. This is tragic because while India has an advantage in services, India's existing trade balance with Asean is negative.

Confusion, delays

India signed a free trade agreement (FTA) with Asean — an economic bloc of 10 countries — for only goods in 2009. This was to be followed up with the signing of a separate FTA on services and investment, negotiations on which have been continuing for some time now. There is no clarity on the benefits that such an FTA will offer since the agreement is not yet in public domain, but it can be safely said that it will allow India to leverage its competitive offerings in finance, education, health, IT, telecommunications, transport and movement of professionals.

Consequently, Indian service providers will be able to offer services to Asean customers with greater ease than what is available currently.

A formal conclusion to negotiations was signalled through an Asean secretariat communiqué in Delhi on December 20, 2012: "...we welcome the successful conclusion of the negotiation on ASEAN-India Trade in Services and Investment Agreements." The session concluded with Prime MInister Manmohan Singh also endorsing the end of negotiations.

This led to speculations about probable dates, with August 2013 emerging as consensus deadline. On October 10, 2013, at another Asean Summit, Manmohan Singh provided another deadline: "India stands ready for the signature of the India-Asean FTA on Services and Investment by the end of this year and its early implementation." The Cabinet then on December 19, 2013, approved a services and investment treaty with Asean, raising hopes that the deal would be sealed soon.

Sadly, that cut-off date too has lapsed and the agreement seems to have fallen into the cracks that lie between promises and approvals. The delay is being blamed on shadow-boxing between Ministry of Commerce and Industry, which wants India to push ahead with the agreement, and Ministry of Finance, which wants a detailed study on the performance of all FTAs signed so far. While the Cabinet over-ruled all opposition, a delay is now inevitable.

India's economic strength lies in services, given that over 50 per cent of GDP comes from services. It is, therefore, counter-intuitive that bickering and delay should bog down an advantageous trade pact.

Missing the target

The unsigned, unconsummated FTA is to be formalised under the umbrella framework of Comprehensive Economic Cooperation Agreement (CECA) which India and Asean inked in 2003. CECA — which has two components, goods, as well as services and investment — is similar to most FTAs, but earns the "comprehensive" sobriquet by including investment. India has signed CECAs with Japan, Singapore and Australia.

Under CECA with Asean, the Agreement on Trade Goods was signed in 2009. Asean comprises Singapore, Brunei, Malaysia, Indonesia, Thailand, Cambodia, Laos, Vietnam, the Philippines and Myanmar. Indo-Asean trade has grown from $30 billion in 2008 (before FTA on goods was initialled) to $76 billion in 2012. But, given the pace of progress, it seems the 2015 target of $100 billion will be missed.

The source of inter-ministerial conflict lies in the disaggregated numbers. The Finance Ministry's contends that there should be a proper study on performance of all FTAs. Specifically, it feels that Asean countries have gained more than India — in simple terms, that means India has imported more from Asean countries than it has exported to them.

For example, India's trade deficit with Thailand has grown by 111.55 per cent between 2008-09 and 2012-13.

Finance Minister P Chidambaram found vocal support from three sources. First, RBI governor Raghuram Rajan alluded to misaligned FTAs in a November speech: "I am worried because we seem to be reverting to a dialogue of protection and subsidies that we left behind long ago...While we should not enter into free-trade agreements that give foreign manufacturers an undue advantage, that is no reason for us to now respond by giving domestic manufacturers protection."

Industry lobbies Ficci and Assocham also pitched in. A Ficci survey among its members showed that many respondents felt trade in goods with Asean either had no impact on exports or had an adverse impact, but only a minimal beneficial effect.

An Assocham report was a bit more hard-hitting and cautioned the government to incorporate lessons from the Asean goods FTA into the Indo-EU trade negotiations.

Interestingly, apart from the Indian side, Asean members have been also holding up the talks, even as tariffs on a number of items keep coming down every year. For instance, it is believed some Asean countries are opposed to free movement of professionals, given rising unemployment in their countries. Some of them are insisting that Indian professionals should obtain local qualifications; for instance, a doctor wanting to practice in Thailand must obtain a licence from Medical Council of Thailand.

India, on the other hand, wants to sign a mutual recognition agreement with Asean so that there is a mutual recognition of professional qualifications; in case there is no such agreement at the Asean level, India will then have to sign such an accord with each country separately.

The clock is ticking. Every wasted moment results in India importing more goods (which eventually affects domestic manufacturing) while being handicapped in using its competitive advantage of services export.

(The author is Senior Geoeconomics Fellow at Gateway House: Indian Council for Global Relations)

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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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Near national treatment for foreign banks

Joel Rebello & Anup Roy, Mint

Mumbai, 6 November 2013: Citibank NA, Hong Kong and Shanghai Banking Corp. Ltd (HSBC), Standard Chartered Bank and a few other foreign lenders may set up wholly owned subsidiaries (WOS) in India, as they will be treated like "near national" banks by the Reserve Bank of India (RBI) when it comes to opening branches in Asia's third largest economy if they do so.

RBI released the new norms for foreign banks on Wednesday, nearly three years after the first discussion paper on the subject was made public.

Foreign banks with "complex structures" and banks that do not provide "adequate disclosure" in their home jurisdiction will have to compulsorily convert themselves into wholly owned subsidiaries of their parents in India.

A late evening RBI release also said foreign banks that become "systemically important" on account of their balance sheet size in India have to convert themselves into wholly owned subsidiaries. Systemically important banks are those whose assets account for at least 0.25% of the total assets of all commercial banks. Going by this definition, 12 foreign banks, including Bank of America Corp., Barclays Plc, Citibank, Deutsche Bank AG, HSBC, DBS Bank Ltd and Standard Chartered Plc fall into the category. However, the big three along with other foreign banks that started operations in India before August 2010 have the option to continue their business through the branch mode, but they will be "incentivized" to follow the WOS route, RBI said.

Whether such foreign bank subsidiaries can buy private sector banks in India will be considered after a review is made with regard to the extent of penetration of foreign investment in Indian banks and functioning of foreign banks, the RBI release said.

Under a World Trade Organization (WTO) agreement, RBI is required to give foreign banks 12 new permits to open branches every year, including those given to new entrants and existing lenders, but the Indian regulator has been liberal in its policy. Those foreign banks who decide to opt for the WOS structure will be able to expand their branch network like a local bank without seeking prior RBI approval "except in certain locations that are sensitive from the perspective of national security".

Some 43 foreign banks now have 334 branches, mostly in cities, less than half a percentage point of the banking system's total branch network.

Citibank, which has the biggest asset base among all foreign banks in India, is 110 years old in India. It has 43 branches across 29 centres. With around Rs.93,000 crore of assets, Standard Chartered has 100 branches. With close to Rs.81,100 crore in assets, HSBC currently has 50 branches in India. Among other foreign banks, Deutsche Bank has 17 branches and DBS runs 12.

Spokespersons for Citibank and HSBC, and DBS India general manager and chief executive Sanjiv Bhasin declined to comment as they were yet to go through the RBI circular.

A Standard Chartered spokesman said the bank welcomed the new guidelines, but added that "...it is too early to comment in detail without reviewing the guidelines and its implications".

“Complex structure” typically refers to the opaqueness of shareholding of a bank. For example, many European banks, especially in the wealth management business, are owned by companies and individuals with a complex chain of holding company and cross holdings. In many cases, the owners of the banks are hidden under several layers.

In India, financial institutions are regulated by distinct authorities—RBI in the case of banks. However, in many European countries, banks can work under that country’s company laws, which is not acceptable in India.

This means some banks could take their “own time” to become a WOS, said There is no deadline set for banks to take call on whether to incorporate themselves locally. Robin Roy, associate director, financial services at consulting firm PricewaterhouseCoopers.

“But they will eventually want to do that because that gives them a level playing field. Now their grouse of not being able to open branches has been addressed. It is good for foreign banks in India; at the same time, it is good for Indian banks as well because of the reciprocity clause,” Roy said.

RBI said its new policy will be guided by the two cardinal principles of reciprocity and single mode of presence.

“The policy incentivizes the existing foreign bank branches which operate within the framework of India’s commitment to WTO to convert into WOS due to the attractiveness of near-national treatment. Such conversion is also desirable from the financial stability perspective,” RBI said.

Like local banks, foreign banks will have to lend 40% of their funds to the so-called priority sector that includes loans to farmers, small enterprises, homes loans below a certain threshold, and minorities. However, foreign banks that want to convert into WOS will be given “adequate transition period” to achieve their priority sector targets, the central bank said without giving a time frame for the same. Foreign banks’ subsidiaries in India will need to have a minimum paid-up equity capital of Rs.500 crore, while existing branches of foreign banks will have to have a minimum net worth of a similar amount if they want to convert into a WOS.

The parent of the WOS would be required to issue a letter of comfort to RBI for meeting the liabilities of the WOS.

“Banks that are here for a long time and plan to come here to be invested for a long time will want to become WOS because after a limit, RBI may restrict foreign banks’ activities as indicated in the guidelines,” PWC’s Roy said.

“To prevent domination by foreign banks, restrictions would be placed on further entry of new WOSs of foreign banks or capital infusion, when the capital and reserves of the WOSs and foreign bank branches in India exceed 20% of the capital and reserves of the banking system,” RBI said.

As on 31 March, foreign banks accounted for about 15.15% of the Rs.7.09 trillion capital, reserves and surplus of all scheduled commercial banks, according to RBI data.

WOSes of foreign banks have also been given the option to dilute their equity stake to 74% or less, but in the event of such a dilution, these banks will have to list in the local stock market.

RBI also spelt out the composition of the boards of foreign banks who opt for the WOS route. The Indian central bank expects at least 50% of the directors on board the WOS to be Indian nationals, including non-residents or people of Indian origin on the condition that not less than one-third of the directors reside in India.

Not less than two-third of the directors should be non-executive directors, while a minimum of one-third of the directors should be independent of the management of the subsidiary in India, its parent or associates, RBI said.

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Foreign Banks India Ltd

The Hindu

7 November 2013: By promising a more liberal policy for opening branches in return for converting themselves into companies registered in India, the RBI has given foreign banks a chance to expand their presence in the country even while subjecting them to greater regulatory oversight. Currently, foreign banks operate in India solely through branches of their parents incorporated in jurisdictions where Indian regulations have limited applicability. While that has given these banks greater leeway in terms of disclosure requirements or usage of funds — even to the extent of privileging home country depositors in any settlement claims — it has severely constricted their growth opportunities in India. The 334 branches of 43 international banks now account for just 3.9 per cent of the total deposits and 5.8 of outstanding advances and investments of all scheduled commercial banks in India. This has partly to do with the restrictions on branch expansion; the World Trade Organisation (WTO) rules oblige India to grant permits for only 12 new offices for foreign banks every year.

The RBI's new scheme for setting up wholly-owned subsidiaries (WOS) by foreign banks in India dangles a carrot by way of extending them "near national treatment" in opening new branches. As locally incorporated banks, the WOS will be allowed to establish offices anywhere in the country — barring certain "sensitive locations" — without having to seek the RBI's prior approval. While they would have to follow rules such as ensuring that at least a quarter of their new branches are in unbanked rural centres or meeting prescribed priority sector lending targets, these aren't very different from those imposed on other Indian banks. The stick is that the liberal branch licensing norms are conditional upon the banks bringing their entire operations in India under separate locally-incorporated WOS. If the banks choose to carry on business through the branch mode, their branch expansion would continue to be governed by India's commitments under the WTO framework.

The above carrot-and-stick approach policy makes sense, when major foreign banks are themselves keen on grabbing a bigger slice of the market for financial products in a $2 trillion (and growing) economy. Indian consumers stand to gain from their expanded operations and greater competition. But consumer interest will also be served by ring-fencing or making a clear delineation of their assets and liabilities from those of the foreign parents; especially important in the aftermath of the 2008 global financial crisis. Domestic incorporation of foreign banks can help contain the contagion effects from crises that originate elsewhere, for which the depositors here aren't responsible.

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Data protection norms in EU may hurt Indian IT sector: Nasscom

PTI

New Delhi, 13 January 2014: Even as outsourcing demand from Europe revives after the debt crisis, data protection regulations in the region governing trans-border data flows could hurt the $108 billion Indian IT-ITeS industry, sectoral body Nasscom today said.

"Challenges that I see are the US Immigration Bill and the data security in Europe. These are areas that we are working on...I had gone (there) in September and had conversations with EU."

"...security in Europe has the potential of going into directions which will not be conducive for (those) countries as well as our (IT) industry. They will get hurt and we will also get hurt," Nasscom President R Chandrasekhar told reporters on the sidelines of the 3rd annual Action for India forum.

He added that engagement is a continuous process and Nasscom is in talks with concerned authorities across the globe on issues facing the industry.

The EU Data Protection Directive governs trans-border data flows and lays down conditions for transferring of personal data of EU citizens outside the region. These legal instruments, together with the enforcement mechanisms across member countries, put too much obligations on businesses. Because of this, they are often considered as unfriendly to businesses especially small and medium-sized service providers.

According to a Nasscom-DSCI (Data Security Council of India) survey, there is a significant opportunity loss for the IT-BPO industry on the account of data transfer related issues as clients hesitate to offshore work to India because of stringent data protection requirements in the EU.

Nasscom and DSCI, along with Department of Commerce (DoC) and Department of Electronics & Information Technology (DeitY), have been working on this trans-border data flow issue between EU and India.

Europe, which accounts for close to 20 per cent of the Indian IT exports, is witnessing a revival in demand for outsourcing services following the debt crisis.While growth is returning to traditional markets like the UK, newer markets like Germany are also opening up.

Interestingly, Nasscom expects growing demand for outsourcing services from Europe to drive the sector in 2014, even though North America accounts for the lion's share of the industry's IT exports.

The Immigration bill in the US, which proposes higher visa fees and enhanced audit by US agencies, is also a challenge that the industry is carefully monitoring.

Talking about the year ahead, Chandrasekhar said FY15 would be good as demand increases from markets like Germany and Japan.

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Govt to set up joint task force to develop services sector

Business Line (The Hindu)

New Delhi, 12 November 2013: The Government will set up a joint task force for the services sector together with the industry to prepare an action plan for the development of the sector and increase services exports, according to Commerce and Industry Minister Anand Sharma.

Agreeing to the industry's suggestion of setting up a National Services Competitive Council on the lines of National Manufacturing Competitive Council, Sharma said "We have to have a forum to address the varied needs of the sector and to identify training and other needs of each vertical."

He was speaking at the 'Services Conclave' jointly organised by CII and the Centre for WTO Studies. The two-day conclave focuses on ways to boost the domestic services industry and increase India's share in the $4-trillion global services trade from the present 3 per cent.

The Minister said the services sector exports, by and large, were from verticals such as IT, ITES and BPO sectors. There was a lot of scope to diversify in segments such as animation, media and entertainment, legal servicing, architecture, healthcare, tourism and medical tourism.

Sharma asked industry representatives to come forward and help the Government, to take up at various international forums the need for more liberal movement of skilled persons under Mode 4 of World Trade Organisation rules. Often movement of skilled persons is confused with immigration, though such movements are temporary in nature, he said

The Minister also asked the industry to explore new markets such as Africa to boost India's export of services.

"Even for services sector we need to look at other major markets. We have a strong presence in North America. Regions such as Africa have huge opportunities and there you can be more cost competitive," he said.

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India guarded against WTO services pact negotiations

Business Line (The Hindu)

24 December 2013: India should participate in the services pact being negotiated at the World Trade Organisation (WTO) by members such as the US, the EU and China as the cost of exclusion will be high, a senior official of the World Bank has warned.

The US-led Trade in Services Agreement (TISA), which focuses on opening up the global market in services further, is being currently negotiated between 21 members of the WTO that mostly includes developed nations.

Big Bait

“The agreement will result in regulatory cooperation that will deepen regulatory complimentarities. When China realised it would benefit from the agreement, is India so different? India should not be left out in the cold,” Aaditya Mattoo, World Bank, Research Manager (Trade and Integration) said at a seminar on increasing services exports organised by CII.

India, however, prefers to wait and watch. In response to Mattoo’s suggestion, Commerce Special Secretary Rajiv Kher said India was not averse to joining the negotiations but could not jump into it without analysing the pros and cons. If the country’s policy deficit is at a level where it can’t handle competition, it cannot just jump into negotiations for opening up the sector, Kher said.

Admitting that TISA could be an opportunity to reform the sector domestically, Kher said there was also a downside to it. “If the services sector doesn’t respond to reforms, then we are done in. Right now, we are not comfortable about the pace of reforms,” he said.

The Commerce Department has started the process of formulating an action blue print for the development of the services sector and exports in collaboration with the industry and experts.

The Government wants to take steps to reform the services sector at large and also have sector-specific policies to boost exports from identified areas such as animation, media and entertainment, legal servicing, architecture, healthcare, tourism and medical tourism. India wants its share in the global market for services to expand to 5 per cent from the present 3 per cent. The global services trade is valued at $4 trillion an annum.

‘If the country’s policy deficit is at a level where it can’t handle competition, it cannot just jump into negotiations for opening up the sector.’ — Commerce Special Secretary Rajiv Kher

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India may ease visa regime to boost tourism

Sanjeeb Mukherjee, Business Standard

New Delhi, 8 October 2013: In a bid to give a fillip to the tourism sector, the government on Monday initiated the process to offer the visa-on-arrival facility to a number of countries.

Also on the cards are online applications from visa applicants and a proposal to provide Schengen-like convenience to Indian visa seekers.

“We have made a set of recommendations to the home ministry to liberalise the visa regime, which will not be looked into from a security point of view before coming at a conclusion,” Planning Commission Deputy Chairman Montek Singh Ahluwalia told Business Standard after a high-level meeting with officials from tourism department, home ministry, intelligence bureau and National Security Advisor Shiv Shanker Menon.

According to another senior Planning Commission official, there was a broad consensus in the meeting on liberalising the overall visa regime.

The visa-on-arrival facility is proposed to be extended the US, the UK, Canada, Brazil, Australia, United Arab Emirates, Saudi Arabia, Germany, France, Italy, Sweden, the Netherlands, Switzerland, Spain, Belgium, Austria, Denmark, Poland, Norway and Ireland, among others.

India already offers visa-on-arrival to Japan, Finland, Singapore, Indonesia, Luxembourg, New Zealand, Cambodia, Vietnam, the Philippines, Laos and Myanmar.

One of the recommendations is to bring down the number of categories of visa from the existing 16 to just three. “There should be just three categories of visa - employment visa, business visa (for people who travel frequently) and visitor visa (which will cover all other types of visa requirements),” said an official.

He added that while the home ministry has agreed that visa-on-arrival can include more countries, it is of the view that there’s a shortage of staff.

“The tourism ministry has offered to share its budget with the home ministry so that more officers can be inducted to man immigration counters, which will facilitate visa-on-arrival,” said Ahluwalia.

In the meeting, the Planning Commission proposed that India’s tourism offices across the world be closed down. Giving a boost to the tourism at this point will help the government, which is battling a widening current account deficit (CAD), officials said.

The CAD is the difference between inflow and outflow of foreign exchange. During 2012-13, CAD was at an all-time high of 4.8 per cent of the GDP or $88.2 billion. The government proposes to bring it down to $70 billion or 3.8 per cent of the GDP.

In 2012, India received 6.58 million foreign tourists, up 4.3 per cent over the previous year. But this was lower than the 9.2 per cent growth in 2011. India’s foreign exchange earnings in 2012 from tourists were $17.74 billion, an increase of 7.1 per cent, year-on-year.

Foreign exchange earnings from tourism from January to August 2013 were $12.025 billion with a growth of 6.7 per cent, compared with $11.273 billion year-on-year.

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Foreign tourist arrivals up 6% in October

Business Line (The Hindu)

New Delhi, 13 November 2013: Foreign tourist arrivals in October stood at 5.89 lakh, up 5.94 per cent from the year-ago period.

In October 2012, the country saw 5.56 lakh foreign tourists arriving, 0.6 per cent less than the year-ago number of 5.6 lakh, according to Tourism Ministry data. The number of international tourists who visited India in the year till October stood at 53.3 lakh, up 4 per cent from 51.24 lakh in the corresponding period last year. Foreign exchange earnings from tourism rose 4.40 per cent to Rs 8,513 crore last month, compared with Rs 8,154 crore in October 2012.

Last month, the number of visas issued on arrival grew 31 per cent to 1,911. These visas were issued for the nationals of 11 countries, with the highest for Japan, followed by New Zealand, the Philippines and Singapore.

The Government had launched the ‘visa on arrival’ scheme in January 2010 for tourists from five countries— Finland, Japan, Luxembourg, New Zealand and Singapore. In 2011, the scheme was extended to six more countries – Cambodia, Indonesia, Vietnam, the Philippines, Laos and Myanmar.

During the January-October period, the government had issued about 15,770 visas under this scheme, up 28.5 per cent compared with the same period last year.

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Sluggish growth in foreign tourist arrivals

Ruchika Chitravanshi, Business Standard

New Delhi, 8 January 2014: The number of foreign tourists coming to India grew a modest four per cent between January and December 2013, coinciding with women travellers' perception on the country as a safe destination hitting rock bottom.

This is less than the five per cent growth in 2012 and 13 per cent in 2011. Expansion in foreign tourist arrivals worldwide was pegged at around five per cent during the first nine months of 2013, according to data from the World Travel Organisation.

India's total foreign tourist arrivals in 2013 stood at 6.84 million. This pales in comparison with China's 132 million visitors and Singapore's 14 million (end-2012 figures).

In a recent meeting of the India chapter of Pacific Asia Tourism Association with the tourism ministry, tourism secretary Parvez Diwan said that the issue of women's safety had hit tourism. "There was a lot that was done within their circle of influence, but perhaps it did not filter down to the trade. Particularly on the subject of women's security, some statistics and corresponding facts were an eye opener," he said in the meeting.

Senior executive of a leading leisure travel company said the safety issue had taken a toll on the growth of tourist numbers. According to industry estimates, nearly 30 per cent of the total foreign tourists are women. "This segment is completely skipping India because of so many incidents of rape and molestation that came to light last year," he said.

The travel companies were hoping that because of the rupee depreciation, inbound tourism would get a major boost in 2013. However, as challenges persist, most are now pinning their hopes on 2014. "In the last one year, inbound tourism has not grown to our expectations due to sluggish economic climate in source markets. We believe this will change and Indian tour operators will reap the benefits of this revival. Another factor that will help India is the depreciation of the rupee by 12 per cent, which will boost inbound tourism in the 2014-15 season," said Arup Sen, director (special projects), Cox & Kings.

Foreign exchange earnings from tourism in 2013 grew 2.2 per cent to $18.1 billion, compared to a growth of seven per cent in the previous years.

Meanwhile, travel companies continue to be optimistic on domestic tourism. Domestic tourists showed a growth of 19.9 per cent in 2012 over 2011. "For inbound travel, we are still focused on improving our distribution networks. For domestic, the whole discussion is around growing newer destinations," said Sharat Dhall, President, Yatra.com

India is trying to ease its visa regime and extension of visa on arrival facility to 40 countries. "We should at least start providing e-visas to overcome the bureaucratic hurdles and also extend visa on arrival for more countries," said Subhash Goyal, President of Indian Association of Tour Operators.

Currently, visa on arrival facility is available to 14 countries including New Zealand, Singapore, Luxembourg, Japan, Finland.

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Visa-on-arrival facility for all but 8 countries from September

Ruchika Chitravanshi & Sanjeeb Mukherjee, Business Standard

New Delhi, 6 February 2014: India will extend the visa-on-arrival facility to all countries except eight with effect from September. The countries not covered under this single-entry e-visa facility, meant for purposes other than paid employment and education with a one-month time limit, are Pakistan, Sudan, Afghanistan, Iran, Iraq, Nigeria, Sri Lanka and Somalia.

The facility is currently available to 11 countries, including New Zealand, Singapore, Luxembourg, Japan and Finland. With Friday's government decision, India expects to become the world's number-one tourist destination, according to a government official. The country's total foreign tourist arrivals in 2013 stood at 6.84 million. Forex earnings from tourism grew 2.2 per cent year-on-year to $18.1 billion.

"Both the procedure and the scope of visa on arrival for tourists have been widened to boost tourism," said Rajeev Shukla, Minister of State in the Planning Commission. He said the facility could later be extended to business visa seekers. To begin, around 26 airports in the country will have the infrastructure to provide the facility. Tourists will just have to a fill a simple form and pay the prescribed fee, after which they will be issued electronic travel authorisation within three days.

On arrival in India, a simple biometric identification will be done at the airport. To extend stay beyond 30 days, the tourist will have to get another visa from the embassy.

"This has removed a major bottleneck for the country, but this alone would not help. We need to ramp up our marketing activities internationally to attract tourists," said Subhash Goyal, president, Indian Association of Tour Operators.

Madhavan Menon, managing director, Thomas Cook India, pointed at the implementation hurdles. "The reality is that we don't have the infrastructure to support such plans. They also need to see if we have the wherewithal to host such a large number of tourists," he said. Around 1,090 more employees will be required to man the immigration counters at airports while there are 1,900 vacant posts in the department of immigration, according to Shukla.

Besides manpower, the home ministry has asked for additional infrastructure and a secure payment gateway for processing of these applications. Currently, a trial run for providing e-visas is underway for 140 countries.

There were some objections to the expansion of the facility raised by the ministry of home affairs over security issues and by the ministry of external affairs over reciprocity, which were resolved on Friday, Shukla said.

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India draws tourists with deep pockets

Ruchika Chitravanshi, Business Standard

New Delhi, 17 February 2014: India is not on top in numbers of foreign tourist arrivals but the average amount of money spent by international travellers here, on a per-capita basis, is more than anywhere else. Also, according to the United Nations World Tourism Organization (UNWTO) data, though the country is ranked 41st in terms of inbound tourist arrivals, it is 16th in total tourism receipts.

Major tourist destinations like the US, China, the United Kingdom and France see far higher annual foreign tourist arrivals, but their per-capita receipts from inbound foreign travellers is much lower than India. According to experts, this is mainly because of a large number of business visitors to India and longer duration of their stay.

Data from the tourism ministry and UNWTO show international tourists' per-capita spend in India as at the end of 2012 stood at over $2,600, while it was $1,900 in the US, $900 in China and $646 in France.

The difference in India's ratings for number of tourist arrivals and total receipts suggests that the country has been able to draw high-spending travellers. In 2013, it managed to earn $18 billion foreign exchange with only 6.8 million foreign tourists. Comparable 2013 figures for other countries are not yet available.

Other key tourist destinations like the US and China are ranked higher on both parameters. While the US was first in total receipts in 2012 ($126.2 billion), it was ranked second in the number of tourists visiting the country. China, which earned $50 billion from tourists in the year and was ranked fourth, stood third in annual foreign tourist arrivals. France, which received the highest number of foreign travellers (83 million in 2012), has been third in tourism receipts for the past three years.

"India gets a lot of corporate travellers. Especially during a global economic slowdown, companies have had a positive outlook on India. They contribute significantly to the total spend by inbound tourists," says Achin Khanna, managing director, HVS India, a consultancy firm.

The share of business travellers in inbound tourism has gone up from 15 per cent in 2009 to 23 per cent in 2012. Globally, during the year, 52 per cent of inbound tourists were for leisure and 14 per cent for business. In India, on the other hand, 27 per cent came for leisure, while 23 per cent travelled for business, according to tourism ministry data.

Besides, India also gets the advantage of being a longer-leisure destination. The average duration of stay for a foreign tourist in India is one week to a fortnight. Given a wide variety of tourist destinations the country offers, several European and American tourists stretch their stay even beyond a month. "We are not a country that a tourist just thinks of, packs a bag and lands. It is not an impulse spot; one needs to plan much in advance. This is why we are not a weekend destination like many of our neighbouring countries," says a spokesperson for Cox & Kings.

Over the past decade, India's rank in total earnings from foreign travellers has risen 20 notches - from 36 in 2000 to 16 in 2012. A depreciation in the value of the rupee has also made India an attractive option for foreign tourists. Besides, in spite of an economic slowdown, the rate of growth in tourist earnings has been higher than the global average. For instance, in 2012 when world tourism receipts grew by 3.2 per cent, India's earnings went up by seven per cent.

The country received the highest numbers tourists from the US, while Chinese nationals were the 12th-largest in terms of number of visitors.

With its announcement of extending the visa-on-arrival facility to 180 countries, India is hoping to double the number of tourists visiting the country to 12 million over the next 2-3 years. This is expected to bring the country among the top 10 recepients of tourist earnings.

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Services exports grow 15%, rupee depreciation helps

Financial Express

Mumbai, 14 September 2013: India’s services exports in the April-July period grew by a healthy 14.5% as the rupee's sharp depreciation boosted the competitiveness of exports.

Services exports totalled $50.93 billion during April-July, up from $44.44 billion a year ago, provisional data from the Reserve Bank of India showed. The rupee had depreciated by a massive 11.25% in this period and had eventually hit an all-time low of 68.85/$ in August.

In July alone, services exports showed a growth of 16.75% compared with the corresponding month last year. This growth is faster than the growth of 11.64% in merchandise exports.

According to RBI, the provisional data may undergo revision in the balance of payment data, which the central bank releases with a lag of two quarters. Data for April-June will be released by end of this month. Services exports have remained largely unchanged even when merchandise exports had slumped every month in the April-June peiod. This slump in mercandise exports, and a corresponding surge in imports, especially that of gold had widened the trade deficit sharply during April-June quarter. Merchandise exports have since then picked up and the trade deficit has narrowed to $10.9 billion in August.

Consequently, the current account deficit (CAD) is also expected to narrow in the coming quarters. CAD had touched an unprecedented 6.7% of GDP. Mercandise exports at that time had grown by a modest 6% to $84.8 billion while services exports had remained flat at $37.8 billion.

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No major impact seen on travel, IT firms; exports may take a hit

Busienss Line (The Hindu)

New Delhi/Kolkata, 1 October 2013: Even as the US Government began the partial shutdown process on Tuesday, travel and infotech companies here said they did not anticipate any major impact. But industry bodies pointed out that exports to the US could take a hit.

Rana Kapoor, President of Associated Chambers of Commerce and Industry of India, in a statement said, “The shutdown of the US Government will certainly hit Indian exports because of crippling of trade facilities at the ports and airports.”

Visa Issue

Tour operators said the shutdown was not likely to have any major impact on travellers. Karan Anand, head-relationships, Cox & Kings Ltd, said obtaining a US visa would not be a problem as consular services at US embassies and consulates around the world were largely funded by application fees not annual appropriations.

“Visa applications filed by foreigners wanting to enter the US will continue to be processed. Flight operations across all airlines to the US will not be affected,” he said.

But, if leisure tourists have any of the 401 national park service sites, including the iconic Statue of Liberty, on their itinerary, it will have to be changed, as all national parks and such sites will remain shut. However, Anand said, “Indian customers prefer going to theme parks such as Universal Studios, Disney World in Los Angeles or indulge in shopping. They do not prefer national parks.”

Tour operators also said that this was not a big season for Indian leisure tourists to travel to long-haul destinations such as the US.

Subhash Goyal, Chairman, STIC Travel, said, “Most leisure tourists do their long-haul travel during summers. Usually honeymooners are looking to book trips to the US in this season and some are opting for other options.” For corporate travellers, it’s going to be business as usual.

IT industry body Nasscom, said, “A majority of the business that our industry has is with the private sector, and is not directly dependent on federal spending. Hence, we do not see an immediate economic impact. If the shutdown continues for an extended period, there will be an overall macroeconomic impact that may affect the industry.”

It added that some services such as visa processing time that depend on federal budgets are expected to see delays.

Engineering Exports

The US Federal Government shutdown may hit Indian engineering exports to that country, Anupam Shah, Chairman, EEPC India, an engineering export promotion body, said in Kolkata on Tuesday.

The US consumed nearly one-tenth (11 per cent) of India’s $57-billion engineering exports last year. Exports to the US were down 12.3 per cent during April-August this fiscal.

According to Shah, the shutdown — which was announced by the US Government after the two houses of Congress failed to agree on a new budget — would substantially reduce the demand. “As the US economy closes down, our export might slow down as well. The consumers will be spending less and individuals will be left without pay, (resulting in a sharp decline in demand),” Shah said at a press conference here.

According him, delay in port services in the US would also impact export operations, if the shutdown issue was not resolved immediately. “Commercial ports do not come under emergency service category. So, there will be delay in port services like clearing of goods from ports owing to staff shortage. This may result in huge demurrage for exporters,” he said.

Growth and Benefits

Meanwhile, Shah said exporters were upset with the Finance Ministry’s decision to cut back duty-drawback benefits on some engineering products.

The reduction in duty drawback, neutralised the benefits of devaluation of Rupee against US dollar. EEPC has lowered its growth expectations to 10 per cent (from 15-20 per cent) this fiscal, Shah pointed out.

The engineering export promotion body has sought a financial support worth around Rs 500 crore to upgrade technology in the engineering products sector to boost export growth.

According to a PTI report, “The Indian pharma industry is not selling drugs to the US Government. It is selling mostly private. So, the US government shutdown will not have any impact on the India pharma industry,” said the Indian Pharmaceutical Alliance Secretary General D.G. Shah.

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The slack in services export

Ritesh Kumar Singh and Anshul Pachouri, Business Line (The Hindu)

24 October 2013: On an average, world trade in commercial services has grown faster than trade in merchandise (8 per cent versus 7 per cent per annum) over the last 30 years (1980-2011) according to the World Trade Report, 2013.

In dollar terms, world exports of commercial services could grow by 2 per cent to 4.3 trillion in 2012, while exports of merchandise remained stagnant at $18.3 trillion.

Given the predominance of the tertiary sector in India's GDP, it would be pertinent to examine how India fares in the global export of commercial services.

Can services provide the much-needed support to India's policymakers in dealing with unsustainably high current account deficit at 4.9 per cent of GDP (Q1 FY2013-14)? How bright are the prospects of India's services export? Going forward, does India need a change of focus or can it continue depending upon a few developed countries for its export of commercial services?

As the table shows, exports of most commercial services, including transportation and tourism, posted moderate growth rates while exports of communication, financial services, and royalty and licence fees declined in 2012.

Computer and information services could grow by 6 per cent in 2012 to $ 265 billion. The exports of other business services that include engineering , accounting/legal, management consulting, advertising and trade-related services went up by 2 per cent while that of personal, cultural and recreational services went up by 3 per cent in 2012.

The US and West European countries still remain the largest importers of commercial services. However, the BRICS nations — China (19 per cent), Russia (16 per cent) and Brazil (7 per cent) — were the fastest growing import markets for services in 2012. Now, China and Hong Kong together account for 8.2 per cent of the global import of commercial services as compared to 9.9 per cent by the US. Other fast growing import markets are Australia, Japan, South Korea and Nigeria.

Export of Services

Unlike manufacturing, the export of services is not so dependent upon quality of basic infrastructure or regulatory regime. India scores over other countries on availability of a technically qualified workforce with knowledge of English. However, the contribution of the tertiary sector to India's total exports of goods and services is not more than 33 per cent even though it accounts for roughly 57 per cent of GDP. Despite the hype about India's comparative advantage in services, compared to China's 4.4 per cent, India's share in global exports of commercial services stood at around 3.4 per cent in 2012.

India's export of services has a narrow base (in terms of product offerings and market mix) with the share of IT and ITES alone being 40 per cent. Of that, more than 75 per cent goes to just three countries — the US, the UK and Canada.

In 2012, India's share in global export of computer and information services was 18 per cent compared to 4 per cent in other business services, the largest component of the global commercial services pie.

India’s free trade agreements (FTAs) mostly cover trade in merchandise. Even where trade in commercial services is covered under its comprehensive pacts, in the absence of mutual recognition agreements (MRAs), businesses do not benefit from preferential market access.

The best examples are the India-Korea and India-Japan trade pacts. The slow progress of trade in services agreement under India-Asean FTA has not helped the situation.

The Way Forward

The proposed change in the US visa regulations and growing sentiment against outsourcing will further constrain India’s export of IT and ITES to the US.

India will thus need to push export of business services in addition to traditional services such as travel and tourism that possess immense untapped potential. In 2012, India’s share in global export of travel and tourism stood at just 1.6 per cent ($18 billion) compared to China’s 9.2 per cent ($102 billion).

Given the growing share of emerging nations in import of commercial services, the future growth in India’s export has to come more from countries such as China, Russia, Brazil and Nigeria. China, Hong Kong, Russia, Brazil, Australia and Japan imported $700 billion worth services in 2012.

Out of this, other business services alone were worth $146 billion while computer and information services were close to $20 billion.

The rising cost of skilled employees in a bleaker external environment can adversely affect India’s export of services, as also increased competition from new players such as China or the Philippines. Sharp depreciation of the rupee will somewhat improve the (dollar) cost competitiveness of India’s services, but it will not be enough.

In the short run, India needs to expedite its MRAs for pushing services exports through the preferential route. The long-term solution lies in ensuring adequate supply of skilled workers, in addition to broadening the offerings in services and reaching out to key emerging markets.

Moving up the value chain is the way to go if India does not want to compete on labour cost alone. That calls for intensifying the R&D effort.

A serious flaw in India’s negotiating strategy is putting too much emphasis on getting market access for Mode 1 (covering BPO/KPO) and Mode 4 (covering movement of professionals) that are politically difficult to swing, especially in the current macroeconomic environment when outsourcing is increasingly being seen in the EU and US as transferring jobs abroad.

Besides, given the trans-boundary presence of Indian businesses, it is time India developed its offensive trade interests in Mode 3 (commercial presence in the country of service receivers).

India enjoys the legacy of delivering IT and ITES offshore that can be leveraged for export of non-IT business services.

(Singh is Group Economist of a corporate house. Pachouri works with a consulting firm. The views are personal.)

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India's services exports fall to $12 bn in Nov

PTI

Mumbai, 15 January 2014**:** India's services exports in November stood at $12.32 billion, slightly lower than in October, according to the Reserve Bank data. Services exports were worth $12.56 billion in October.

Imports of services in November moved down slightly to $6.11 billion from $6.96 billion in the previous month.

The services sector contributes about 55% to the country's gross domestic product.

During April-November period, services exports were worth $100.41 billion. Total services imports stood at $53.19 billion during the first eight months of the current financial year.

RBI releases the provisional aggregate monthly data on India's international trade in services with a lag of 45 days. Monthly data on services are provisional and undergoes revision when the Balance of Payments (BoP) data are released on a quarterly basis.

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More comprehensive services export data soon

Amiti Sen, Business Line (The Hindu)

New Delhi, 24 March 2014: Services export data for key sectors will soon be more comprehensive and reliable.

The Commerce Ministry, with the help of the Central Statistical Organisation and the Department of Revenue, has initiated a survey-based exercise to collect data directly from service providers in select sectors.

Two pilot surveys – one on the health sector and the other on education – have already kicked off and the export figures for 2013-14 are expected by the year-end, Commerce Secretary Rajeev Kher told *Business Line*.

The data will supplement the services export figures churned out by the RBI in its Balance of Payments (BoP) statistics which are inadequate as they cover just seven broad sectors (as opposed to 12 sectors and 171 sub-sectors covered for goods exports) and are based only on banking transactions.

The surveys, being supervised by the Directorate General of Commercial Intelligence and Statistics, will then be expanded to seven-eight other sectors that the Government considers important such as tourism, IT, telecom, entertainment, and business services and ultimately be institutionalised.

"When the survey-based data collection system is in place, we will get export data for focus sectors through this methodology, while overall data will come from BoP statistics," Kher said.

Lack of comprehensive data is a major handicap while negotiating free trade agreements and also in domestic policymaking as the strengths and weaknesses of the services sector at the disaggregated level are largely unknown.

"In services, no physical movement of goods take place. There are no shipping bills, like in the case of goods, which give you the final figure. Here it is all through bank transactions. And every bank transaction doesn't get picked up. Survey-based data collection helps fill the gap and data can be collected at the disaggregated level," Kher said. For instance, for collection of data in the health sector, the surveyor would visit hospitals and collect comprehensive data in various related areas such as the number of non-Indians treated, the diseases covered and the fees paid by them, Kher said.

Services exports from India have jumped from $8.9 billion in 1997 to $143.5 billion in the previous fiscal.

Its share in the world market has also expanded from 1 per cent in 2000 to about 3.5 per cent now. There is, however, a huge opportunity to increase exports as almost 80 per cent of services exports from the country is in the IT/ITES sector and most of it is exported to just a few markets including the US and the UK.

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UK Cabinet split over visa bonds for Indians

PTI

12 September 2013: The divisions within Britain's Conservative-led coalition government have been exposed over the controversial plans to impose 3,000-pound visa bonds on visitors from countries like India.

UK business secretary Vince Cable, from the Liberal Democrat Party, warned of the negative impact the yet-to-be-finalised scheme would have on relations with India.

"The reaction to it from our friends in India and elsewhere, where we are trying to build up relations, was one of outrage," Mr. Cable told the *BBC* in London on Wednesday. "In government, I and Nick [Clegg — Lib Dem leader and UK Deputy Prime Minister] are arguing for the much more sensible and flexible approach to the bond," he added.

The senior minister plans to urge his Tory colleague in the Cabinet, home secretary Theresa May, to reconsider the plans which had emerged back in June under which visitors from certain high-risk countries including India, Pakistan, Sri Lanka, Bangladesh, Ghana and Nigeria will be required to deposit 3,000 pounds for a six-month visa, to be forfeited if they overstay in the UK.

Indian ministerial circles had raised strong objections and sought full details on the application of the scheme, which is to be piloted from November.

The scheme had initially been mooted by Mr. Clegg but Mr. Cable clarified that his party leader had a very different idea in mind. "What Nick Clegg actually proposed was that if somebody in the subcontinent, for example, is turned down for a visa, they could as an alternative come up with a bond. Had that proposal been accepted I think most people would not have seen a problem with it," Mr. Cable said.

"It would actually have made it easier for people to come who have good reason to do so. But the way some of our colleagues in the coalition interpreted it was in a much more negative way, of saying that everyone who comes here should pay this very large bond," he explained.

Asked if he wanted Ms. May to change the plans, he said, "I think so. We are going to have to do this in a much more sensible way."

His comments come days after Sarah Teather, a former Lib-Dem minister, announced that she was quitting Parliament in despair at Clegg's leadership of the party.

She said she was unhappy with the party's policies, particularly on immigration bonds, which she believes will harm the most vulnerable members of society.

Cable said he had "sympathy" with Ms. Teather's concerns about immigration, but added that she had "overreacted" by announcing that she would quit Parliament.

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UK scraps visa bond scheme

Business Standard

New Delhi, 4 November 2013: India’s diplomatic efforts showed success on Sunday night, as the government of Britain announced its decision to drop its controversial visa bond scheme. It was to take effect as an experiment from this month.

In a major relief to Indians aspiring to either work or visit there, the government decided to “not to proceed” with the scheme, which entailed paying a personal cash bond of £3,000 (Rs 2.8 lakh) before entering that country.

The project, announced as an experiment, was aimed at addressing concerns on misuse of visas, checking those who overstayed or stayed on. For this, the UK government had categorised some countries as high risk, such as India, Bangladesh, Sri Lanka, Pakistan, Nigeria and Ghana.

UK High Commissioner to India James Bevan said on Monday: “The UK wants the brightest and the best to help create jobs and growth that will enable Britain to compete in the global race. So, for example, if you are an overseas businessperson seeking to invest and trade with world class businesses, one of the thousands of legitimate students keen to study at our first-class universities or a tourist visiting our world class attractions, be in no doubt Britain is open for business.”

The decision was announced almost a week before British Prime Minister David Cameron's visit to India on November 14.

The scheme was announced in June.

Syed Akbaruddin, spokesperson and joint secretary, ministry of external affairs, told Business Standard, “We had articulated our views at the official and political level. They had indicated that these would be taken into account when they take a final decision.”

The British government was “compelled” to scrap the scheme under pressure from our government, said a senior official, who refused to be identified.

“It was Cameron’s Diwali gift to us,” he added.

Marcus Winsley, director (press and communications), British high commission, said: “The decision took into account all factors. Our visa application system in India is the largest in the world.”

He added the bond programme was only discussed as one of the probable ideas to check misuse of British visas and to tackle immigration abuse.

Each year, the high commission in India gets around 400,000 visa applications. In 2012, about 88 per cent were approved. Of these, 56,000 were business visa applications; 97 per cent were approved.

Naina Lal Kidwai, president of the Federation of Indian Chambers of Commerce and Industry, said: “The news is a relief to Indian companies which have been actively eyeing the UK market to invest and do business with. Despite being one of the largest investors in the UK, Indian citizens would have been clubbed in the high-risk category along with other African and Asian countries.”

Apart from business chambers, the Commerce and Industry Minister, Anand Sharma, had protested against the move during meetings with his British counterparts. Indian industry had called it "discriminatory and unfortunate".

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US Immigration Bill: IT Inc sees rays of hope

Debojyoti Ghosh & P P Thimmaya, Financial Express

9 September 2013: The $76-billion Indian IT & BPO export services industry — worried about the fallout of the proposed Immigration Bill in the US — has been receiving better appreciation of their concerns from lawmakers, setting the stage for a likely positive outcome of the legislation.

Talking to FE, Som Mittal, president of Nasscom, India's IT-BPO trade body, said: "We are clearly seeing that there is a more positive alignment to our views with a growing realisation in the US that what is bad for Indian IT would also be harming them."

This assumes significance as both the US Senate and House of Representatives were in recess for August, with the new session expected to start from the second week of September. It is expected that the House would take up the Immigration Bill shortly.

The Bill in its present form as passed by the US Senate in June, 2013 would inflict considerable damage on the Indian IT industry with numerous provisions, especially the outplacement clause. This clause states that firms with 15% and more H-1B dependent employees are debarred from deploying their resources at customer locations.

This is seen as one of the measures proposed to save US jobs. Indian IT companies like TCS, Infosys, Wipro, and HCL Technologies are heavily dependent on the H-1B visas to carry out operations in the US, their largest market.

Gordon Coburn, president, Cognizant, a US-headquartered IT major with large presence in India during the Citi 2013 Global Technology Conference, said, "As we talk to more and more members of the Congress about this (Immigration Bill) and educate them on the issues, I think there is an increasing understanding and awareness that some of those outplacement clauses are not good for our customers." He further said: "We're seeing an increasing understanding that the outplacement clause would be bad for American competitiveness."

Indian IT companies have been crying hoarse about the various negative connotations in the Bill, which has provisions like increased visa fees, stringent conditions on placing Indian employees in American companies, besides the outplacement clause. The Bill has been passed only by the Senate, but the one which has got approval from the judiciary committee of the House of Representatives — called the skilled Immigration Bill — does not have any outplacement clause, which is a big positive for the Indian IT industry.

Mittal told FE that a greater number of US technology firms are now supporting their initiatives. "Indian IT companies predominantly provide services on technology platforms of American companies and any shift in this balance would adversely affect everybody," he said.

Prime Minister Manmohan Singh will be holding a meeting with US President Barack Obama on September 27, when this topic is expected to come up for discussion. Wipro chairman Azim Premji has written to the Prime Minister seeking his intervention on the matter.

The commonly-held belief about Indian technology companies operating in the US has been that they were garnering a large percentage of work permits, displacing American workers. Indian firms on the other hand have always said that shortage of IT services skills in the US had created such a situation. Howard Greenberg, partner, global immigration leader, KPMG Canada, has said that the US will further open up on immigration. “There is a recognition that global competition for talent is heating up and that includes Indians.”

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India, a headache for US IT firms

PTI

Washington, 26 September 2013: The influential American IT and telecom industry on Wednesday sought intervention of the Obama Administration against what they alleged are “discriminatory” Indian policies, which they claimed has resulted in several hundred millions of dollars of losses in the last quarter.

“In discussions with our member companies, we have quantified the potential Q4 losses at several hundred million dollars, with billions of dollars of lost exports and sales at risk in 2014 if these requirements remain in place. If left in place, these policies could shut out US technology companies from a critical emerging market,” information technology industry council said in a letter to Obama Administration.

The letter dated September 24 against India’s “compulsory registration order” which goes into effect on October 3, has been jointly written to the US commerce secretary, Penny S. Pritzker; the US trade representatives, Mike Froman, and the Caroline Atkinson, the deputy national security advisor to the United States President for international economic affairs.

Under the new “compulsory registration order” issued last year by the department of electronics and information technology, the ITIC alleged that the new equipment cannot be imported into or sold in India after April 3, 2013, which now has been extended to October 3, unless it is tested and registered with Bureau of Indian Standards-approved testing labs in India.

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India to resume visa fee hike dispute with US in WTO

Nayanima Basu, Business Standard

New Delhi, 4 November 2013: Days after Indian information technology bellwether Infosys was made to pay a hefty penalty of $34 million (about Rs 210 crore) to the US government over a visa fraud case, India is planning to resume the two-year old dispute with America for raising professional visa fees at the World Trade Organisation's (WTO) dispute settlement body.

It said the move had hurt Indian IT companies and was "specifically" targeted at them. India had formally approached WTO, seeking consultations with the US on this particular case in 2011-end and the matter went on till early 2012, even as the US government raised the fee for H-1B and L-1 visas in 2010. However, the case was not pursued, as the government "failed to obtain the required data" from Indian IT companies such as Infosys, Wipro and Tata Consultancy Services (TCS), officials told Business Standard. Now, armed with evidence, the government has decided to take up the issue.

"We have not given up on the case, we never did. We were waiting for evidence. We have received that evidence and now we are going to pursue it further," said a senior commerce department official. Although the government officially maintains that the particular move is not related to the Infosys civil settlement issue, top officials who are involved in the matter have told Business Standard that trigger is indeed the Infosys case. In its complaint to the WTO, India has said the US has violated WTO rules in services trade on commercial presence of a country in another, and in movement of professionals.

The US is using a particular law — Public Law 111-230 (Border Security Act) — that nearly doubled skilled worker H-1B and L1 visa fee, to as high as $4,500 (about Rs 2.78 lakh) per applicant (from around $2,320 (about Rs 1.43 lakh earlier), for any company in which foreigners are more than 50 per cent of its US work force. It was put into force from August 13, 2010 till September 30, 2014. However, under the James Zadroga Act, it got further extended to 2015.

The funding for the $4.2 billion James Zadroga 9/11 Health and Compensation Act is partly drawn from imposition of tax on any foreign entity that receives a specified federal procurement payment equal to two per cent of the amount of such specified federal procurement payment.

Imposition of such two per cent tax on countries which are not signatories of the WTO Government Procurement Agreement such as India is discriminatory and may be inconsistent with US's international commitments, India has said in its complaint.

While H-1B visas are for non-immigrant specialty workers, L-1 visas are for intra-company transferees (L-1A category for managers or executives; L-1B for ICT specialists).

India now is also closely watching the development on the recent debate going on in the US on the immigration bill. Minister for External Affairs Salman Khurshid and Minister for Commerce and Industry Anand Sharma have said that some of the provisions in the bill are not conducive for Indian IT companies. They have not ruled out dragging the US to WTO on the issue also if the bill is passed in its present form.

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India slams US move to tighten H-1B visa rules

Agence France-Presse

Washington, 6 February 2014: Indian Ambassador to the US S. Jaishankar said that India would see a decision to restrict certain temporary visas for skilled workers as a sign that the US economy is becoming less open for business.

“We think this is actually going to be harmful to us. It would be harmful to the American economy and, frankly, it would be harmful to the relationship” between the two countries, Jaishankar told AFP in an interview.

“Once I feel I’m not getting a fair deal, I am less responsive to the concerns of the other party. Then tomorrow if an American company comes and says, ‘You know, we’ve got this set of problems,’ the temptation for me is to say, ‘I’m out for lunch’,” he said.

The Republican leadership of the House of Representatives recently laid out general principles for an overhaul of immigration – whose main goal would be to give legal status to the estimated 11 million undocumented foreigners in the US.

A version passed last year by the Senate, which is led by US President Barack Obama’s Democratic Party, offers automatic immigrant visas for foreigners who earn advanced science degrees at US universities.

But it changes rules on so-called H-1B visas, which are issued to skilled workers who come temporarily to the US.

The Senate bill, while increasing the overall number of H-1B visas available, would hike fees and restrict additional H-1B visas for companies considered dependent on such foreign workers. The move came after complaints by US companies and labour groups that Indian tech firms bring in their own, lower-paid employees rather than hiring Americans.

Jaishankar charged that the changes attacked the business model of India’s IT industry, which he said was making the US economy more competitive by helping companies operate round-the-clock.

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