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April-June 2016 VOL. 2 ISSUE 4

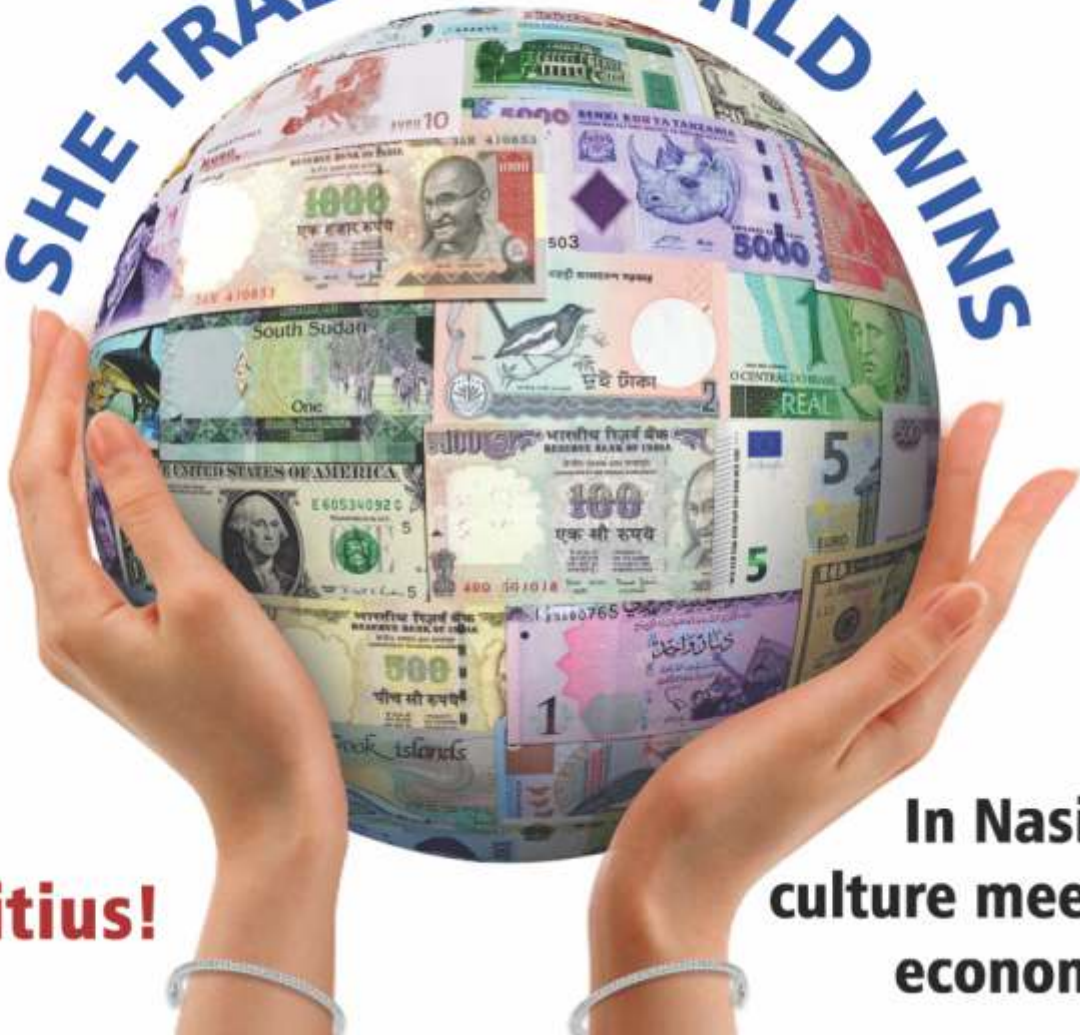
# ON TRADE

THE INTERNATIONAL TRADE RESEARCH JOURNAL OF MVIRDC WTC MUMBAI

**Time for Indian  
exports to go  
global**

**Will Brexit  
impact India?**

**SHE TRADES, WORLD WINS**



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Mauritius!**

**In Nasik,  
culture meets  
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### Printer

Onlooker Press  
16, Sasoon Dock, Colaba, Mumbai - 400 005

### Editorial Office

M. Visvesvaraya Industrial Research and  
Development Centre  
(Member: World Trade Centers Association Inc.)  
Centre 1, 31<sup>st</sup> floor, World Trade Centre, Cuffe  
Parade, Mumbai 400 005 (India).  
Tel : 66387272 Fax: 91-22-22188385  
Email: [tradepromotion@wtcmumbai.org](mailto:tradepromotion@wtcmumbai.org)  
Web : [www.wtcmumbai.org](http://www.wtcmumbai.org)

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Dear Readers,

It gives me immense pleasure to present the April-May-June issue of OnTrade. We have packed a good mix of interviews, analysis and special reports on wide-ranging subjects that would interest you.

The world woke up to Brexit early this month. After the initial shock, the question everyone is asking is – How does it impact India? We have a detailed analysis on the subject. Brexit, we feel, is a huge opportunity for India and to capitalise on it, we need a proactive support from the Indian government before other countries overtake us.

Mckinsey estimates that no country in the world has as much to gain as India by bringing women more fully into the economic mainstream. And trade can play an important role both in driving overall growth and in creating economic opportunities for women. In this issue we have dealt with the important campaign of getting more and more women in world trade. It makes business sense and above all, it is all about equality. We will continue to focus on women in trade in our coming issues also.

WTC Mumbai hosted a plethora of events in three months and you will read all about it. We are proud to promote the India-Mauritius Global Partnership Summit 2016, which is taking place between July 23-28. It is a huge opportunity for Indian businesses as the island country is opening its doors to us.

Our Make in India series has been a big hit with all the members as record number of them participated. A discussion on GST was informative and Skilling India seminar saw the Maharashtra government presenting its blue print on how it plans to skill 4.5 million people in next 4 years. You will read all about these subjects in this edition.

From this edition, we kick start a series on important regions in the state of Maharashtra, giving the readers a peak into their culture, heritage and business strengths. We begin with the district of Nasik – often called as a backyard of Mumbai and the wine capital of India.

And finally,

The 47th Annual General Assembly of WTC hosted in Algiers was a fun filled affair as members enjoyed the rich culture of the North African business hub as well as realise trade opportunities. We have a detailed report on the entire event.

Happy Reading!



**Y. R. Warkerkar**





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# SHE TRADES, WORLD WINS

No country in the world has as much to gain as India by bringing women more fully into the economic mainstream and trade can play an important role both in driving overall growth and in creating economic opportunities for women, writes **Arancha González**

**S**ECULAR STAGNATION', 'new normal', 'new mediocre': when we talk about the global economy today, each new description is more dismal than the last. Yet around the world, we waste a growth-propelling resource on a staggering scale: the economic potential of women.

India is currently a rare bright spot on the global economic landscape. Yet though it recently outstripped China as the world's fastest-growing major economy, India's per capita income level is well below half that in its neighbour to the northeast. Boosting female labour-force participation would help make up this gap.

Globally, three quarters of working age men are in the labour force, compared to only half of working age women. McKinsey recently estimated that if women around the world participated in the economy

on equal footing to men, with equal wages and participation in high-productivity parts of the labour force, global output would be \$28 trillion higher by 2025. That would be the equivalent of adding a new US and China to the world economy. Even a more modest scenario, in which countries converge with regional best practice, would add \$12tn to the global economy. The International Monetary Fund thinks that eliminating barriers to employment for girls and women could raise labour productivity by as much as 25% in some countries. In other words: goodbye, stagnation; and hello, equality and opportunity.

According to the McKinsey study, Indian women account for a measly 23-24% of the formal labour force, and participate in quality labour at one-third the rate men do. Even when in similar jobs and positions to men, women get paid much less. And while India's corporate world

does boast several prominent female CEOs, most notably the heads of ICICI and Axis Bank and the Indian operations of a number of international banks, there isn't even any data available on Indian women in high tech jobs and leadership positions below this stratosphere.

McKinsey estimates that no country in the world has as much to gain as India by bringing women more fully into the economic mainstream.

Trade can play an important role both in driving overall growth and in creating economic opportunities for women. In developing countries, internationally tradable activities tend to be much more productive than the rest of the economy.

As a result, getting people and capital out of subsistence work and into firms dealing in tradable goods and services tends to make for a more productive economy overall.



Businesses that import or export, or sell to firms that do, tend to be more productive, grow faster, and generate higher-quality, better-paying jobs. Ensuring that small and medium-sized enterprises (SMEs) can increase competitiveness and connect to international market opportunities is critical to making trade-led growth inclusive, since such firms employ the bulk of the workforce. And growth cannot be equitable unless women are sharing in its benefits. At a time when the distributional aspects of markets and trade have become hot-button

Economically empowered women also make for a more competitive national economy. The Oxford academic Lisa Scott has demonstrated that countries that provide greater economic opportunities for women tend to rank higher on measures of national competitiveness. This finding is at once significant and unsurprising: after all, no team can leave half its talent on the bench and expect to win.

For companies too, women's empowerment makes good

accessible and affordable in developing countries naturally benefits all SMEs, irrespective of the gender of who runs them.

But there is much that governments and the private sector alike can do to expand economic opportunities for women.

One example would be to increase the share of public procurement contracts that go to women-owned businesses from developing countries. The world's governments spend trillions of dollars every year – more than 10 per cent of GDP for most developing countries and much more in developed countries – on purchasing the goods and services they need to fulfill their functions. Only a small fraction of these contracts go to women-owned businesses.

Some of this imbalance can be rectified with measures as simple as publicising procurement opportunities to women's business organizations. The United States has gone so far as to set a quota for the share of federal contracts to go to historically underutilised businesses, a category that includes those 'owned and controlled' by women. Even the modest 5 per cent target took some 20 years to achieve.

Women's economic equality requires an ecosystem of support. This is why ITC's 'SheTrades' initiative to connect one million women entrepreneurs to markets by 2020 includes a 'Call to Action' – setting out a framework for companies, governments, and civil society organisations to make specific, measurable pledges that contribute to the goal of integrating women more fully into the global economy.

The 'Call to Action' has seven pillars: data collection, analysis and dissemination; trade policy;



political issues, connecting women-owned SMEs to world markets is more important than ever.

The consequences of women's economic empowerment are perhaps most dramatic at the household level. When women are paid for their work, and have control over how the money gets spent, they invest much more of their income than men do in their families' education and health. As the Nobel laureate Amartya Sen famously observed, literate fathers often have illiterate children, but literate mothers almost never do. When women have access to education and employment the effects last for generations.

business sense, plain and simple. Greater gender diversity in senior management coincides with higher profits and better stock market valuations, Credit Suisse concluded after studying 3000 global companies. Other research shows that firms with more women in senior roles are more effective at making the most of employee talent.

Unfortunately, only one in five of exporting firms is owned by women, according to research by the International Trade Centre (ITC).

ITC works to help women connect to international markets as entrepreneurs, traders, and workers. Making information about market opportunities and trade-related procedures



valued, and properly shared. Men need to step up and share the burden, in the home, in the community, and in the workplace. Social policies on parental leave and childcare can help shift cultural mores and encourage fathers to be more involved with domestic responsibilities.

corporate procurement; public procurement; certification; supply side constraints; financial services; and ownership rights.

As we have seen, gender-disaggregated data on women's participation in key sectors of India's economy is sorely lacking. Governments and businesses alike could pledge to measure and report on gender gaps. And it's not just public procurement that can empower women-owned businesses: private sector corporations can do actively work to include women-owned businesses in their supply chains.

Laws and mindsets both need to change for women to attain equal status in the economy and at home. The former, of course, can be reformed far more quickly.

In far too many places, women's full participation in the economy is held back by discriminatory laws. In 18 countries, the law gives husbands the right to prohibit their wives from working outside the home! Women entrepreneurs in emerging markets are stifled by inadequate and unequal access to banking services and to capital – a gap estimated to total between \$260-320 billion per year.

Legal reforms can have dramatic effects: 1994 laws mandating equal inheritance of family property in Maharashtra and Karnataka shifted

asset control within families, leading to increased parental investments in daughters, more bank accounts for women, and more households with sanitary toilets. Motivated by the better educational, financial, and domestic outcomes, the reform has now been implemented nationwide. On the other hand, legal reforms do not automatically lead to change: a quota for female representation on corporate boards appears to have primarily benefited top managers' female relatives.

Mindsets take more time to change, but change they must. We need to re-imagine the way we conceptualise and divide up unpaid household work. One estimate pegs the value of unpaid work done by women globally as roughly equivalent to the annual output of China. Around the world, women spend an average of three times as many hours as men do on unpaid labour.

Indian women, however, spend ten times as many hours as men do on tasks such as cleaning, cooking, childcare, and looking after elders. Studies of social attitude suggest 65-80 per cent of South Asian men and women agree that a woman's participation in the paid labour force affects her children's upbringing. This disproportionate time and socio-cultural burden on women leaves them less space for skills building and paid work.

Unpaid work needs to be properly

Even when women entrepreneurs and employees are free to operate their own businesses, the networks, connections and information required to tap into world markets requires can be a tall order for them.

To help address this challenge, ITC organises an annual Women Vendors' Exhibition and Forum. The event brings together women-owned businesses with potential customers – typically yielding millions of dollars in prospective deals – and convenes thought leaders from governments, the private sector and civil society to brainstorm pragmatic ideas for connecting more women to international markets as entrepreneurs, employees, producers and consumers. This year's edition will be held in Istanbul on 1-2 September, in partnership with the Women Entrepreneurs Association of Turkey (KAGIDER).

Since 1991, India has, along with China, reshaped the global economy. The many women still on the economic margins have been likened to a 'third billion', poised to transform their own lives, and the world, too. Decisions made in India will determine whether they can get there.

***The author is Executive Director of the International Trade Centre, the joint agency of the United Nations and the World Trade Organization***



# BREXIT and India



## Indian companies should look at Britain's exit from EU as an opportunity and act fast before other countries rush in, writes Dr Pralok Gupta

**J**UNE 23, 2016 was a historic day for the United Kingdom (UK) and the European Union (EU). A referendum was held on this day to decide whether Britain should leave or remain in the EU and the UK decided to leave. The exit of the UK from the EU, termed as 'Brexit', will have effects on all spheres of global economy including India, be it currency, investment, trade or labour movement.

The UK's formal integration with the EU can be traced back to '70s when the UK joined the European Economic Community (EEC), now called European Union (EU) on January 1, 1973. In 1975 the UK held a referendum on whether it should remain in the EEC or not and it decided to continue with the membership of the EEC. However, this time the UK decided the other way round to leave the EU. The UK is an important member of the EU. Out of \$ 18.51 trillion GDP of the EU in 2014, the UK's contribution was around \$2.99 trillion.

The UK is also having significant trade within EU and nearly half of the UK's overseas trade is conducted with the EU. Therefore, this decision

will affect trade in goods, services as well as investment to and from the UK. This article discusses trade and investment implications of Brexit and what it could mean for India.

The Lisbon Treaty on European Union provides member states with the right to leave the Union. Any member state may decide to withdraw from the Union in accordance with its own constitutional requirements. Article 50 of the Lisbon Treaty provides a legal framework for EU member states seeking to leave the Union.<sup>1</sup>

Once a member state has notified the European Council of its intent to leave the EU, a negotiation period begins during which a leaving agreement is to be negotiated outlining the country's future relationship with the Union. The country seeking to leave the Union will be required to secure support from at least 72 per cent of the continuing member states representing at least 65 per cent of their population, as well as consent from the European Parliament. Under Article 50(3) of the. Under Article 50(3) of the Lisbon Treaty, UK and the EC would have two years to

reach an agreement that would set out the arrangements for withdrawal.<sup>2</sup>

### Trade Implications for the UK

On the goods side, the UK imports more from the EU members than it exports. About 45 per cent of the UK's exports go to EU with its exports to the bloc accounting for 227 billion pounds and imports accounting for 288 billion pounds in 2014.<sup>3</sup> Therefore, the UK will face a trade deficit with the EU after its exit. The EU members will be subject to the same MFN tariff in the UK as with the rest of the world. This may decrease the cost competitiveness of the EU producers and thus may lead to increased supply of goods from the rest of the world, erstwhile supplied by the EU producers.

For services, the movement of people to and from the UK will be affected as both the UK and EU people will be subject to work permit and immigration requirements in each other's territory. They will also be subject to recognition of qualification and experience criterion unless the UK decides to have mutual recognition agreement (MRA) with the EU.

The EU has free trade agreements with 58 countries providing preferential treatment to respective trade partners. The UK will need to either provide such preferential treatment to all countries on an MFN basis or impose higher MFN tariffs on imports from these FTA partner countries or renegotiate these FTAs with these countries in order to fulfill its obligations under the WTO. Signing trade deal is a time consuming process and requires years of negotiations.

The UK may not have the required negotiating capacity as the negotiations have so far been performed by the EU on behalf of the UK. Therefore, negotiation process

and the capacity building for negotiation after the Brexit may lead to economic uncertainty for the UK for few years.

### Investment Implications for the UK

Brexit will also have implications for investment. The UK is the top most destination for Foreign Direct Investment (FDI) in Europe. In 2014 the UK attracted the highest number of FDI foreign direct projects and received the largest value of FDI net inflows in Europe.<sup>4</sup> Some of this investment would be adversely affected due to economic uncertainty created by Brexit, particularly the existing investment by foreign entities, made primarily to serve the EU market as UK produced goods and services will no longer get preferential market access in the EU after its exit. However, given that access to the single market of the EU is not the sole reason for foreign firms investing in the UK, foreign firms will continue to invest in the UK, though a downward trend in FDI inflows during the initial few years after its exit may not be denied.

It is also to be noted that as the exit process will take two years from the date of notification, the actual impact will be felt only after two years. In the interim period, the effect on trade in goods, services and investment will be more anticipatory and psyche driven and less due to an actual change in trade policy.

### Implications for India

The UK is among India's major trading partners and is listed 18th among the top 25 trading partners of India. India's exports to the UK were USD 5.3 billion in 2014-15 with a share of around 3 per cent in India's total exports. India may increase its exports to the UK after Brexit as the goods supplied by the EU producers

and the existing FTA partners of the EU will also be subject to the same tariff as applicable to goods imported from India.

The UK may also face shortage of skilled professionals as free movement of EU professionals to the UK is curtailed after its exit from the EU. It may lead to increased demand for Indian professionals. However, as increased immigration from the EU to the UK is also a reason for demanding its exit, increased immigration from India may also not be seen as a desirable alternative in the UK.

An analysis of the EU services commitments under the WTO reveals that the UK has sought exceptions for applying requirement of professional qualification with three years experience and application of economic needs test (ENT) for services such as engineering, integrated engineering, medical, dental, midwives, veterinary, advertising, management consulting services..to name a few.

For financial services, the exceptions sought relate to the lead management of Sterling issues, including privately led issues, by a firm in the European Economic Area (EEA). As economic needs test is generally very subjective and countries use it as a disguised mean of protecting their services markets, India may like to negotiate for removal or transparent application of such ENTs if the UK decides to accede to the WTO after its exit from the EU.

India and the EU are negotiating a Broad based Trade and Investment Agreement (BTIA). The main sticky points from the EU side are high tariffs on wine and automobiles in India. As the UK is not a major producer either of wines or automobiles, it may not insist on reducing tariffs on these items.

Moreover, in order to show strong economic relations with emerging economies, such as India and China, it may endeavour to strike a quick deal with India.

The UK is also a major export market for Indian IT/ITeS services. The UK has increased barriers for temporary movement of professionals over the years and the visa conditions for such movement are also tightened, such as skills levy of 1,000 pounds a year per intra corporate transferee, raising the salary threshold for UK employers hiring Indian and other non-EU migrants on specialist jobs, etc. India would be able to better negotiate these issues in its bilateral FTA with the UK as these are difficult to negotiate under the ongoing India-EU BTIA.

Brexit will provide a window of opportunity for India. However, the gains will not be automatic and will require proactive efforts from the government as well as India incorporation. The Indian industry needs to capitalise on Brexit opportunity by moving ahead of the

<sup>1</sup> Based on an earlier article of the author 'Advantage India', published in The Financial Express of June 27

<sup>2</sup> Source: Article 50 TEU: Withdrawal of a Member State from the EU, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/577971/EPRS\\_BRI\(2016\)577971\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/577971/EPRS_BRI(2016)577971_EN.pdf)

<sup>3</sup> Source: <http://indianexpress.com/article/world/world-news/david-cameron-brexit-debate-india-eu-vote-leave-remain-2864780/>

<sup>4</sup> Source: UKTI Inward Investment Report 2014 to 2015 (Online viewing), published on June 17, 2015.

**The author is Assistant Professor at Centre for WTO Studies, Indian Institute of Foreign Trade, New Delhi**

# Time for Indian exports to think global

Economic growth is linked to rapid export growth. It's time India undertakes reforms in land, labour, capital and logistics to boost its falling exports and becomes a competitive global trade player, writes **Kiran Nanda**

INDIA ENJOYED a global share of 2.4 per cent in trade at the time of independence. This dropped to a mere 0.7 per cent in 1991. It is now set to rise notwithstanding about last two years of setback. India's export and import figures for May 2015 reflect the subdued economic scenario both globally and within the country.

Exports from India declined 0.79 per cent year-on-year to \$22.2 bn in May 2016. According to experts, the decline has been mainly on account of decline in global trade and all else is fine. Though the growth in global trade has been less than that in global GDP in recent years leading to rumours about the demise of trade-led growth, but holding global factors to be responsible for recent sluggish Indian exports is far from the truth. Domestic factors have also been responsible for the slow exports.

A view has prevailed for long that as the Indian economy is not export oriented but domestically focused, it does not get affected by global developments in a major way. This perception needs to change as the Indian economy has become significantly open. A country's openness cannot be measured in terms of exports and imports alone. In today's globalised world, connectivity and integration having become the buzzwords, both domestic and export markets are equally important, at times one can be down while the other can be buoyant.

Global and domestic mindsets, in fact, have to be same for goods and services whether meant for exports or for domestic markets. Competitiveness of the highest order is required for the units to survive in both markets. In fact, today visionary companies need to aim higher than the competitiveness level. Export promotion, Make in India, Skills formation, Digitisation India as well as Ease of Doing Business initiatives are all intimately inter-linked.

Exports have been declining month after month for the last almost two years for a plethora of reasons. Only recently extent of decline has started reducing. These

comprise global slowdown, heightened uncertainties, currency fluctuations, increasing protectionism, as well as domestic constraints like quality of goods not up to mark, distorted factor markets, uncompetitive supply chain management and poor infrastructure facilities.

But on a positive note, the govt. policies have started providing boost to exports the right way. The government's Foreign Trade Policy (FTP) - 2015-20, released last year, unlike in previous years, has laid a foolproof plan to enhance India's trade eco-system and competitiveness. It provides a multi-pronged approach to boost country's trade ecosystem, which is not limited to merely outward measures, but lays equal emphasis



on domestic reforms. The focus is on the need to build adequate export infrastructure- creation of primary infrastructure in terms of better multi modal transportation for improved road connectivity to ports, rail heads, airports inland waterways, faster throughput at ports and shorter dwell time, faster movement of rakes by railways and quicker air cargo movement with all the concomitant trade facilitation measures in place.

It also recommends the creation of a supportive infrastructure for exports including more laboratories for testing, more tool rooms and plant quarantine facilities, larger trade facilitation centres and customs'



stations and enhanced cold storage facilities for pharmaceutical and perishable goods. The policy acknowledges that the movement of goods within the country, from one territory to another, is handicapped by the laws, practices, regulations and taxation regimes of various states. It laments the lack of inter-agency coordination and stakeholder participation in the administration of trade procedures and, as per our commitments under the World Trade Organisation (WTO)'s Trade Facilitation Agreement, recommends the creation of the National Committee for Trade Facilitation for this role.

Then, in the recent package of Rs 6,000 crore for textiles and apparel sector, effort has been made to interweave meeting the requirements of both markets- domestic and foreign- for textiles ie attending to micro problems faced by textiles like seasonal flow of labour disrupting production and providing specific incentives for apparel exports.

This package will create one crore new jobs in three years, attracting investments of \$11 bn and generating \$30 bn in exports. Measures approved include additional incentives for duty drawback scheme for garments, flexibility in labour laws to increase productivity as well as tax and production incentives for job creation in garment manufacturing. The package breaks new ground in moving from input to outcome based to boost employment generation. The subsidy will get disbursed only after the expected jobs are created.

The message is - if textiles exports are to increase, the bottlenecks on the domestic front as well as foreign markets have to be removed. According to Textiles Secretary Rashmi Verma, "We will overtake Vietnam and Bangladesh in garment exports within next three years if we properly implement this package." The same perspective is now seen in some other policies also.

India is rolling out a long-term multiple-entry comprehensive visa by merging tourist, business, medical and conference visas into one to attract more visitors and boost trade. Further, the government is actively attracting global foreign direct investment into manufacturing in India through the 'Make in India' policy. This will boost foreign investment into building

production facilities in India, including for export. Linking investments and exports is an important medium-term strategy for boosting Indian manufacturing exports. Similarly as pharmaceuticals, tourism, IT services and automobile components are having potential for exports to China, only adoption of such an integrated approach to policies can guarantee the intended results.

GST in full and flawless form is likely to get implemented soon which will boost exports. It should help India become a unified market without the barriers of different state taxes and entry restrictions, improve the ease of doing business, reduce transaction costs and introduce efficiencies resulting in gains for the country's gross domestic product and exports.

The Indian government has to consistently play a much more dynamic role in boosting India's international competitiveness. At present, India ranks 130 out of 189 countries on the World Bank's Ease of Doing Business 2016 Index. It is hard for India to be competitive while its business regulations and regulatory environment are so uncompetitive.

The government's aim is to push India substantially higher on the World Bank Index over the next three years, to at least above 100, which over the long-term in the next decade, ought to reach a ranking of above 80 on this Index.

Unless the approach to economic reforms process becomes comprehensive, missing initiatives will limit the impact of individual changes. The welcome news is that recent developments in GST and FDI show India's political system has the appetite for reforms.

In a globalising world and globalising India, opportunities for exports will continue to emerge. Only quick and appropriate policy formulation by government followed by matching response by other stakeholders, including the industry is required. Developments like Brexit and Chinese slowdown are expected to open manifold opportunities for Indian exports. However, there is an apprehension that the Brexit shock may push down already fragile global growth.

India will not be much affected as Britain ranks 12th in



terms of India's bilateral trade with individual countries. It is also among just seven in 25 top countries with which India enjoys a trade surplus. In any case, India has a strong political, business, economic relationship with UK, also with France and Germany, the two largest economies in Europe, which will continue.

NASSCOM sees "mixed" impact of Brexit on the IT sector. India is stated to become one of China's top four trading partners by 2018. For a number of companies, India has become a global export base. Recently, 12 per cent duty slapped on imports of smartphones pushes Chinese and Korean device makers to look at local sourcing from India. Such trends will increase.

The trade agreements are a separate story. These will have to be given fresh look to be negotiated fairly down

the road and that too fast because of rising global uncertainties accompanied by some nationalistic movements and protectionism signs.

In conclusion, we just cannot blame global crisis for exports slide. Economic growth is linked with a rapid export growth.

Exports are key to growth. It is time that the authorities deal with structural issues, such as lack of reforms in input markets like those in land, labour, capital, logistics, which are hindering our producers to produce goods at competitive rates. Such an approach will support exports to become sustainable.

**The author is a leading economist based in Mumbai**

## Policy Progress to boost growth

**Commerce Secretary Rita Teotia says, "I'm hopeful that the narrowing pace of decline in exports will sustain in the coming months, on account of the steps taken by the government to boost overseas shipments."**

**This can be realised if policy initiatives are right. The imperatives are:**

- A multi-pronged approach to boost country's trade environment, which is not limited to merely outward measures, but lays equal emphasis on domestic reforms
- 1.1 million Indians join the labour market every month. Emphasis should be on creating an export environment in which job creation flourishes
- That India is pro-business but not necessarily pro-market is today a frequent refrain. Initiatives already taken like well researched FTP and latest package to boost textile exports should be implemented to their true spirit. China's exit from textile sector due to rising wages leaves a huge demand base for India to exploit, thereby giving Indian textile industry another chance. It is encouraging that textile exporters have vowed to add jobs after easier labour norms
- 'Minimum govt. maximum governance' motto should be realised for all sectors. For this, a change in mindset is needed. Speeding the Ease of doing business will help in creating the required mindset
- Unfinished reforms need to be attended fast, especially inputs' reforms - land, labour and capital, which are still being heavily regulated.
- India should fast track collaboration negotiations with strategic countries like Britain, EU and Australia. Britain would be eager to show tangible benefits in the wake of the establishment of the new order with India
- To interweave meeting the requirements of both markets- domestic & foreign- while formulating specific industry export strategies is important as already done in case of textiles
- Approach to economic reforms process has to be comprehensive, otherwise missing initiatives will limit the impact of individual changes and increase the cost of reforms process
- Various trade agreements are a separate story. These will have to be given fresh look to be negotiated fairly down the road and that too fast as losing time means losing revenues
- Logistic costs in India are 2-3 times more than the best manufacturing benchmark costs and needs to be reduced on a priority basis to improve manufacturing competitiveness. Not to deny that in the latest World Bank ranking of global logistic performance, India's rank has improved to 35th as against 54th in the previous report.

# Fly high, but with caution

Make In India is providing impetus to MSMEs. But they need legal and institutional support, writes **Karan Dogra**

**A** WISE MAN once said, 'Good things come in small packages.' Well, ask the Germans about it. Alongside the major, famous companies, they have also been successful in establishing Small and Medium Enterprises called Mittelstand.

There are around 3.5 million Mittelstand companies in Germany, which employ about 78 per cent of the country's work force and contribute towards 53 per cent of Germany's GDP. Eighty per cent of these enterprises have less than 10 employees.



In India, the concept of Micro, Small and Medium Enterprises (MSMEs) was initiated by Mahatma Gandhi through the Swadeshi movement, which served as an impetus to home grown industries. It has gradually developed over the years, also having found its roots in the recent Make In India initiative, launched by Prime Minister Narendra Modi.

Make In India has introduced various benefits for Start-Ups. These include tax exemptions and concession for capital gains. The Start-Ups have increased the market share of MSMEs, elevating its relevance.

Taking in view the recent developments of startups and MSMEs (Micro, Small and Medium

Enterprises), it is important to understand the Micro Small and Medium Enterprises Development Act, which was passed in 2006. The Act seeks to:

**1. Classify Micro, Medium and Small Enterprises as:**

Class	Manufacturing (Investment)	Service (Investment)
Micro	25 lacs	10 lacs
Small	25 lacs-5 crore	10 lacs-2 crore
Medium	5 crore-10 crore	2 crore-5 crore

- Empower the Central and State Governments to take steps to promote such enterprises
- Streamline the inspection procedures
- Improve procedures addressing the problem of delayed payment to small enterprises

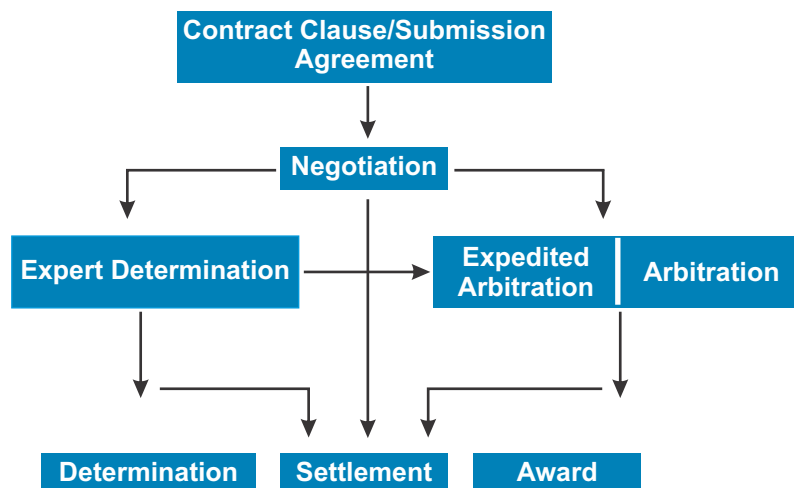
However, these enterprises have a list of problems, primarily legal disputes that are typical to the functioning of every other organization – IP, tax and consumer related disputes, to name a few. The problem arises when these MSMEs are pressed for time and are not financially strong and hence cannot

afford to be dragged into an arduous litigation.

The Act also focuses on disputes arising out of payments. Section 15

provides for the liability of the buyer to pay the supplier on supply of goods or services. Section provides for the establishment of Micro and Small Enterprises Facilitation Councils to address the problem of Delayed payment. The party may refer disputes of such nature to these facilitation councils within 45 days.

Section 18 empowers the Council, upon receipt of a reference, to conduct conciliation in terms of the provisions of sections 65 to 81 of the Arbitration and Conciliation Act, 1996. Where the conciliation is not successful and is terminated without



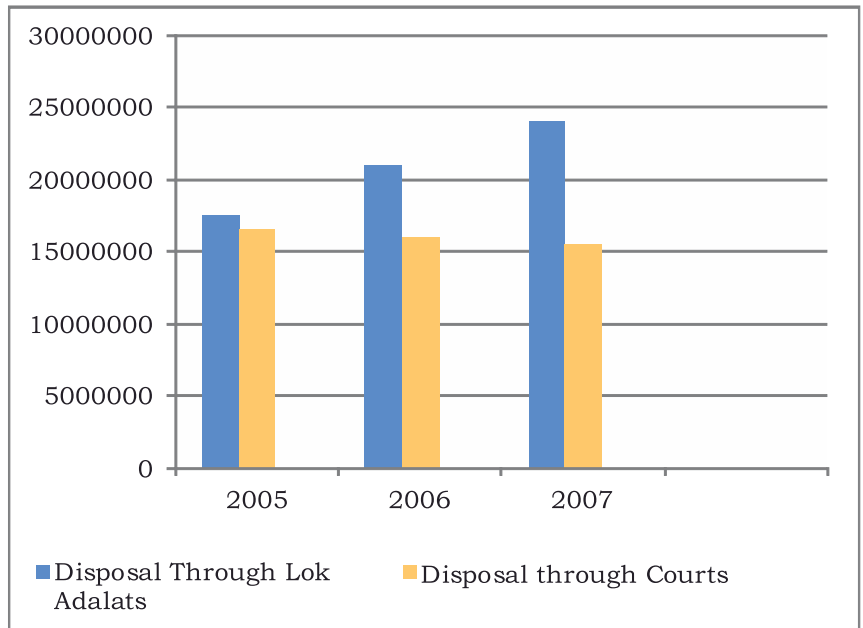


there being any settlement between the parties, the Council is empowered to itself take up the dispute for arbitration or refer it to any institution or centre providing alternate dispute resolution services. The Council providing alternative dispute resolution services has jurisdiction to act as an Arbitrator or Conciliator in a dispute between the supplier located within its jurisdiction and a buyer located anywhere in India.

The jurisdiction of MSEF was questioned in *Union of India & Anr v. Rajasthan Micro & Small Enterprises Facilitation Council & Anr*, wherein it was contended that due to the presence of an arbitration clause in the agreement, the respondent could seek remedy only under the Arbitration and Conciliation Act, 1996. This contention was rejected and it was ruled that the MSEF council had jurisdiction per se to decide this claim.

There arise several problems pertaining to MSMEs such as the councils established through this Act only address disputes involving delayed payments, these councils have only been established in a few states, heavy dependency on funds from internal sources, ruthless competition, poor technology base and lack of skilled workers.

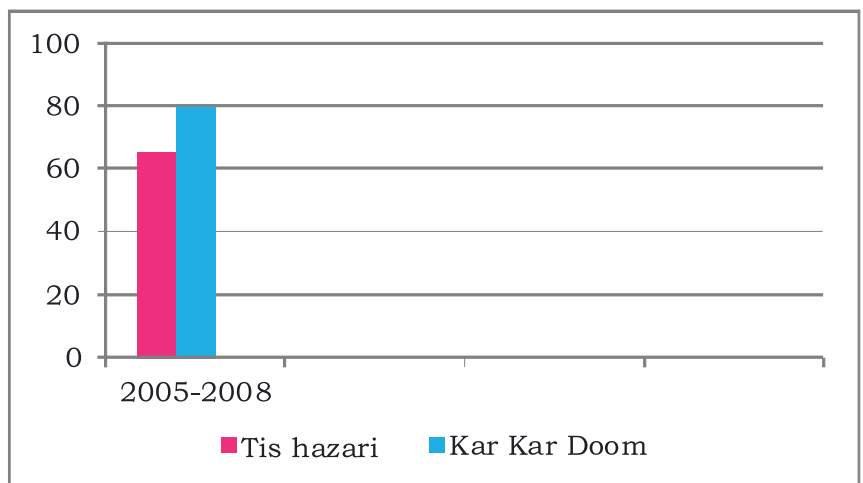
While an amendment to this Act purports to increase upper limit of the capital size of these enterprises, it must also address the question of disputes of varied nature that can be resolved and not simply the case of delayed payments. Lok adalats can act as centres for dispute resolution and these can be more favourable, primarily because it is feasible for the MSMEs to resolve disputes. If we compile the statistics as also studied by the SSOAR (Social Science Open Access Repository), we have the following data:



In Germany, some chambers of commerce have become heavily involved with business mediation. Their home pages supply a list of mediators available in the region, from which the most suitable mediator (e.g. specialised in certain types of conflict, specialised in an industry) can be found. They publish 'mediation- and mediators directives' and regularly organize information events for SMEs, acting, therefore, as information and help centers for SMEs.

In India, the importance of mediation as a dispute resolution mechanism was never felt until the introduction of Section 89 CPC and the establishment of institutionalised mediation centers in some of the cities. The following are statistics of success rate of mediation centres in Delhi, as per a study conducted:

It is clear that these mediation centres are successful. They could be more effective if there is more





public awareness, quality training programmes, supporting academic research and more importantly, an efficient leadership. A mediation institution could be established in the country, with larger objectives and scope so that the alternative methods of mediation are made more effective in resolving disputes of all kinds.

The UK is considered to be the hub for mediation. What can be learned is mentioned below:

- Look for solutions that are based on consensus, NOT imposition
- Promote a National Mediation Helpline for ADR
- Work closely with the mediation providers (mediation council)
- Provide adequate funding for research and judicial training in ADR matters

An ombudsman or public advocate is usually appointed by the government or by the Parliament (but with a significant degree of independence) who is charged with representing the interests of the public by investigating and addressing complaints of maladministration or a violation of rights.

Countries like Latvia and Malta rely on Ombudsman as an Alternate Dispute Resolution for MSMEs involved in disputes with banks. It is also widely institutionalised in Germany. India has not explored this option in the real sense. The office of ombudsman, also known as Lokayukta, has started functioning in some states, but it yet to take its form.

Neutral evaluation is a process in which the parties or their counsel present their cases to a neutral third party (usually an experienced and respected lawyer with expertise in the substantive area of the dispute) who renders a non-binding reasoned evaluation on the merit of the case. It is highly practiced in England and France to resolve disputes between MSMEs and is gradually developing in India.

A specialised form of contractual adjudication, expert determination is a procedure whereby a dispute, usually of a technical nature, is to be resolved by an expert who need not follow the rules of arbitration or litigation and whose decision is to be final and contractually binding for the parties. It has not yet found statutory recognition in India. If and when put into force, it assist MSMEs

solve disputes in a quick and cost efficient manner.

Germany has a high number of judges per capita, lawyers' fees are regulated by law, and 90 per cent of all Germans are insured against legal costs. Hence, litigation is not a grueling process. Whereas in a country like India, as it was pointed out by former Chief Justice Thakur, we need additional 70,000 judges to clear pending cases. Delayed tactics and high costs of litigation, make it impracticable for MSMEs to approach courts.

Also, it is difficult in India to shut out a review on merits. A party would be entitled to plead fraud, failure, lack of due process or any other serious irregularity or illegality, which more or less makes Alternate Dispute Resolution less favourable.

In conclusion, it is important that greater awareness be built around MSMEs. The Indian MSME sector is poised for rapid growth and integration with major global value chains. Timely policy intervention and due support have promptly resulted in rendering the Indian MSMEs globally competitive.

**The author is a Senior Associate with Singhania & Co**

# Mauritius opens doors for Indian companies in biggest ever investment drive

A major run-up event to the upcoming India-Mauritius Global Partnership Summit was organised by World Trade Centre Mumbai



**I**NDIA AND Mauritius inched towards a closer economic partnership as the country opened its doors for 10 top economic sectors to Indian entrepreneurs.

The first ever India-Mauritius Global Partnership Summit 2016, to be held between July 23-28 in the island country, is considered to be the biggest initiative to boost trade between the two countries. Promoting the Summit across India in terms of seminars and road shows India-Mauritius Trade and Cultural Friendship Forum is estimating 250 Indian delegates to join the 150 African continent participants to forge business alliances.

"Mauritius is a business-friendly nation and this Summit is a big opportunity for Indian entrepreneurs as it would open a gateway to Africa and enable them to develop their business," stated Mr Deepak Kesarkar, minister of state of finance, rural development, planning, government of

Maharashtra. He was speaking at the Summit's run-up event held today at the World Trade Centre, Mumbai.

Stating that his country is developing very fast, Mr Raj Rampartab, MP and Parliament Private Secretary, Mauritius, said that Indian companies must come to his country with an aim to look beyond. "We are in the strategic position vis-à-vis the African continent and we also have the necessary trade treaties," he added.

Let's talk business, is the theme of this Summit. Mauritius has grown from US\$200 economy from the '70s to a US\$9,300 economy now. Tourism counts for 7.5 per cent of its GDP, financial services will be 17 per cent in next 4 years and progressive farming is 2.9 per cent. ICT and BPO are the pillars of their economy. "The Summit is a people-to-people meeting. Mauritius is on top of ease of doing business and entrepreneurs can set up a company within

three working days," explained Mr Deven Maulloo, director, conference.

70 per cent of the island country's business comes from off shore, which has 17,000 companies in the fray and more coming.

"Indian businesses must know that Mauritius is an important regional player through its membership of two major African blocks - South African Development Community (15 African countries) and Southern African states and Common Market for Eastern and Southern Africa (19 African countries). There are no trade barriers between us and this way Indians can look outbound," insisted Mr Maulloo.

Indian investors are also shown the crucial US\$ 2 billion project of Heritage City. In the country's smart city initiative, Indians are being given a priority. "Many foreign universities have opened in Mauritius and Maulloo felt that since





From L to R: Mr S K Chadda, Chief Strategical Advisor and Secretary General, IMTCFF, Ms Rupa Naik, Director, Projects, WTC Mumbai, Mr Deven Maulloo, Director, Conference, Capt Somesh Batra, Vice-Chairman, WTC, Mumbai, Mr Deepak Kesarkar, Minister of State, finance, rural and planning, Maharashtra govt, Mr Raj Rampartab, MP, Parliament Private secretary, Mauritius, Ms B K Napaul, Officer-in-Charge, Consulate of the Republic of Mauritius and Mr Pritpal Singh Pannu, President, IMTCFF



Mauritius has 25,000 working graduate population, Indian universities must set shop there soon and can even plan vocational and technical training centres," concluded Maulloo.

Work, Stay and Play – that’s the message Mauritius is sending to Indian investors.



Capt Somesh Batra, vice-chairman, WTC, Mumbai, stated, "India is Mauritius’ largest trading partner and has been largest exporter of goods and services. Mauritius was the single largest source of FDI into India in 2014-15 amounting to US\$9.03 billion. It is but natural that both countries must develop stronger economic bond and this Summit is the perfect beginning of it."



**Mauritius, at a glance**

- Income tax, corporate tax and VAT at 15 per cent
- No capital gains tax
- Duty Free and VAT free facilities for goods and equipment imported in Freeport zones
- Tax holiday over 8 years under Smart Cities Scheme
- Incorporation of a company in 3 working days
- Bursting ocean economy

# Can GST protect India post Brexit turmoil?

At a seminar organised by the World Trade Centre Mumbai, experts opined that India can offset any adverse impact of Brexit by passing the GST in the upcoming monsoon session



From L to R: Mr Firoze B Andhyarujina, Senior Advocate, Supreme Court, Ms Rupa Naik, Director, Projects, WTC Mumbai, Mr Abhishek A Rastogi, Director, Tax & Regulatory Services. PwC and Mr Y R Warekar, Executive Director, WTC Mumbai

**E**VEN AS global markets plunged following Britain's exit from the European Union, the sentiment in the financial capital of India was – How will it impact India? At a workshop in the city, experts felt that passing the GST in the Rajya Sabha will be the best way to tackle post Brexit uncertainty in India.

"The GST network is ready; the IT infrastructure to support the regime is in place. There is a likelihood that the GST Bill can also be passed by at least 50% of the state governments. However, the real test would be the passage of the bill in the Rajya Sabha," remarked Mr Abhishek A Rastogi, Director, Tax & Regulatory Services, PricewaterhouseCoopers (PwC) at the Make in India Fourth in Series Workshop on 'Implications of GST – Industry Perspective' organised jointly by World Trade

Centre Mumbai and All India Association of Industries, supported by IDFC.

"I expect the Congress to oppose GST, other parties will support. But will the Rajya Sabha proceedings will go on time, will there be disruptions? I cannot predict that," Rastogi said raising a concern.

Speaking about the pros and cons of the GST regime, he stated that the government has included various provisions to make the GST regime tax-payer friendly, reduce litigation, transfer of unutilised input tax credits and so on. In fact, the Integrated Goods and Services Tax (IGST) is the most innovative and appropriate model for a federal country like India. However, there are some areas of concerns which include valuation of barter transactions, definition of some

transactions, he pointed out.

Speaking on this occasion, Mr Firoze B. Andhyarujina, Senior Advocate, Supreme Court, that GST is a time supply tax in contrast to excise. He said that GST would promote India's economic growth and offset any adverse impact on the economy from Brexit. "This workshop on GST is being held on an historic day when British citizens voted to leave European Union. The exit of Britain from European Union would have a far-reaching impact on global economy, especially on international trade. The Indian government must use this development to introduce GST and support economic growth."

Mr Andhyarujina raised hope that the GST regime would reduce the number of litigation between the industry and tax authorities. He informed that while the





Mr Firoze B. Andhyarujina

government’s tax collection doubled in the last five years, the tax disputes has risen over 600% during the same period. The government has to pay Rs 1 lakh crore in FY16, the senior advocated pointed out.

He stated that there are some onerous provisions in the GST bill. For example, it is the onus of the buyer to conform whether the seller has paid the tax on inputs. Also, the benefits given to employees are not eligible for claiming input tax credit. However, there are more contentious issues that need to be ironed out. These include issue of dual control by central and state



Mr Abhishek A. Rastogi

governments, the determination of revenue neutral rate and so on. Talking about GST on E-commerce sector, Andhyarujina pointed out that it would improve the tax base. “Non filing of returns within 6 months would mean losing dual registration – State and Central,” he added.

Earlier in her welcome remarks Ms Rupa Naik, Director- Projects, World Trade Centre Mumbai, said, “GST is a path-breaking reform in India’s indirect taxation system and I expect the introduction of this regime to boost manufacturing sector of the country.”



Ms Rupa Naik

During the event, India’s leading financial institution IDFC, which started banking operation in October 2015, made a presentation on how it would simplify banking services by adopting cutting edge technologies.

Rastogi concluded the workshop by recalling that the GST Bill has been tweaked enough to favour business. “The banking industry has been gearing up, holding discussions. However, the training of the government officers is a concern. They will have to unlearn from the past and a change in temperament is essential,” he added.



# Maharashtra govt wants private companies on board to achieve its skill development target

With a target to train 45 million people in next 5 years, the state government wants industry to partner with them to train, certify and offer jobs to people



Mr Vijay Kalantri



Mr Deepak Kapoor



Mr Mahadev N. Naik

**W**ITH A target of training 45 million people in the next five years, the Maharashtra government is now aggressively looking to tie-up with the private companies to train youngsters in vocational training.

So far, the state government has signed 19 Memorandum of Understandings (MoU) with top companies, which include Tata Group, Bharat Forge, L&T, ICICI, to name a few to achieve the ambitious number of skill training. Calling for major collaboration with the Indian industry as their main focus, Mr Deepak Kapoor, principal secretary, skill development and entrepreneurship, Maharashtra government said that partnering with the private companies for the modernization of Industrial Training Institutes (ITIs) is also on cards. "There are 900 registered ITI's – the names and infrastructure is there, but what about quality of training? We want the industry to partner with us for the curriculum that is suited for their needs so that placement can be achieved," said Kapoor in his key

note speech at a seminar titled Make in India and Skilling India organised by the World Trade Centre, Mumbai.

Maharashtra has 2.44 lakh micro, small and middle size companies, employing 30 lakh people and around 62 lakh establishments employing 1.30 crore people. The state government is also making online registration process for the government would soon introduce an online process for private companies to enroll for Maharashtra State Skill Development Society's skilling centres as part of the Pramod Mahajan mission program.

"The registration will be seamless, no paperwork and we are providing financial grants in this skilling initiative. The mistrust between the state government and industry has to be removed to achieve the Skill India Maharashtra target," explained Mr Kapoor.

The IAS officer pointed out that time has come to change the mindset

and uplift the skilled people, who are today at the bottom of the pyramid. "We want to partner with the industry to train people, certify them and offer them jobs," he added.

Like Maharashtra, Goa too is working hard on its skill development projects. Mr Mahadev N. Naik, Minister for Industries, Co-operation, HT&C and Social Welfare, Government of Goa, told the seminar that the government is aiming to generate 50,000 jobs in the next five years by imparting vocational training to women and youth in sectors like nursing and handicrafts.

"Goa employs 90,000 people in its industry, but 50 per cent of them are from outside states because of deficiency of skilled workers in the state. We will change this soon," he added.

Mr Vagish Sharma, Analyst-Udaan Program Development, National Skill Development Corporation (NSDC) suggested that state governments across the country





From L to R: Ms Rupa Naik, Director, Projects, WTC Mumbai, Mr Mahadev N. Naik, Minister, Industries, Co-operation, HT&C, Social Welfare, Government of Goa, Mr Vijay Kalantri, Vice Chairman, WTC, Mr Deepak Kapoor, Principal Secretary, Skill Development and Entrepreneurship, Government of Maharashtra and Mr Y. R. Warekar, Executive Director, WTC Mumbai

must implement a skill development programme on the lines of Udaan – an Rs 1,000 crore grant scheme, which is being implemented in Jammu & Kashmir. “It has transformed the future of 30,000 youngsters in the border state with the support of leading companies such as KPMG, Accenture, and Infosys with 100 per cent placements,” he stated.

On the other hand, Mr Sunil Parekh, well-known international success coach, stated that time has come for change in the mindset of the employers, training institutes and the youth to address the issue of skill deficiency.

“There is a communication gap between students, employers and the industry. No wonder there is a poor participation of the industry in skill development. The challenge is also to mobilise students towards

developing their skills. But the bottom-line is – we need to change our mindset on how we treat people, who certain jobs like welding, plumbing, cooking etc.”

India can become a global manufacturing hub if it trains people in core skills as well as satellite (lean) skills, opined Mr Jagmohan S. Bhogal, Cdr. (Retd), Senior Director, National Accreditation Board for Education and Training, Quality Council of India.

“Zero defect zero effect rating must be given to MSMEs to empower them to join the global value chain. Along with core technical skills like plumbing, welding, satellite skills like lean skills (reducing wastage), quality skills, design and simulation, certification are also necessary. Global standards for skill development (for training providers ISO 29990, for assessment bodies ISO

17024) are key if India aspires to become a global design and manufacturing hub,” he added.

Earlier in his welcome address, Mr Vijay Kalantri, Vice Chairman, World Trade Centre Mumbai said, “PM Narendra Modi has set a vision for skilling the youth of the country and now the state governments should take this forward by reviving the skilling institutions that are closed because of certain reasons.”

He added that the World Trade Centre Mumbai would extend all possible support to the Government of Maharashtra in effectively implementing its skill development programme. “Skilling India also means developing new clusters and training local people for manufacturing goods at each and every village,” he added.

# A road less travelled

The journey of the SIDBI Innovation and Incubation Center, IIT Kanpur is that of hard work and perseverance, says **Prof Sameer Khandekar**



**T**HE INDIAN Institute of Technology Kanpur, being a premier and leading technology institute in India, was also one of the pioneers in establishing a technology based business incubator within its campus. In the late '90S, when the Department of Science & Technology, Government of India, decided to provide framework of incubation facilities and services under a single roof to new enterprises in form of incubation centers, IIT Kanpur collaborated with Small Industries Development Bank of India (SIDBI) and the government to create a world class incubation ecosystem.

The center was established in 2000 and since then it thrives to foster innovation, research and entrepreneurial activities in translational technologies. Its vision includes creating an integrated ecosystem for zealous entrepreneurs and mentor groups (faculty, alumni, consultants and other interested stake-holders) and convert novel research into valuable intellectual property for commercialisation.

As with every new initiative, creating an incubator for commercial entrepreneurs within the premises of an academic institute was met with sentiments ranging from great enthusiasm to guarded optimism and of course, outright opposition. Such wide-ranging opinions on incubation activities, especially in the midst of an academic institute, needs to be understood and appreciated in the light of socio-economic, as well political thought process behind the development of universities and technical institutions in our country.

Today everyone accepts that innovation, creation and protection of intellectual property and a well-nourished entrepreneurship culture must be an integral part of educational eco-system of any country, which aims to establish a knowledge-based society. Responding the need of the hour, the mandate of technology institutes in the country has also gone through a change, from merely imparting known technical know-how to students and building human resource for the country, to partnering in technology development, undertaking fundamental/applied translational research, generate





and protect intellectual property as well as help create viable business models for wider social impact.

Today, SIIC is one of the rapidly growing incubators in the country, with impressive track record of mentoring over 65 startups (35 graduated companies and 30 presently under incubation), management and disbursement of seed funds exceeding Rs 50 Crores, IP holdings of over 350 patents and technology commercialisation of over 60 patents.

From modest beginning, the center has recently ventured into Bio-incubation as well as Social-entrepreneurship domains. The portfolio includes faculty initiated companies, alumni driven ventures and business start-ups from entrepreneurs not directly connected to IITK. It is mandatory to have at least one faculty mentor for potential incubates. More information about the center and its activities can be found at [www.iitk.ac.in/siic](http://www.iitk.ac.in/siic).

**Technology Incubation: Challenges and Opportunities**  
Challenges are faced not only by start-ups but by the incubation center itself. While creating a business, adding value to products, services and being your own boss sounds very trendy, entrepreneurship is certainly not a bed of roses.

Peer and parental pressure, socio-cultural traits, societal attitude towards failure, fear of the unknown, risk appetite, living in uncomfortable and many a times hostile environments, financial discipline, and sheer hard work, are some of the challenges, which are routinely faced by young entrepreneurs. There are innumerable hurdles faced by start-ups - from hiring the right people who share the same passion, to establish-

ing markets for their products, getting finance and above all creating a brand value in the market. Unforeseen challenges can also come from apparently routine matters and mundane tasks.

Incubators, on their part, need to be sensitive to a wide spectrum of challenges that budding business developers face and hence the quality of the team-at-work is vital. Upstream mentoring (including technology development), prototyping, productising, packaging, debugging... to name a few, to downstream activities that include setting up the basic bread-board for financial planning and execution, market research, pitching, and finding investors – none is less important than the other.

Needless to say, the biggest challenge, in the Indian context, is to orient a young person, especially alumni of a technology institute, into business when his colleagues are offered highly lucrative jobs from established companies inland and abroad. The mindset needs to change and our experience at SIIC does indicate that it is indeed changing.

The vibrant youth of today must venture out of the traditional mind set and taboos, think out-of-the-box to achieve the much-needed marriage of technology and entrepreneurship to transform India.

Capacity build-up - both infrastructural and technical know how - of running and nurturing budding businesses is another challenge faced by incubators. At SIIC, we are probably the only incubators in the country who not only provide office and laboratory spaces to start-ups, but also give modest residential apartments to all incubates.



Incubation centers in non-metro cities also face specific locational challenges; connectivity to large metros, access to markets and quick exchange of ideas amongst peers. SIIC has also gone through these challenges and is trying to tackle and improve upon several shortcomings. Also, since incubation center needs to eventually evolve as a self-sustaining unit, viable financial recovery models, apt for the local environs and boundary conditions need to evolve. SIIC has an equity-based model of partnering with entrepreneurs, which provides sufficient flexibility during graduation and exit.

Finding the right pool of talented center managers and executives at competitive cost, business and financial management mentors on payment or voluntary basis, networking partners and efficient pool of resident consultants, is a tough challenge. Here, the role of worldwide alumni network is crucial.

Lastly, the government policies have a major role to play in the entire ecosystem. Unless a conducive policy framework is in place for ease of starting and doing business (indeed, also for ease of closing a business!), incubators will remain majorly paralysed and 'entrepreneurship' will only have academic or pedagogic talk-value. The government has to play a role of a benevolent promoter and at the same time be an effective regulator, too.

Often young entrepreneurs venture into cutting edge and nascent technologies. There may not be enough existing laws of the land, standards, mandatory protocols and market policies. Under such circumstances, new ventures find it extremely difficult to register growth, leading to frustration for all the stakeholders. Gray zones and loose ends in the policy framework also do not attract risk capital. This necessitates that the response time of administrators be calibrated to the dynamically changing and evolving technology scenarios.

In addition, getting timely seed funding from various channels needs substantial coordination between governmental agencies, financial institutions, risk managers, venture funds and equity holders. There is

also need to relook procurement policies and tendering norms of governmental agencies and semi-government/public sector undertakings. Pathways should be created in such policies wherein freshly incubated companies and start-ups can bid and compete with established market players. This necessitates coordinated efforts within the hierarchy and beyond.

**Future outlook**

Post independent India has come a long way from a 'developing, third-world, poor nation' to a vibrant middle-income, emerging market economy driven democracy with an enviable young workforce. While business and entrepreneurship skills resides in our psyche from time immemorial, its union with modern science and technology is what will catalyse a paradigm shift in the existing levels of poverty.

High quality technical education on one hand and development of technology based entrepreneurship skills on the other, working in unison, is the only potent solution for improving the quality of life and generating employment in our country.

Technology incubators certainly have a definitive role to play in the emerging scenarios. SIIC has a mission to become an exemplary unit for technology based mentorship, entrepreneurship and inclusive societal impact.

There is a saying - 'she, who has never failed, means that she has never tried.' Failures are an integral part of any entrepreneur's journey and it is the incubators role to provide sensitive hand holding.

Success is just round the corner, we just have to walk through there – together.

**The author is Dean, Innovation and Incubation, Professor, Department of Mechanical Engineering, Indian Institute of Technology, Kanpur**





# The International IT roundtable

The gathering held in Khanty-Mansiysk, Russia, saw the biggest participation of delegates from the BRICS and SCO countries. A report

- One of the highlights of the forum was the conference on 'Media and Information Literacy and the formation of an open government culture' organised under the auspices of UNESCO
- The two day program included more than 20 primary events in the Concert and Theater Center 'Ugra-Classical', congress and exhibition center 'Ugra-Expo' and the Chess Academy, where the topics of e-government, import and export capabilities of the Russian IT solutions, Tele medicine, IT in culture, education, tourism, fuel and energy complex were discussed.
- Representatives from 48 countries including partners from BRICS and SCO members participate in the VIII International IT-Forum.



**T**HE VIII International IT-Forum organised by the Government of the Khanty-Mansiysk Autonomous Okrug – Ugra along with Tomsk Region Administration and Chamber of Commerce and Industry of the Khanty-Mansiysk Autonomous Okrug – Ugra.

The forum 'Digital Region: Construction kit of the new opportunities for citizens' was targeted to assemble new digital reality and facilitated discussion on the relevant issues on IT development and implementation in various spheres of life, exchange of best practices between BRICS and SCO countries and a platform for the demonstration of technological capabilities of domestic developers of IT-products to Russian and foreign specialists.



Ms Natalia Komarova, Governor of the Khanty-Mansiysk Autonomous Okrug - Ugra, Russia being felicitated by Ms Khyati Naravane and Ms Renu at the VIII International IT Forum on June 8, 2016 at Khanty-Mansiysk, Russia

The forum was inaugurated by Ms. Natalia Komarova, Governor of the Khanty-Mansiysk Autonomous Okrug – Ugra, Russia (Centre). Ms Komarova in her keynote address emphasised on exploring new informational horizons for expanding businesses and humanitarianities. She encouraged the delegates and the government representatives to have mutual dialogue in information and communication field for better prospects. She announced the

signing of Memorandum of Understanding (MoU) between the BRICS countries for setting up telemedicine services which was initiated two years back at the IT-forum. In addition, Ms Komarova added that nine agreements will be signed within the framework of the Forum. Many of them are in direct inter-regional cooperation format, which was promoted at the previous meetings in Ugra.

This plan will be an in-demanded

infrastructural project, which meets all the criteria and eligibilities of the BRICS Bank and in the future will be in a position to provide high quality standard of medical care for more than 2.8 billion people living in BRICS countries.

Ms Komarova also reminded about the success of India, which is now the second country after the United States with the highest number of programmers.

**Eminent dignitaries who shared the dias with Ms Natalia Komarova, Governor of the Khanty-Mansiysk Autonomous Okrug – Ugra, Russia were Nikiforov Nikolay Anatolievich - Minister of Communications and Mass Communications of the Russian Federation, Ms Faith Muthambi - Minister of Communications of South Africa, Mr TianYunshyan - Consul General of the People's Republic of China in the city of Yekaterinburg, Mr Dyubey Prabhat Ranzhan - Managing Director of Maharaja Log Homes Group, Mr Beltrami Lucas**

**Nunes - Attaché for Trade and Investment of the Brazilian Embassy in the Russian Federation, Mr Khalevinski Igor Vasilievich - Chairman of the 'All Russian diplomats Association' NGO (under the Russian Ministry of Foreign Affairs), Mr Kochofa Anicet Gabriel - Ambassador Extraordinary and Plenipotentiary of the Republic of Benin in the Russian Federation and Evgeny Kuzmin - Deputy Chairman of the Intergovernmental Council for UNESCO.**

**Strategic Session: Development of Cooperation in the IT-Sphere among BRICS Entrepreneurs**

**F**ollowing Presentations were made during the session:

- Russia and China: Development, Prospects and Opportunities
- IT – technologies sharing between the BRICS countries: South Africa's experience
- Experience in the sphere of mobile and electronic commerce of India
- Indian presidency program with a focus on the prospects of development in the IT-industry the cooperation
- What can Russia offer to BRICS countries in IT field
- The Experience of using of Earth remote sensing data for the benefit of the region
- Application of IT – technologies for BRICS countries b2b cooperation
- Specialized software as a tool for

- decrease of oil extraction cost
- IT in government and business areas, the practical application and experience of interactive technologies implementation
- Block chain implementations in open government. opportunities and challenges ahead



- Brazil's experience on opportunity to create BRICS business card as a tool of labour force facilitation and free movement of business between BRICS countries.
- See more details on page 30





**Exhibition: Information Technologies for All**

Alongside the conference an exhibition on information technology for all was organised by Mr Alexei Putin, Deputy Governor of Ugra inaugurated the IT-Forum exhibition held at Ugra expo on June 8, 2016. The theme of the exhibition was 'Information Technologies for all'. In his opening remark, Mr Putin highlighted the role of BRICS and SCO countries in the advanced development for science parks, e-government, medicine, sports, culture and social protection of the population. He also acknowledged the significance of IT in the field of secondary and higher education, as the year 2016 was declared the 'Year of childhood' in Ugra. He confirmed that various workshops on robotics, animation creation, manufacturing souvenirs were been organised for children within the forum. The latest technologies and IT market services, experience of their application in business, public administration and daily life were presented at the exhibition.



**Mr Vladimir Auerbach**

Director of the Department of e-Government of the Ministry of Communications and Mass Media of the Russian Federation

Mr Vladimir Auerbach highlighted the significance of e-government. He also added that all the advanced developments in the field of artificial intellect in the future would be submitted to e-government, which would be zero papers government.



**Mr Gabriel AnicetKochofa**

Representative of the African diplomatic service, Ambassador Extraordinary and Plenipotentiary of the Republic of Benin in Russia and CIS countries

Mr Gabriel AnicetKochofa welcomed all the guests and participants of the exhibition. He highlighted the latest developments in information technology for the entire community, state and urged the delegates to explore the opportunities in IT in BRICS countries.

**Interactive session: Business Cooperation between Ugra and India**

To facilitate cooperation between Indian and Russian companies an interactive session was organised at the Chamber of Commerce and Industry of the Khanty-Mansiysk Autonomous Okrug-Ugra's office. The Indian business delegation got an opportunity to present their product and services, which they had to offer to the Russian market.

While presenting various services and facilities offered by World Trade Centre Mumbai to its business community, Ms Naravane announced the operations of the newly established World Trade Centres in Bhubaneswar, Goa and Jaipur, prominent states of India. An invitation to participate in the 6th Global Economic Summit to be held in the month of February 2017 was extended to the delegates. She appreciated the overwhelming hospitality extended by the host and highlighted the commonalities in culture between India and Russia.

Ms Renu Verma, Director, All India Association of Industries (AIAI) informed members about the Russia India Trade House Mumbai (RITHM) and its services offered to MSME members. Ms Verma assured Ms Alfiya Pavkina, President, Chamber of Commerce and Industry of the Khanty-Mansiysk Autonomous Okrug to offer all the support and cooperation needed to build and strengthen bridges of socio-economic prosperity through the promotion of trade and investment between India and Russia.

Dr Manish Arora, Joint Director, National Institute of Electronics & Information Technology (NIELIT) presented the role his organisation developing the IT sector in India. Dr Arora focussed on their role in demonstrating and undertaking turnkey projects in office automation, software development, website development and as well as

their role in implementation of ESDM (Electronics System Design Manufacturing) scheme of DEITY, government of India.

He had a fruitful discussion with Mr Vladimir Khamedov, Centre Head, Ugra Research Institute of Information Technology, Khanty-Mansiysk, Russia and explored the possibility of collaboration in area of remote sensing.

Kapurseeked the support of the Chamber to recommend their company for future demands in this field.

Mr Avidutta Barsode, Chief Executive Officer of Relief Phytopharmaceuticals gave a brief introduction about his company and products, which are specially manufactured from the Plant derivatives of various kinds. He underlined that his company has



Mr Pulkit Kapur, Chief Technology Officer, Age Analytics informed the delegates about the various projects undertaken by their organisation in the field of Enterprise Architecture & Consulting, ERP rollout, Application Development & Support, Mobile App Development, Automation Testing, Business Intelligence & Analytics.

Mr Kapur mentioned about their recent Engagement with South African Sports Confederation and Olympic Committee (SASCOC) for developing the RIO 2016 Olympic app for South Africa fans to follow the entire event. Age Analytics was also involved in creating a national platform for sports in South Africa bringing entire sporting community (players, coaches, clubs, academies, provinces and administration) to collaborate and share information on a single platform. Mr

developed about 24 formulations of different medicines, which are used for the treatment of health, skin and hair care. Mr Suresh Sharma, CEO of Jyoti Enterprises appraised the delegates about innovative machinery developed by his organisation for the packaging industry.

Mr Anshuman Sharma and Mr Pavel Pavlov from Advance Trading LLC informed about their company, which is the official Russian supplier of antituberculosis drugs manufactured by the company Macleods Pharmaceuticals Limited (India) in Russia and also one of the market leaders in the Russian market.

A presentation by Mr Kuzikov Ivan, Director of International trading, an online platform created by his organisation on WorldBRICS to connect business from BRICS region.



## Strategic Session: Development of Cooperation in the IT-Sphere among BRICS Entrepreneurs

### Session at a glance

World Trade Centre Mumbai and AIAI officials actively participated in the strategic session, which was organized on June 9, 2016. The objective of the session was to explore various opportunities amongst BRICS regions to explore IT potential, investment opportunities, investment and inter regional cooperation. The strategic session was chaired by Mr Zabožlaev Alex G, Deputy Governor of the Khanty-Mansiysk Autonomous Okrug – Yugra and moderated by Mr. Epishkin Vladislav S, Director of the Department of electronic technology and the development of services of the Chamber of Commerce and Industry of Russia and Mr Igor Chertov, President of Chamber of Commerce and Industry of the Khanty-Mansiysk Autonomous Okrug.

Presentations were made by Mr Zhang Wenhui, Shanghai University of Political Science and Law, China National Institute for SCO International Exchange and Judicial Cooperation on 'Russia and China: Development, Prospects and Opportunities', Mr Sunil Gensess, Director of SAP Africa (Pty) Ltd and President of the IT Association of South Africa presented on 'IT – Technologies sharing between the BRICS countries - South Africa's Experience', Mr Pulkit Kapur, a representative of Age Analytics made a presentation on 'Experience in the sphere of mobile and electronic commerce of India', the Representative of Tech Mahindra (India) presented 'Indian presidency program with a focus on the prospects of development in the IT-industry the cooperation', Mr Sergey Dorofeev, Development

# India-Russia *bhai bhai*

The relations between both countries are historic but are now guided by geopolitical interests, says **Dr Rajan Kumar**

THE GROWING role of India and the re-assertion of Russia in global politics have necessitated a closer cooperation between a fast emerging economy and an established military power.

The two states have embarked on a new phase of 'special and privileged relationship'. Once again the clichés such as 'time-tested', 'historic', 'all weather friendship' are reverberating in the academic writings and discussions. Prime Minister Narendra Modi once stated that "every child in India knows that Russia is a true friend of India."

The intense bilateralism is now complemented by dynamic multilateralism. India and Russia were the founding members of the BRICS (Brazil, Russia, India, China and South Africa), an organisation of emerging non-western countries that held its first meeting at Yekaterinburg in 2009. Armed with New Development Bank and Contingent Reserve Arrangement, this organisation has the potential to challenge the financial hegemony of the World Bank and the IMF.

The 7th BRICS summit meeting was held at Ufa, Russia in July 2015. India is about to join the Shanghai Cooperation Organization (SCO), which consists of China, Russia, Uzbekistan, Tajikistan, Kyrgyzstan and Kazakhstan. It also intends to sign a Free Trade Agreement with the Eurasian Economic Union, an economic organization steered by Russia. In a nutshell, India and Russia are working together at various bilateral and multilateral forums.

India and Russia have strong institutional dialogue mechanisms to strengthen the relationship. The declaration on India-Russia Strategic Partnership was signed in

October 2000. It was elevated to Special and Privileged Strategic Partnership in 2010. They signed a joint statement, "Druzhba-Dosti: A vision for strengthening the Indian-Russian partnership over the next decade." The two countries hold annual summit meeting since 2000 and the 15th was held in December 2014. India holds such a meeting only with two countries- Russia and Japan. This signifies the importance of Russia for India.

There are two India-Russia inter-governmental commissions: trade, economic, scientific, technological and cultural cooperation (IRIGC-TEC) headed by the External Affairs Ministers of India and the Deputy Prime Minister of Russia, and military technical cooperation (IRIGC-MTC) headed by the Defence Ministers of the two countries. This provides stability to negotiations between the two countries.

India-Russia relationship is definitely on upswing, but economic interactions are unable to keep pace with the strategic cooperation. The trade between the two states is abysmally low compared to India's trade with other countries. India has a trade of more than US\$ 70 billion with China. In 2014, the total trade with Russia was mere US\$ 9.51 billion. India's imports from Russia were US\$ 6.34 billion, while it exported products worth 3.17 billion. The total trade was worth US\$ 10.11 billion in 2013.

India exports pharmaceutical products, iron and steel, apparel, tea and coffee, spices and tobacco to Russia. It imports fertilizers, electrical equipments, nuclear reactors, automobile and iron and steel products. The two states have set up a bilateral trade target of US \$ 30 billion and an investment target of

US\$ 15 billion by 2025. India has invested nearly US\$ 8 billion in various companies and projects such as Imperial Energy (Tomsk), Sakhalin-1 oilfield, Volzhsky Abrasive Works (Volgograd) and in a few other companies. Some of the pharmaceutical projects backed by Indian entrepreneurs include - Kadima project and Dr Reddy's Laboratories in Yaroslav oblast. Advance Trading Company located in Belgorod Oblast is involved in distributing Indian products in Russia. Russia has invested an amount of nearly US\$ 3 billion in India. Rosatom, Russian Railways, Gazprom, Lukoil, Power Machines, Siestema, Rosneft are some of the successful Russian companies operating in India.

ONGC-Videsh has invested US \$ 5 billion in Sakhalin-1 oilfield and Imperial Energy Ltd at Tomsk. The Russian company Rosneft and the ESSAR group of India signed a deal for supplying 10 million tons of fuel to Indian refineries. The most famous Russian gas company - Gazprom is constructing thermal and hydropower plants in India.

India will soon create a special zone to facilitate direct trade of diamonds. This is likely to benefit craftsmen and traders in Gujarat. Tata's are likely to invest in an assembly line for trucks and buses. For Indian businessmen, there is a tremendous scope for investment in diamond, food, IT and fertilizers.

Transporting goods from India to Russia and in opposite direction is a major obstacle. The two countries are discussing the north-south international transport corridor to reduce cost and time. Goods from India will reach Chabahar port in Iran and from there to Central Asia and Astrakhan in Russia.

Russia has helped India in developing nuclear energy projects at Kudankulam in Tamil Nadu. The Nuclear Power Corporation of India and Rosatom worked jointly for this project. The first unit with a capacity of 1000 megawatt has already been commissioned and the second unit will be launched soon. Russia has already committed for the third and



the fourth unit. Both countries are finalising agreements on the fifth and the sixth unit. A total of 12 nuclear power units are to be built with Russian assistance in the next 20 years.

India's defence relationship with Russia is no longer that of a seller and a buyer. They are jointly developing and producing sophisticated weapons. BrahMos missile system is jointly produced and exported to other countries.

India and Russia are also engaged in joint design and development of the fifth generation fighter aircraft. Other successful examples are licensed production of Sukhoi-30 MKI and T-90 tanks. Despite protracted negotiations, Russia-built aircraft carrier, INS Vikramaditya, was finally inducted in the Indian Navy in 2013. At a cost of US\$ 2.33 billion, it is still cheaper than similar carriers from other countries.

During Prime Minister Modi's visit to Russia in December 2015, 16 new agreements related to nuclear energy, hydrocarbons, joint production of helicopters, space technology, investment in Russian Far East and scientific exchange programme were signed.

Within this framework, an agreement was reached for the joint production of the Ka-226T multi role helicopters. Two Russian companies, Russian Helicopters

and Rosoboronexport will cooperate with Reliance Defence Company of India for this project. Reliance Defence Company is involved in several joint Indo-Russian defence projects related to helicopters, submarines and ships. It has signed agreement with Russian company Almaz-Antey JSC.

India is also trying to obtain air-defence systems, the S-400 Triumph, at an estimated cost of US\$ 6-7 billion. This can protect India from possible rocket attacks from the neighbouring countries. But the deal is yet to be finalised.

Despite strong ties between the two countries, India is keeping a close eye on geopolitical developments, which have the potential to destabilise the existing balance in the region. Russia is forging close economic and military ties with China, which in turn is dependent on energy and military supplies from Russia. Growing security cooperation between China and Russia, despite all claims of neutrality, may tilt the balance in China's favour.

***The author teaches in the School of International Studies, Jawaharlal Nehru University, Delhi. He specialises in international politics, and society in Russia and Central Asia and India's foreign policy. He has published a book and a number of articles in international journals***

Director of RubiusGroup presented 'What can Russia offer to BRICS countries in IT field', Mr Alexander Zykov, Director of Autonomus Institution Ugra Research Institute of Information Technologies deliberated 'The Experience of using of Earth remote sensing data for the benefit of the region', Mr Ivan Kuzikov, General Director, World BRICS presented 'Application of IT - technologies for BRICS countries B2B cooperation', Mr. Igor Ismailov, General Director Finist-M presented 'Specialised software as a tool for decrease of oil extraction cos' Mr Konstantin Mukhin, Commercial Director, Interactive Systems, in his speech deliberated 'IT in government and business areas, the practical application and experience of interactive technologies implementation', Mr Medawar Georges Rukoz, Beirut presented 'Blockchain implementa-



tions in open government: Opportunities and Challenges ahead', Ms Mariana Aldrigui, Sao Paulo University, Flavia Matos, Executive Director of FOHB presented 'Brazil's experience on

opportunity to create BRICS Business Card as a tool of labour force facilitation and free movement of business between BRICS countries.'

**Delegates visit The AgroFarm**

World Trade Centre Mumbai and AIAI officials visited the "The AgroFarm", a greenhouse complex which cultivates fresh fruits and vegetables in the area 3,096 hectares of land, located in the village Yarki of the Khanty-Mansiysk Autonomous Okrug - Ugra.



The company produces and implements more than 1.500 tons of high-quality and environmentally cleans products.

The AgroFarm is working with major trading networks and delivers the vegetable production in most shops of the city Khanty-MansiyskOkrug.

The company uses latest technology, high-tech system of supplementary lighting plants and ensures that vegetables and fruits

are produced throughout the year including the winter season, which otherwise would be impossible to grow in -21° Celsius.

Further the AgroFarm officials informed that the expansion plan of

II phase of the greenhouse complex with total area of 5.35 hectares, is scheduled to be ready for commissioning by September 2017.



# 'Smart cities project is a huge opportunity for Korean companies'

India is on the move and *Financial News*, based in South Korea, spoke with **Vijay Kalantri, Vice President of World Trade Centre (WTC) Mumbai, Board Member, World Trade Centers Association (WTCA) and President, All India Association of Industries (AIAI)**, on wide-ranging issues that affect India- Korea trade relations

**What could be the expected outcome from the upcoming forum co-organised by Financial News, KOTRA and AIAI?**

We can certainly increase the awareness of the business partnership in between India- Korea and of course, these opportunities needs to be followed up. Already Korean companies are in many different sectors of Indian industry in India - such as IT, electronics, steel etc. However, we can discuss how to make new business opportunities. I want to create one session only for Korean companies to support their concerns on doing business in India.

**The buzzword in India is smart cities. What scope do you see in this sector?**

Government of India's initiative of smart cities is a new thrust area. Korea has technology and experience. Prime Minister Modi's vision is to build more smart cities in India. We can have many discussions to successfully build smart cities in India and there will be huge opportunities for Korean companies to work along with India.

**India is the fastest growing economy in the world. However, there are still concerns for Korean companies to come here...**

There are many Korean big players already in India. Samsung is No.1 in Mobile, LG is No.1 in home appliances and Hyundai is a leader in auto segment. The AIAI can help and assist Korean companies to facilitate their business in India.

**POSCO is having a problem in the state of Odisha due to differences between the state and central government. This uncertainty is seen as a huge risk for Korean companies. Your view?**



Mr Vijay Kalantri with the members of Korean trade delegation

PM Modi is strong leader with commitment. He has received a huge mandate on the development agenda, which his government has been pushing forward. India is already attracting FDI and the rules and regulations are amended to facilitate it further.

India is now maximum governance and minimum government. I'm sure that PM Modi and his government will try their best to solve the problems POSCO facing now.

**What will be the optimal business partnership for Korea-India?**

In PM Modi, we have a leader who is focussed on development. India aspires to achieve 8 to 10 per cent economic growth. PM Modi is smart and is making several policy changes at a fast pace. We need technology from Korea, as well as their experience to meet our targets. I wish more Korean and Indian companies come together and cooperate in common areas of business.

■



# Export finance, marketing of international trade and much more

A wrap up of the events hosted by the World Trade Institute



**W**TIC INSTITUTE organised a one-day Management Development Programme (MDP) on Export Finance for exporters and importers on May 10, 2016. The programme aimed at updating the participants of the various initiatives taken by the government to facilitate increase in exports from India. The speaker Mr Eknath Birari, a senior faculty of the Institute, discussed the various options and schemes like interest subvention for export credit, refinancing facility for export credit institutions, latest policy guidelines for availing trade credit.

He guided the participants on how to obtain export finance from bankers and how to mitigate the various risks in international trade through case studies.

Thirty participants representing banking sector, entrepreneurs, corporate and individuals attended the programme and found the session interesting and thought provoking. The group appreciated this initiative, which upgraded their knowledge and made recommendations for organising similar workshops in future.



## 'Marketing Strategy for International Trade'

The MDP on 'Marketing Strategy for International Trade' was organised by WTC Institute on June 14, 2016 to address the challenges faced by corporates in a market environment, which is constantly growing.

The speaker Mr Virendra Gupte, an expert in international marketing, spoke about the global business environment and international trade, risks involved in business, developing of creative strategies,

understanding of world markets, strengthening networks and developing contacts in the target market.

Almost 60 members from corporate,

SME sector, banks and entrepreneurs participated in this programme.



### **PG Diploma in Foreign Trade (Batch 55) kicks off**



The 55th Batch of 'Post Graduate Diploma in Foreign Trade' commenced on 20th June 2016. Twenty four candidates from various states of India such as Gujarat, Punjab, Uttar Pradesh and different parts of Maharashtra have joined this batch. This course is gaining immense popularity because thanks to the experienced industry faculty and the brand image of World Trade Centre Mumbai.



### **Educational tour of Prasanna Academy**

A group of 12 participants led by Mr P Kuvalekar of Prasanna Academy visited WTC Mumbai on June 15, 2016 to understand the activities of the Centre and its role in the promotion of international trade. Mr A O Kuruwila, Advisor – Trade & Education made a corporate presentation and addressed the specific trade-related queries raised by them.



# Time to fund the unfunded

At a seminar organised by World Trade Centre, Goa, experts stated that to fulfill the dream of financial inclusion, banks need to hand hold small businesses, which are the biggest employers in India

ACCORDING TO a recent World Bank report, nearly 87 per cent of India's poor cannot access credit from a formal source and hence approach the other sources with higher interest rates.

Pushing the cause of financial inclusion, World Trade Centre, Goa in association with World Trade Centre, Mumbai and International Centre of Goa organised a seminar on 'Microfinance – A game changer for financial inclusion.' The seminar was part of WTC Goa's Make in India series and was held in ICG hall, Dona Paula.

The seminar focussed on the need of banking sector to handhold small customers. Microfinance involves providing all kinds of financial services including banking, credit, insurance, payment and pension facilities to the users. Jiji Mammen, CEO, Micro Units Development and Refinance Agency Ltd (MUDRA) focussed on various schemes under the Pradhan Mantri Yojana, which pushes for the much-needed financial inclusion. Microfinance promotes "funding the unfunded" based on the JAM model ie Jan dhan-Aadhar-Mobile, stated Mammen.

India has 57 million units seeking microfinance and is the second largest employment creator to the level of Rs 10-12 crores, after agriculture. "Less than 5 per cent of these get bank credits. For loans up to Rs 10 lakhs, they should now approach the PM Mudra Yojana and loans above Rs 10 lakh are now catered to by the Small Industries Development Bank of India (SIDBI),"



L to R: Mr Jaiksish, GM, RBI (Goa), Mr A. O. Kuruville, Advisor, WTC Mumbai, Mr Manguirish Pai Raiker, MSME Board member and Mr G. S. R. Murthy, Manager, SIDBI.

informed Mammen.

Responding to a question regarding eligibility of an IT company for the PM Mudra Yojana, he urged users to access the 'Stand Up Mitra' portal for further guidelines. "Digitisation is the greatest achievement to the society as E-commerce industry has benefitted with various data capturing and management methodologies, which will also supplement the micro finance institutions' growth," added Mammen.

Mr Jaiksish, GM, Reserve Bank of India (Goa), congratulated WTC Goa for organising the seminar to disseminate vital information to the end users. He revealed various deterrent factors like complex and time-consuming loan application procedures, delays in processing, record maintenance of the formal financial institutions and financial illiteracy that prevent the small customers to avail of the benefits provided by the formal microfinance sector. "Customers approach other Micro Finance Institutions,

eventually leading to a loss of a major chunk of business to the banks. Hope banks realise this soon," he explained.

Mr Manguirish Pai Raiker, MSME Board member and Advisor WTC Goa, revealed that India is 10th largest in terms of nominal GDP and 3rd largest by PPP model in the world. Speaking on MUDRA's role in proliferating Goan MSME sector, he added that last year around Rs 399.33 crores were sanctioned, out of which Rs 376.04 crores were disbursed to 45,471 applicants. "The time-consuming registration process for small units has now been reduced to one page using the Udyog Aadhar portal under the Make in India flagship brand," he stated.

Mr G S R Murthy, Manager, SIDBI, addressed the participants with current status of microfinance loans disbursed in Goa and their plans to cater to the needs of the entrepreneurship development.

Earlier, Mr A O Kuruville, Advisor,



WTC Mumbai, welcomed the guests and participants present at the event. "WTC Goa was established with the aim to promote the Goan MSME sector owing to its crucial role in country's GDP, employment generation and provide a global platform to the local businesses to widen their scope," he said. He also mentioned that the WTC would organise many such events to promote the SMEs growth, which are responsible for 80 per cent of job creation vis-à-vis 50 per cent in the US and 79 per cent in China.



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# NASIK

## Where culture meets economy

From this edition, we showcase the cultural, social and economic uniqueness of different regions in Maharashtra. **Raja Narayanan** profiles the district of Nasik, which contributes over 5% to the gross income of the state and is dubbed as the backyard of Mumbai

**S**ITUATED ON the lap of the river Godavari and fortified by seven hills, Nasik has not failed to fascinate emperors and foreigners since the days of the great Indian epic Ramayana. King Rama in this epic made Nasik his abode during his exile for 14 years. During the Mogul rule, the district acquired the name 'Gulshanabad' or the city of gardens, as a tribute to its beautiful flowers. In a bid to enhance its beauty further, the British administration created one of the largest Golf courses in India at Deolali Cantonment in Nasik.

Being the birthplace of more than five rivers including Girna, Darna, Mosam, Aram, besides Godavari and blessed with adequate rainfall (average annual rainfall of 1,056 mm), the district is the second largest producer of foodgrains in the state, with a contribution of 6.35 per cent to the total food grain output in Maharashtra<sup>1</sup>. However, there are some pockets which face shortage of water such as Kalwan, Deola, Baglan and Malegaon where

enterprising farmers have shifted to pomegranate cultivation from sugar cane and grape crops.

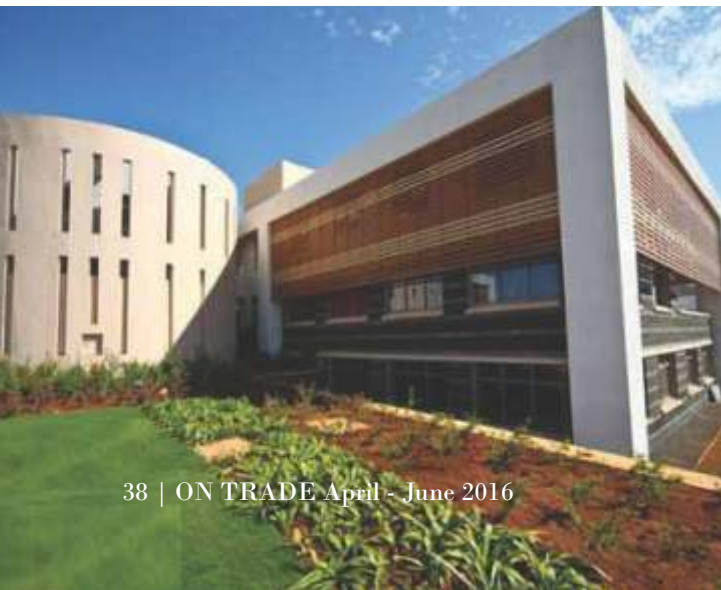
The district has 15 administrative blocks, of which Nasik city is main town and headquarter of the district collectorate. Nasik has earned several sobriquets for its predominance in agriculture and food processing sector. Mumbai, the financial capital of India, relies largely on the supply of fruits and vegetables from Nasik and so the district is called as Backyard of Mumbai. If Maharashtra is the leading producer of grapes in the country (the state contributes 83.5 per cent to the total grape output in the country)<sup>2</sup>, thanks to the flourishing grape farming in Nasik. Being the major producer and exporter of wines from the country, Nasik is also called the Wine Capital of India.

The district is also famous for livestock and poultry farming as it has the largest number of livestock population in Maharashtra, with

7.97 million livestock or 24.53 per cent of entire state<sup>3</sup>. Lasalgaon, a village at Niphad tehsil of Nasik, has the largest market for onion in Asia from where the vegetable is supplied to many parts of India and abroad.

Nasik is also a major contributor to the industrial development of Maharashtra. Automobile components, engineering and electrical goods, metals, food processing, pharmaceuticals are some of the major contributors to the economy of this district. Recognising the industry-friendly atmosphere in this district, reputed companies such as Mahindra & Mahindra, Siemens, Crompton Greaves, L&T, Ceat, and Jyoti Structures have set up operations here. Food processing is one of the dominant sectors in the district. There are seven sugar factories out of which five are run on co-operative basis.

Nasik is also home to some of the iconic public sector undertakings like India Security Press, Hindustan



Aeronautics Ltd., Currency Note Press. Rich availability of fruits and vegetables has supported food processing and wine processing industry in this district. Satpuru, Ambad, Sinnar are some of the industrial areas of the town and the state government plans to develop industries in Malegaon Sayane Area and some more areas in Sinnar. The district received foreign direct investment worth Rs 12.81 billion up to March 2015 thereby creating 1,691 jobs<sup>4</sup>.

The industrial and agriculture development of this district is supported by the infrastructure facilities available here. Nasik is well connected to the rest of the country through 289 km of national highways, and rest of Maharashtra through 1,682 km state highway<sup>5</sup>. Nasik can be reached by road from Mumbai, the financial capital of India, on the 150 km Expressway. In order to provide air connectivity to this town, the government built a passenger terminal at the Hindustan Aeronautics Limited-owned Ojhar airport, near Nasik two years ago. The airport also has a dedicated commercial cargo handling terminal, which handled about 41,150 million tonne and 42,783 million tonne of EXIM cargo during 2014-15 and 2015-16 (up to December) respectively<sup>6</sup>.



**Vital Stats**

Population	6.11 million (5.43% of total Maharashtra population)
Area	15540 square kilometer (5.05% of total area of Maharashtra)
Total Income (gross)	Rs 54,512 crore (5.10% of total income of Maharashtra)
Literacy rate	80.96% (compared to 82.91% for entire Maharashtra)
Main crops grown	Bajra, pulses, oilseeds, sugarcane, onion, grapes and others
Number of Micro Small and Medium enterprises	27,458 (11.27% of total Maharashtra)
Number of Special Economic Zones	2 approved, 1 notified
Number of industrial units functioning under industrial estates	There are 29 functioning industrial estates with 2,109 operational industrial units (27.23% of total Maharashtra)
Tourist Attractions	Mangi Tungi hills, Trimbakeshwar temple, Panchavati, Vani mountain range, Dhammagiri, Pandav caves and Maha Kumbh

**Source: Economic Survey of Maharashtra 2015-16, State Data Bank**

Tourism is a flourishing industry in Nasik as it offers enchanting views of caves, temples, rivers, hills and other scenic beauties. The district is

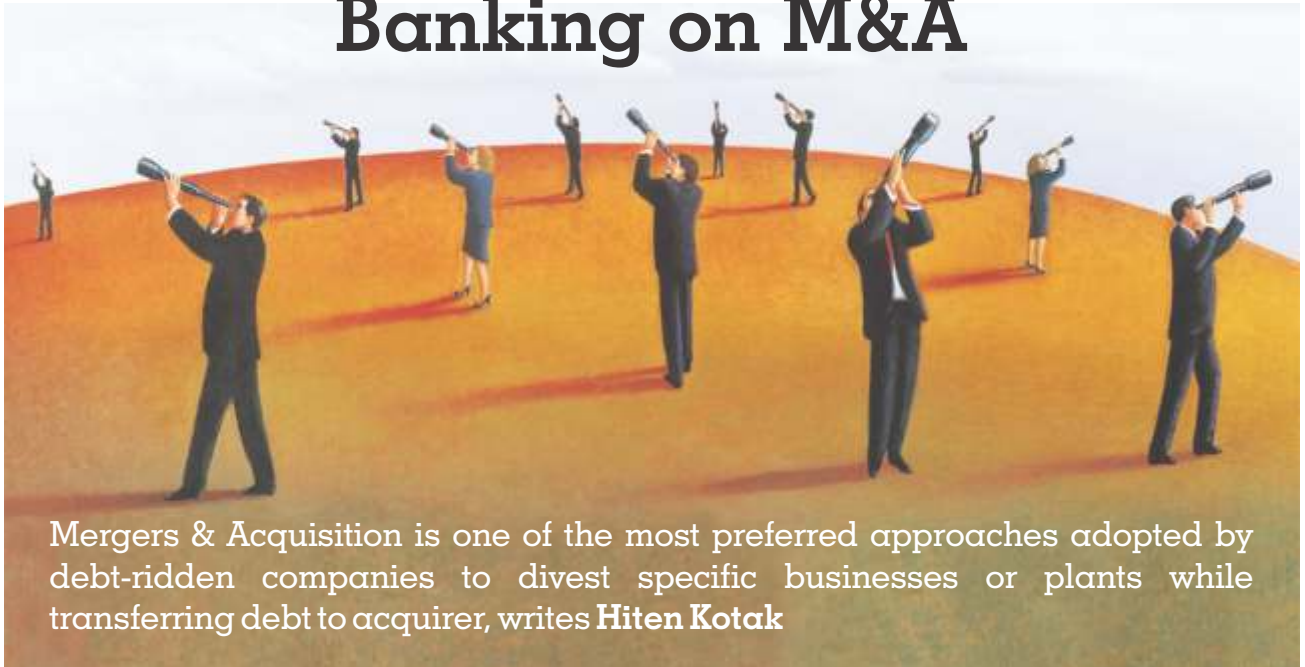
also called the Banaras of western India owing to the existence of many Hindu temples. Some of the tourist attractions in the region are Trimbakeshwar temple, Dhammagiri – Vipassana Centre, hill-side Shree Saptshrungi Gad, Buddhist rock-cut Pandav Caves, Tapovana or the Forest of Austerities.

<sup>1</sup> final estimate of area, production & productivity of principal crops during 2014-15, Department of Agriculture, Government of Maharashtra  
<sup>2</sup> Indian Horticulture Database 2014  
<sup>3</sup> Maharashtra Economic Survey 2015-16  
<sup>4</sup> Collector Office, Nasik  
<sup>5</sup> Collector Office, Nasik  
<sup>6</sup> Economic Survey 2015-16

**The author is Assistant Manager, Research, Trade promotion, World Trade Centre Mumbai**



# Banking on M&A



Mergers & Acquisition is one of the most preferred approaches adopted by debt-ridden companies to divest specific businesses or plants while transferring debt to acquirer, writes **Hiten Kotak**

**A**LTHOUGH THE Indian economy has escaped largely unscathed from the global financial crisis, the last few quarters have been particularly low for India's banking industry. In a bid to outreach their peers, banks were engaged in volume game to inflate their balance sheets with increased exposure to high-risk industries. Moreover, businesses' dependence on bank borrowings has increased over the last few years due to the lackluster performance of the equity markets and public banks' increased supply of credit.

Near stagnation of growth and a sluggish increase in consumer spending, coupled with recession in foreign markets, has resulted in a significant dip in companies' finances, pressurising their balance sheets and debt obligations. Consequently, the absolute debt levels of some corporate organisations, especially capital-intensive ones and those in the infrastructure and real estate sectors, have risen to such alarming levels that they are unable to make interest payments.

The banking regulator has introduced several measures in the recent past to protect banks from such distressed assets, the most prominent ones being the Strategic Debt Restructuring (SDR) mechanism and instructions for flexible structuring of long term project loans. From the legal perspective, there are several laws that deal with corporate insolvency. For example, the Sick Industrial Companies Act, the Recovery of Debt Due to Banks and Financial Institutions Act and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

What plagues the banking sector and hampers recovery of debts is the multiplicity of laws in the country. The Upper House (Rajya Sabha) has passed the Insolvency and Bankruptcy Code, 2016, which aims to consolidate the multiple insolvency laws in force today, to address this issue. The Bill seeks to provide for reorganisation and resolution in a time-bound manner for maximization of value of the assets of debt ridden companies.

While the legal scenario for debt recovery is fast evolving and undergoing a sea change, the most important development in the last few years is the approach taken by banks to recover debts. Banks as well as promoters are now willing to explore different options such as sale of non-core assets and dilution of stakes in particular business verticals to reduce debt levels. This has resulted in several debt-laden companies announcing a large number of deals in the last couple of years, with the objective of reducing their mounting debt burdens and burgeoning borrowing costs.

The most common approach adopted by debt-ridden companies is to divest specific businesses or plants while transferring debt to acquirers. However, to evaluate and take a decision on which businesses they should exit, managements have to go back to the drawing board to strategise, based on where they believe future potential lies and which business or asset is non-core to their overall long-term strategies.

Another important point that needs to be considered is

the monetising capability of assets and consequent debt reduction.

The 'slice and dice' approach facilitates divestiture of individual business assets to identified investors and enables companies to focus on other businesses. This provides them the opportunity to turnaround debt-ridden businesses through backward or forward integration and synergy-related benefits.

Secondly, the transfer of debt (along with a business) to another entity and subsequent sale to an identified investor provides flexibility to the acquirer to refinance the debt taken over, and thereby helps it achieve substantial benefits due to savings in interest costs and an increased repayment period. It also gives flexibility to parties to decide on debts to be transferred to acquirers, and helps acquirers manage their cash outflow from acquisitions.

While such divestures are primarily aimed at raising funds with the objective of downsizing the debt burden of companies, an additional feature of such transactions include the associated transaction costs in the form of Stamp Duty and Income-tax, which if they are unstructured, may be a dampener for transactions. It may be possible to reduce both stamp duty and Income-tax outflow by structuring transactions appropriately. Moreover, from the acquirers' perspective, an incidental but substantial benefit of such a transfer of business is availability of the business losses of the target for setting it off against the future profits and continuity of tax incentives currently available to the target.

Another option for companies is to consolidate their activities with those of their larger peers with the objective of turning around their businesses while retaining value by holding stakes in the consolidated enterprises. However, the challenges faced in this option may be multifold. From the acquirers' perspective, the quality of assets/business acquired, potential synergies and availability of the tax losses of the transferor are of prime relevance.

Moreover, in the case of cash buyouts, tax deductibility of interest paid on acquisition of debt plays a significant role, since non-availability would result in substantial tax outflows for the business in the future. Possible regulatory hurdles that may need to be crossed to complete transactions in a timely fashion constitute

another critical factor in determining the effectiveness of such combinations. Generally, in addition to the approval of shareholders and lenders, including creditors, such business combinations may require the consent of several authorities, including the Competition Commission, SEBI/stock exchanges, sectorial regulators, High Courts, the Registrar of Companies, etc.

In the last few years, there has been a surge in the number of organisations, especially in the real estate sector, which have been raising funds from strategic investors or sector-focused funds with the objective of retiring their high-cost bank loans and expanding their operations. Such a funding option helps to reduce borrowing costs and thereby improves the profitability of corporate entities and their overall financial position.

An analysis of several deals announced in the last couple of years indicates that the options mentioned above have been fairly effective in helping companies pare down their debt and increase value for their stakeholders.

Today, these changing dynamics in business have created a demand for specialised input from experienced professionals. The SDR mechanism has led to lenders requiring turnaround specialists to manage the operations of companies where SDR has been invoked. Bankers and promoters are increasingly trying to hire finance professionals to better manage their treasury operations and financial functions.

Furthermore, the complexities in tax laws have increased the need for detailed evaluation and structuring of transactions, which require the involvement of experienced tax professionals, right from initiation of transactions to their culmination.

Given the current scenario around rising non-performing assets and banks' efforts to minimise their losses, the number of transactions aimed at reducing organisations' debt burden would witness an upswing in the near future.

**The author is Partner and Leader Mergers & Acquisition Tax, PwC India. This article includes views from Akshay Shenoy, Associate Director, Tax & Regulatory Services, and PwC India**



What plagues the banking sector and hampers recovery of debts is the multiplicity of laws. The RS has passed the Insolvency and Bankruptcy Code, 2016, which aims to consolidate the multiple insolvency laws



# Where business and hospitality blend together

The 47<sup>th</sup> Annual General Assembly hosted by World Trade Center Algiers was unique as members got a peak into the region's culture as well as study the trade and opportunities this North African business hub has to offer

**T**HE 47<sup>th</sup> WTCA General Assembly (GA), held on April 17-20, 2016 in Algiers, Algeria, drew more than 120 WTC participants representing 58 World Trade Centers from 28 countries, with approximately 50 additional Algerian business delegates. This marked the first General Assembly hosted in North Africa.

**Better Together: Growth Through Community** offered a rich mix of stimulating presentations and interactive networking opportunities. The three-day event emphasised the need to strengthen the WTC Network, enhance relationships among WTC representatives, showcase the North African business region and identify the best trade and investment opportunities,



specifically in Algeria.

Post 2016 GA, satisfaction ratings concluded favourably, with 95 per cent of attendees surveyed either 'very satisfied' or 'satisfied.'

The most useful sessions were deemed to be:



- WTCA Plenary Session and Q&A
- WTC Innovation Exchange
- Welcome Reception

As reported consistently over the years, networking with other members was the most valuable component of the GA. The members also valued the openness and willingness of members and Board members to share information and advice.

The organisation and structure of the event promoted good interaction and information exchange, while also fostering transparency.

## Welcome Reception

WTC delegates received a warm welcome to Algiers with a welcome reception on the picturesque Executive Rooftop of the El Aurassi hotel.

Ahmed Tibaoui, General Manager and CEO of World Trade Center Algiers, kicked off the conference by addressing the crowd as the sun set

over the Bay of Algiers. Attendees were given traditional scarves and Tarbouch hats to wear as they mingled, dined and danced.

## WTCA Plenary Session

WTCA Management and Board Members provided pertinent information on finance and strategic initiatives during the WTCA plenary session. Updates were provided on legal and governance issues, member services, the digital platform and marketing. The new WTCA corporate brochure was unveiled, providing members with an important marketing piece outlining the benefits of the 'World





Trade Center' brand and a tool to market themselves to potential investors, business members and/or tenants.

Following the leadership briefing, members were given the opportunity to ask in-depth questions of the management team and Board directors and to help influence the decision-making process that will shape the future of the WTCA.



### WTC Speed Networking and B2B Matchmaking

A quick 10-minute conversation held during the fast-paced speed networking session paved the way for future collaboration between World Trade Center staffs around the world. This session offered a fun, easy way for GA attendees to make introductions and meet with WTC colleagues from different regions and sectors early on in the conference.

The B2B matchmaking event allowed delegates to have longer networking conversations with local Algerian representatives from chosen industries as well as hold follow-up appointments from Monday's speed networking session. This session gave a prime opportunity to directly connect with the Algerian business community and find potential partnerships for World Trade Center business members.

### Silk Road Night

WTCA Chairman Ghazi Abu Nahl



hosted a cocktail and dinner reception featuring prominent government and business leaders from both Algeria and the Fujian Province of China. In addition to speeches from the Mr Qiu Zhang, Chairman of CCPIT Fujian Province, WTCA Board Member Jiuling Xiong from World Trade Center Beijing gave a brief address discussing the power of the WTCA network and the importance of the relationship



between WTCA and Fujian Province. The evening closed with a vibrant dance performance by the 'Ensemble des Artes Populaires de l'ONCI'.

### WTC Innovation Exchange

This member-driven session featured transferable programs used by individual World Trade Center operations and showed how they can be leveraged and adapted for other WTC facilities. The Innovation Exchange featured representatives from:

WTC Arkansas: **Why Invest in an Africa Desk?**

WTC Cyprus: **Some Like It Hot...**

### Deskings

WTC Leeuwarden: **WTC Leeuwarden Business Academy**  
 WTC Lyon: **The Three-Prong Marketing Strategy for Lyon**  
 WTC Taipei: **Taiwan International Trade Shows**

### Keynote Speakers

The first keynote speaker, Alain



Sevilla, Founding Partner of Heptagone Digital Risk Management & Security, discussed the intricate world of e-commerce and cyber security. He provided an overview of the different types of e-commerce, the ecommerce security environment and e-commerce cyber threats.

The conversation around security continued with Bruno Frentzel, Executive President and Chief Commercial Officer of SICPA, the leading supplier of secure track and tracing solutions. His presentation - **Preventing the Infiltration of Illicit Product into the Legitimate Supply Chain** - explained the key issues in supply chain security and the role



SICPA plays in combating them.

**Gala**

The Gala Evening was hosted at the historic El Djazair (St. George) Hotel, whose famous walls have housed many celebrities and international political icons. During the cocktail reception in the hotel’s garden, models showcased traditional Algerian clothing and wedding attire for delegates in an impromptu fashion show. Guests enjoyed an evening of dining, live music and dancing, as well as the ‘passing of the baton’ to World Trade Center Las Vegas, the 2017 General Assembly host.

India had a strong contingent that attended the WTCA GA. Lead by Mr Vijay Kalantri, WTC Mumbai Vice Chairman and WTC Board member, the delegation included ,Capt Somesh P Batra ,WTC Goa Delegate, Mr Sharad P Upasani, WTC Jaipur Delegate and WTC delegates Mr Y R Warerkar and Mr Feroze P Andhyarujina.

**Algeria Session**

The morning presentations focussed solely on the business and

investment opportunities offered by the Algerian market. This unique day provided a clearer view on how attractive and opportunity-rich Algeria is for the foreign companies. After Ali Haddad, Chairman of Entrepreneurs Forum FCE gave an overview of the Algerian economy, two high-level panels of prominent Algerian business people, representing the public and private sectors, discussed their current trade and investment climate.

**Panel 1: Investment Opportunities in Algeria**

Moderator: M Brahim Benabdeslam, President, MDI Safia Kourat, Director of Studies, Head of



Division of Investment Promotion, National Agency for Investment Development: **Investment in Algeria**

Ahmed Lateb, Executive Director, Ernst & Young: **Investment Climate**

Serge Dubois, Director of Public Affairs, LafargeHolcim: **Investment Success Story**

Madjid Fechkeur, CEO, RedMed Group: **Example of an Algerian**

**Investor**

**Panel 2: The Development of Trade in Algeria**

Moderator: Dr Ismael Chikhounne, President & CEO, US-Algeria Business Council

Mohamed El Hadi Belarima, Director of Relations, World Trade Organization: **WTO Negotiations Update**

Abdallah Taleb, Advisor, MSC Algeria: **The Role of Logistics in International Trade – Case MSC in Algeria**

Karim Nabi, General Manager, Numidis SPA: **Development of the Largest Retail in Algeria**

Said Djellab gave closing remarks on behalf of the Algerian Minister of Commerce, Bakhti Belaib.

**Closing Remarks**

The 47th General Assembly hosted by World Trade Center Algiers was unique not only because of its location in North Africa for the first time in WTCA history, but also due to the unique and innovative ideas presented. WTC delegates were able to experience the hospitality and good humor of the Algerian people, while also gaining insight into the many trade and investment possibilities this North African international business hub offers to the world.

**The WTCA Board and Team would like to express our sincere appreciation to our host, World Trade Center Algiers, for devoting their time and energy over the past year to prepare for this exciting event. The city of Algiers has a rich culture and dynamic economy and the General Assembly gave delegates the opportunity to experience both.**



# 'Bucharest and Mumbai must establish a common strategy to benefit business communities'

**Pavel Avramoiu**, CEO, World Trade Center Bucharest speaks to **Tripti Chakravorty** on the center's functioning and the partnership role they are seeking from World Trade Centre (WTC) Mumbai

**Having a background in hospitality, tourism and F&B, how have you used this experience to promote these sectors through the World Trade Center Bucharest?**

WTC Bucharest represents a 4 in 1 Complex, with a functional synergy between the International network of the brand ACCOR ( offering the logistics of a 4 star luxury Hotel Pullman - WTC Bucharest, including restaurants and bar) and the rest of the WTC Bucharest components, all business oriented (Convention Center, Exhibition Center, Offices for rent, Shopping Gallery, Executive Business Services)

The World Trade Center Brand has brought to the hotel a remarkable plus in its visibility and reputation on the market, attracting top clients in its more than 20 years of activity.

**What best practices are followed in the areas of conference facilities and group trade missions' services?**

The quality of our services has been twice audited by the international team of the WTCA and we have silver certification in seven categories. The Convention Center was awarded 'Best Practices', as well as our expertise in organising and managing both in and outbound trade missions. These best practices are reflected in the comprehensive package of services, which we offer all under one roof and are also accounted for by the highly qualified members of our staff, their team spirit and the way the different profit



oriented executive services components of our WTC generate business to each other.

**Could you share World Trade Centre Bucharest's role in the EU Danube Strategy?**

WTC Bucharest is one of the very few WTCs still active in Central Eastern Europe and functioning according to standards. We function for the local business community we serve and try to put into direct link with the WTCA network.

The EU Strategy for the Danube Region (14 states), obviously includes Romania, one of the major stakeholders, and WTC Bucharest strives to be a proactive contributor, an efficient instrument fostering cooperation along all lines of inclusive, sustainable growth as a prerequisite of prosperity.

**What strategy has the World Trade Center adopted to assist local companies especially the small and medium-scale enterprises (SMEs) in accessing global markets?**



From our very inception we acted as an 'incubator' for SMEs, especially those in the private sector, jointly with dedicated government agencies.

We held and put together trade education programs meant to help them enter and conquer new markets and in their internationalisation efforts. We organised trade delegations and Economic Seminars and Forums. The trainings were held many times in-house and many representatives went to hold seminars with local authorities in the various regions of Romania about the WTC concept. This is how we raised a membership and closed partnerships with National and Regional Chambers of Commerce. We initiated forums that specialised in industries and economic clusters. In a true 'pioneering' spirit, we are trying to always be at the forefront, as in fact any World Trade Center should be.

**How has the Pullman Hotel with executive business suites brought about a revenue difference for in the workings of the World Trade Center Bucharest?**

World Trade Center Bucharest has in its turn benefitted from the service quality of the Hotel and the international standards set forth by Accor. Our Complex, in its over 20 years of activity, has hosted Heads of States, Prime Ministers, high level government delegations and important economic forums (for example, Crans Montana, Euro Money, The Economist government Rountables) and many important trade delegations visiting Romania.

**What is the strategy to tap Indian markets? Are there plans to bring delegations to India on a regular basis and which are the sectors that you would be targeting?**

Here we have to admit that there is still a lot to do! We have attended all WTCA General Assemblies held in India, bringing with us trade missions and fomenting relations in the textiles and fashion fields. An important delegation from WTC Mumbai and WTC Bangalore participated in the 45<sup>th</sup> WTCA GA held in Bucharest. But, for the future, together with our friend WTC Mumbai and the other WTCs active in India (Bangalore, Bhubaneswar, Pune, Goa, Noida and Gift City), we must establish a common strategy to benefit business communities.



**How has the World Trade Center Bucharest been able to keep its activities environmentally friendly thereby maintaining sustainability?**

WTC Bucharest is in full compliance with environmental permits and norms, we seek to use renewable/ green energy and save power in an environment-friendly manner as regards the operating of our Complex. We also try to focus on new clean technologies.

**What is your message for the Indian businessmen wanting to do business in Bucharest and what is the assistance being provided to them by the World Trade Center Bucharest?**

Our message for them is not to avoid us, to come to us and consider our WTC Bucharest as an entrance gate to the Romanian market, an assistance center for advice and consultancy. We place at their disposal our skills and expertise, our good will and readiness to serve, executive business services, including offices for rent, a shopping area with stores available in order to sell and display Indian merchandise in our shopping gallery. All this is offered at discounted prices as between WTCs and as agreed upon in our bilateral Memorandum/ Agreement for reciprocal assistance and support signed with AIAI and WTC Mumbai.

***Tripti Chakravorty is Assistant Director - Trade Research & International Trade Promotion, World Trade Centre Mumbai***



# The HUB of the future

United Nations Environment Programme's (UNEP) Environment and Trade Hub offers capacity building and policy advice to ensure a balance between environment and trade, states **Anja von Moltke**



**T**HE YEAR 2015 marked a defining chapter in the international agenda for sustainable development with key milestones. These include the Financing for Development conference in Addis Ababa in July, the UN summit in September where the 2030 agenda for Sustainable Development and Sustainable Development Goals (SDGs) were adopted, the Paris Climate Change Conference with its historic agreement, and the 10<sup>th</sup> WTO Ministerial Conference concluded in Nairobi with a package of trade and development initiatives. The outcomes of these events are expected to guide the way for sustainable development in the post-2015 era and advance the global agenda of environment and trade.

## The changing landscape of global trade and environment

Over the past decades, world trade has gone through vast changes in several ways. In terms of volume, international trade has doubled its share of world GDP



over the past 50 years to about 30 per cent. The rising scale and scope of global value chains have transformed the way of trade as well as consumption and production. Emerging economies and developing countries have played a growing role in international trade and production networks. The share of developing economies' exports in world trade expanded from 26 per cent in 1995 to 44 per cent in 2014.

Today, south-south trade takes up one third of world trade and continues to grow at full speed. More than half of developing country exports in value-added terms involve global value chains. A growing number of developing countries have benefited from value chain integration.

These developments impact the environment. Trade openings and connecting to the global market add additional pressure on natural resources. Growing demand for food, energy and raw materials could accelerate resource depletion and ecosystem

imbalance, particularly in many least developed countries whose exports are dominated by natural resource products. In addition, relocation of production from developed countries to developing countries gives rise to cross-border environmental impacts which are more difficult to monitor and manage. All of these are likely to be further exacerbated by the immense challenge of climate change and its impact both on trade patterns and the environment.

On the other hand, trade allows more efficient allocation of resources at global level, which, if managed properly, leads to sustained and sustainable economic growth and welfare improvement. For example, by opening markets and facilitating technology diffusion, trade helps to boost the development of goods and services that contribute to environmental sustainability. This has been vividly demonstrated by recent developments in renewable energy.

The International Energy Agency estimates that renewable energy will represent the largest single source of electricity growth over the next five years, driven by falling costs and significant expansion in emerging markets. A recent UNEP study shows that south-south trade in renewable energy grew at a rate of about 30 per cent annually from 2000-2011, faster than global trade in the same sectors. Overall, the south-south trade in renewable energy products made up more than one quarter of all global trade in this sector. Developing countries led by China went from net importers to net exporters of renewable energy goods in 2007.

These opportunities arising from green trade and investment are also open for developing countries. UNEP's Green Economy and Trade Opportunities Project (GE-TOP) has recently assessed and explored economic and social gains from greening trade in five developing countries. It finds, for example, that a grid-connected 100 MW solar plant in Ghana could drive annual exports of US\$ 38 million, save 40,000 tonnes of carbon annual emissions, create 3,000 direct jobs, and provide livelihoods for 23,000 of the poorest people. In Peru, the studies found that between 2009 and 2014, bio-trade exports increased from US\$ 7.6 million to US\$ 58.8

million, offering a high potential of improving the economic and social conditions in the least developed regions in the country.

Sustainability certification in Peru results in better market access and sales for native biodiversity-based products. In Vietnam, UNEP's study illustrates that sustainability certification for shrimp increases a farmer's profit up to 15 per cent due to increased export opportunities. These cases provide strong evidence that developing countries could harvest multiple gains from green trade.

### An evolving agenda

The global agenda on environment and trade dates back to the 1972 Stockholm Conference. The landmark Rio summit in 1992 further advanced the debate by reaffirming the role of trade in promoting sustainable development. The establishment of the WTO in 1994 opened a new era for global trade governance, with sustainable development clearly enshrined in its founding document. Later on, the Doha Development Agenda included the environment as part of the negotiations with the overarching objective of enhancing the mutual supportiveness of trade and environment. Within this context, work focused on the liberalisation of environmental goods and services, while improving synergies between WTO rules and multilateral environmental agreements as well as reducing environmentally harmful subsidies.

The changing landscape of global trade and the environment over the past few years adds new dimensions to the debate and prompts new policy responses. While Heads of State at the Rio +20 Conference in 2012 already emphasised the role of trade as an engine for sustainable economic growth and development, the newly adopted '2030 Agenda for Sustainable Development' concretely identifies trade as a cross-cutting vehicle for implementation of the SDGs and calls for trade-related policy and institutional coherence (Goal 17). The SDGs are, for the first time in history, universal in nature.

Trade policy instruments, such as sustainability standards and certification, government procurement,



subsidies, and the tariff reductions for environmentally sound technologies, can – if applied properly – serve as effective levers to foster environmentally friendly growth and contribute to several SDGs. These include SDG 1 on poverty elimination, SDG 2 on food security and sustainable agriculture, SDG 7 on energy, SDG 12 on Sustainable Consumption and Production, SDG 13 on climate change and SDG 14 on marine resources.

● Sustainability certification in Peru results in better market access and sales for native biodiversity-based products. In Vietnam, UNEP's study illustrates that sustainability certification for shrimp increases a farmer's profit up to 15 per cent due to increased export opportunities. These cases provide strong evidence that developing countries could harvest multiple gains from

At the same time, the rise of plurilateral trade agreements and regional trade agreements, particularly the mega-regional, have brought new prospects, but also many new challenges, to environment and trade linkages. One of the promising examples is the ongoing plurilateral negotiations between 17 parties on the Environmental Goods Agreement (EGA), including some of the biggest traders of environmental goods such as the EU, China and the US. The deal aims to reduce tariffs for selected environmental goods and thus further boost trade in green goods. In the longer run, and if extended in scope and to more countries, this could provide an important stimulus to international trade in environmental technologies. The European Commission estimated that a successful completion of the EGA would lead to an increase of EUR 21 billion in trade and a potential reduction of 10 million

tonnes of CO<sub>2</sub> emissions by 2030 on the baselines scenario.

Other examples can be found in growing environmental provisions in regional trade agreements. The WTO estimates that nearly 60 per cent of these agreements contain provisions related to environment that go beyond WTO commitments. The newly launched mega-regional trade agreement, the Trans-Pacific Partnership (TPP), between 12 Pacific rim states including the US, Canada, Japan, New Zealand, Vietnam, and the Philippines, pays particular attention





to conservation of marine species, sustainable fisheries management, combatting wildlife trafficking and biodiversity. In the Transatlantic Trade and Investment Partnership (TTIP) negotiations, issues related to the environment, including common standards and regulatory norms, corporate social responsibility, transparency, and dispute settlement, still remain very controversial.

Apart from the public sector, business and industry increasingly recognise the trade opportunities arising from shifting towards more sustainable consumption and production patterns. Business practices – such as sustainable management of supply chains, innovations that improve resource and energy efficiency of production and closed loop recycling of materials – can substantially reduce the environmental footprint of production and trade while generating tangible economic gains for companies.

UNEP study shows that eco-innovative companies are growing at an average rate of 15 per cent annually. A growing number of public and private sector players are taking action to scale up clean energy technologies under the Sustainable Energy Trade Initiative and calling for tailor-made trade policies for sustainable energy solutions. It is also noteworthy that more than 50 large companies, including IKEA, Swiss Re, Bloomberg and Coca-Cola have joined the RE100 Initiative and committed to switch to 100 per cent renewable electricity.

**The way forward**

Following the historic breakthroughs in 2015, the year 2016 will be a crucial for implementation of the sustainable development agenda. To fully harness the

synergies between environment and trade and fill in the gap between policy and practice, UNEP has launched the Environment and Trade Hub as a new mechanism to offer capacity building and policy advice on sustainable trade and investment. As a demand-driven mechanism, the Hub offers capacity building and related policy advice on sustainable trade and investment that are tailored to local needs and circumstances.

Through the Hub, UNEP as the leading global environmental authority assists countries in developing capacity towards using trade as a driver for achieving the 2030 agenda. This would include targeted training to support international, regional and national design along with the implementation of sustainable trade and investment policies; assistance in designing trade and environment related agreements; identification and dissemination of best practices; as well as the identification of sector or region-specific sustainable production and trade opportunities.

SDG 17 gives special emphasis on partnership as key to achieving sustainable development. By working through a network of national, regional, and international partners, the work of the Hub will contribute to global efforts in achieving sustainable development through green trade and investment.

It will also help to engage and encourage collaboration between different stakeholders that only through exchange, better mutual understanding and partnership can make a difference. Particularly, alliances and partnerships among public and private sector, civil society and financing institutions will be key in scaling up green trade and driving a paradigm shift towards more sustainable patterns of trade, consumption and production, reduced poverty and better natural resource protection.

*The author is Head of Trade, Policy and Planning Unit,*



## Taiwan's Franz Collection seeks Indian market

**A**N INTERACTIVE meeting was held with Mr Franz Li Heng Chen, Franz Collection, Taiwan along with his colleagues and officials from Taiwan External Trade Development Council (TAITRA), to introduce, discuss, explain and promote Franz Collection. Mr Chen was seeking partnership to market his products in the Indian market.

**The interactive meeting was held at the World Trade Centre Mumbai on April 6, 2016**

L to R: Ms Rupa Naik, Director-Projects, World Trade Centre Mumbai presents memento to Mr. Franz Li Heng Chen, Franz Collection



## Russia's Ugra region keen to partner with India

**A** DELEGATION from the Khanty-Mansiysk autonomous Okrug-Ugra region headed by H E Mr Aleksey Zabozyayev, Deputy Governor, Khanty-Mansiysk Autonomous Okrug - Ugra, Russia visited World Trade Centre Mumbai to promote the 8th International IT Forum 2016 to be held from June 8-9, 2016 and other sectors such as telemedicine, mining, processing of quartz concentrate and timber. At an interactive meeting, Mr Zabozyayev said, "Khanty-Mansiysk Autonomous Okrug-Ugra is the fourth leading region in Russia in the information technology (IT) sector. The overriding priority of the his government is to develop its IT sector by forging sustainable partnership with India, a leader in world IT. As part of this initiative, my government is planning to set up Ugra Technology Park in Maharashtra."

The region has successfully implemented a pilot project

on Telemedicine to provide affordable healthcare to masses in the rural and remote areas and further intends to promote it in the BRICS member countries. Russia is a leading country in mining and processing of quartz concentrate and micropowder, which are used in nano electronics, optics, semiconductor and other parts used in the IT industry.

Mr Maxim Shushpanov, Deputy Director of Medical Center for Information and Analysis, Khanty - Mansiysk Autonomous Okrug – Ugra informed that one of the priorities of his government is to provide affordable medical services to its masses. "To achieve this, the government is creating cost-effective and self-sustaining healthcare infrastructure by adopting cutting edge IT in the BRICS region," he added.

Mr Vijay Kalantri, Vice Chairman, World Trade Centre Mumbai said, "In the next three years, bilateral trade between India and Russia would grow to US\$12 billion from the present level of US\$6 billion. This could be further enhanced with regular visits of Prime Ministers of both countries and exchange of delegations. An added area is the cultural trade ties. Russia is strong in oil and gas, fertilizers, capital goods, defence etc. Information technology and healthcare industries are the emerging areas of co-operation between India and Russia. WTC Mumbai and All India Association of Industries (AIAI) would lead a delegation from India to the forum.

**The interactive meeting was held at the World Trade Centre Mumbai on April 13, 2016**

**See report on the 8th International IT forum held in Khanty Mansiysk, Russia on page 26**



L to R: H E Mr Aleksey Zabozyayev, Deputy Governor, Khanty-Mansiysk Autonomous Okrug - Ugra, Russia (left) extending formal invitation for the 8<sup>th</sup> International IT Forum 2016 to Mr Vijay Kalantri, Vice Chairman, World Trade Centre Mumbai and Mr Y. R. Warerkar, Executive Director, World Trade Centre Mumbai

## Maharashtra plans science-based environment policy

A TWO-DAY conference on pathway towards formulation of science-based environment policy for Maharashtra was organised by World Trade Centre Mumbai marking Earth Day on April 20-21, 2016.

The conference was organised by Maharashtra Pollution Control Board, Department of Environment, Government of Maharashtra, Technogreen Environment Solutions and World Trade Centre (WTC) Mumbai at WTC Complex.

The event was inaugurated by Mr. Devendra Fadnavis, Chief Minister of Maharashtra. He said, "Maharashtra is ambitiously moving towards an efficient and transparent administrative regime to address environmental pollution and I'm happy to inaugurate the State Environment Care Centre, which is the first of its kind in Maharashtra. The Centre is an online mechanism to monitor environment pollution in the state and provides alerts to industrial units that exceed their emission limits. We should leverage IT infrastructure of the state administration and create a science-based environment policy. Harmonious co-existence of man and nature is the pre-requisite of a sustainable planet



L to R: Rupa Naik, Director-Projects, WTC Mumbai and Mr. Devendra Fadnavis, Hon'ble Chief Minister, Government of Maharashtra at the Conference

and my government would take all measures to attain it," he stated.

Mr Fadnavis also informed that the state government has so far made over 140 administrative services (including environmental services) online and by October 2, 2016, the number would rise to 250.

Mr Ramdas Kadam, Minister of Environment, Government of Maharashtra, said the state government introduced online system for application of license renewal by the industry.

Ms Malini Shankar, Additional Chief Secretary, Environment, Government of Maharashtra said her ministry has already made industrial renewal application online and soon it would also make

the processing of application online. As a move to improve the ease of doing business, the state environment ministry has extended the period of renewal of industrial license for industries (except for some critical industries). The science-based and evidence-based environment policy is being done with the help of a robust database. The government is taking efforts to map all the water bodies in Maharashtra.

Dr P Anbalagan, Member Secretary, Maharashtra Pollution Control Board said the state government aims to draft a science-based environment policy by involving all the stakeholders including citizens in the policy making process. Consequently, the state government would introduce a mobile-based application where citizens can offer suggestions and knowledge inputs for the proposed policy."

Ms Rupa Naik, Director-Projects, WTC Mumbai said, "Strong environmental values and a firm commitment to sustainable development should be inculcated among each one of us. Creating awareness on zero wastage, water conservation, rainwater harvesting, saving electricity, ensuring cracker-free and chemical free colours during festivals are pre-requisites for a green planet. Each and every one of us can change the way we live to make the whole world and the environment a happy planet."





## Technology integration, banking reforms to be game changers in trade credit to MSMEs

WORLD TRADE CENTRE (WTC) Mumbai organised an interactive panel discussion on 'Trade Credit: Its Relevance to Global Value Chains in Context to Indian MSMEs' at WTC Mumbai.

Mr Vijay Kalantri initiated the discussion saying, "The government and the Reserve Bank of India (RBI) must work with a vision to address credit needs of Micro Small and Medium Enterprises (MSMEs). The most worrisome fact is that the share of bank credit to MSMEs has declined from around 12 per cent some years ago to 8 per cent in recent years. The key policy priority is to simplify norms and procedures for sanctioning loans to MSMEs and have faith in their repayment capacity. MSMEs need timely access to credit at reasonable cost."

A knowledge paper on 'Trade Credit: Its Relevance to Global Value Chains in Context to Indian MSMEs' prepared by WTC Mumbai was released on this occasion.

Mr Ritesh Singh, Group Economist, Raymond Ltd, while moderating the session, emphasised on innovative and tailor-made banking products in trade credit that would serve international markets in Africa.

Mr Arun Sehgal, Chairman, Chempro Pharma Pvt Ltd, said, "India is lagging far behind European countries on adoption of digital technology by banks and financial institutions for processing trade credit and extending innovative factoring services. India needs to integrate with international standards to upgrade its trade credit products. In order to promote factoring services for import and export, factoring service providers in India must accept third party quality certification, as in Europe."

Dr Sunjay Koyande, Director, CCRT Laboratories stressed on issues confronting the sector in accessing trade credit. The existing documentation procedure for accessing trade credit creates hassles and stress on MSMEs.

In order to ensure access to institutional credit, Mr Anurag Mishra, Regional Lead-Asia Pacific Financial Institutions Group, Global Trade Finance & Supply



L to R: Dr Sunjay Koyande, Director, CCRT Laboratories, Mr Arun Sehgal, Chairman, Chempro Pharma Pvt Ltd, Mr Ritesh Singh, Group Economist, Raymond Ltd, Mr Anurag Mishra, Regional Lead-Asia Pacific Financial Institutions Group, Global Trade Finance & Supply Chain Solutions, International Finance Corporation, Mr Vijay Kalantri, Vice Chairman, MVIRDC World Trade Centre Mumbai, Mr Saurabh Jain, Vice President, Head Business Banking Products, Private Wealth & Commercial Clients - India, Deutsche Bank, Mr Samarth Mathur, Product Manager, Trade Finance, Kotak Mahindra Bank, Mr Lokesh Kumar, Deputy General Manager, EXIM Bank releasing the Knowledge Paper on Trade Credit: Its Relevance to Global Value Chains in Context to Indian MSMEs

Chain Solutions, International Finance Corporation suggested that MSMEs must improve their book keeping practices and adopt sound financial disclosure norms.

Mr Saurabh Jain, Vice President, Head Business Banking Products, Private Wealth & Commercial Clients-India, Deutsche Bank said that the balance sheet of MSMEs do not reflect their business value as considerable number of transaction are conducted in cash. Therefore, while business value of MSMEs has increased, it is not reflected in the balance sheet, thereby restricting their ability to access bank credit.

Mr Lokesh Kumar, Deputy General Manager, EXIM Bank stated that his Bank is supporting exporters through buyer's credit facility, which is non-recourse funding and completely eliminates payment risks to exporters. EXIM Bank also offers credit support to MSME exporters under its Global Trade Finance Programme.

Mr Samarth Mathur, Product Manager, Trade Finance, Kotak Mahindra Bank explained the constraints faced by banks in extending credit to MSMEs.

**The interactive panel discussion was held at the World Trade Centre Mumbai on April 29, 2016**

## Patents Office Chief inaugurates WIPO Depository Library at WTC Mumbai



L to R: Ms Rupa Naik, Director - Projects, World Trade Centre Mumbai, Ms Debjani Chowdhury, Advisor, World Trade Centre Mumbai, Mr R. A. Tiwari, Deputy Registrar of Trade Marks, Mr Y. R. Warerkar, Executive Director, World Trade Centre Mumbai and Mr Vijay Kalantri, Vice Chairman, World Trade Centre Mumbai

Mr O. P. GUPTA, IAS, Controller General of Patents, Designs & Trade Marks & Registrar of Geographical Indications inaugurated the 'World Intellectual Property Organization (WIPO) Depository Library' of MVIWDC World Trade Centre Mumbai.

WIPO Geneva has designated World Trade Centre Mumbai International Trade Library as the WIPO

Depository Library, which is equipped with a rich collection of publication and resource materials on intellectual property.

**The inauguration was held at the World Trade Centre's library on May 4, 2016**

## WTC Mumbai launches 'Make in India' series

FIRST IN series Make in India event on "Protecting Brands: Worldwide with the Madrid System and Microfinance: A Game Changer for Financial Inclusion" was inaugurated by Mr O. P. Gupta. At the keynote address of the event, Mr Gupta said, "In pursuance of the central government's mission of Ease of Doing Business, India's patent office has reduced time taken for registration of a trademark to 18 months from four years earlier. Registering trademarks ensures protection of brands. Especially, MSMEs that have introduced innovative products and services in the market could attain considerable commercial success and financial gain by trademark registration. This would reduce the possibilities of duplication for which

they can take recourse to legal remedies."

Creating and protecting the brands of Indian companies is a pre-requisite for the success of Make in India programme, he added. "Maharashtra being the premier industrial state and we being located in Mumbai its right and opportune time for MSMEs to move forward and register their products and take advantage of niche markets, which will make them acceptable not only in the market place but also financial institutions."

Mr R. A. Tiwari, Deputy Registrar of Trade Marks, informed that just by filing application in the Indian

patent office, domestic companies can register their trademark in other member countries of the Madrid Protocol. India became a member of the Madrid Protocol System in April 2013 and the system came into effect in July 2013. However, so far the Indian patent office received only 385 applications from Indian companies to register their trademarks in the member countries, Mr Tiwari added.

The Indian patent office has computerised the entire process for filing the application so that companies can register their trademark in foreign countries at minimum cost and efforts. Similarly, foreign companies can use the Indian office to protect their trademark in India. Mr Tiwari pointed out that the Indian Patent Office has received around 12,000 applications from foreign companies to protect their trademark in India.

In a panel discussion on Microfinance organised later, Dr Vidya Sravanthi, Managing Director, Asmitha Microfin Ltd agreed that increasing technology adoption would reduce the operational cost of microfinance companies and thereby enable them to cut lending rates. She also raised hope that the microfinance would be a great social movement to eradicate poverty in rural areas.

Mr Sankar Chakraborti, CEO, SMERA Ratings Ltd remarked that the major challenge faced by the industry is high cost of distribution of loans as most of the microcredit borrowers are located in remote villages. However, there is scope for reduction in the cost because of digital banking, Mr Chakraborti opined.

Ms Meenal Patole, CEO & Managing Director, Agora Microfinance India Ltd pointed out that the biggest challenge for microfinance lenders is the availability of long term financial support from commercial banks and development finance institutions. "Financial institutions must offer long term financial support to microcredit companies as microfinance is a long gestation business which take years to generate profits," Ms Patole highlighted.



L to R: Ms Rupa Naik, Director-Projects, World Trade Centre Mumbai, Dr Vidya Sravanthi, Managing Director, Asmitha Microfin Ltd, Ms Meenal Patole, CEO & Managing Director, Agora Microfinance India Ltd, Mr R. A . Tiwari, Deputy Registrar of Trade Marks, Mr O. P. Gupta, IAS, Controller General of Patents, Designs & Trade Marks & Registrar of Geographical Indications, Mr Vijay Kalantri, Vice Chairman, World Trade Centre Mumbai, Mr. Sankar Chakraborti, CEO, SMERA Ratings Ltd, Mr Y. R. Warkerkar, Executive Director, World Trade Centre Mumbai and Mr P. S. N. Murthy, Assistant General Manager, Micro Units Development and Refinance Agency Ltd (MUDRA)

In order to create a greater impact on the society, she suggested that large financial institutions like SIDBI must work together with microfinance companies by creating district level forums.

Mr P. S. N. Murthy, Assistant General Manager, Micro Units Development and Refinance Agency Ltd (MUDRA) raised hope that the Indian microfinance industry is in the threshold of disruptive changes with the adoption of cutting-edge information and communication technology. Soon, microfinance companies in India would graduate to the next stage where business is conducted without opening branches, which is witnessed in China, he added.

During the event, World Trade Centre Mumbai released a knowledge paper on 'Impact of Microfinance in Financial Inclusion.'

Mr Vijay Kalantri, Vice Chairman, WTC Mumbai remarked, "Patent protection and access to finance are related issues as companies that own patented products have greater ability to raise credit from financial institutions. The session would surely create awareness among MSMEs on the importance of protecting their trademarks. The session would also throw light on the range of services offered by microfinance companies to the MSME sector."

**The event was held at the World Trade Centre Mumbai on May 4, 2016**



## Entrepreneurs interact with bankers on export finance

EXPORTS ARE key for development of an economy, said Mr Santanu S Barua, Deputy General Manager, Small Industries Development Bank of India (SIDBI) Bhubaneswar. Portraying the current global economic scenario and comparing the economies of various developing countries he emphasised that growth in merchandise export is the one of the most significant factors, which would further strengthen and stabilise the Indian economy. He was delivering the inaugural address at Entrepreneurs – Bankers Meet 2016, organised by World Trade Centre (WTC) Bhubaneswar in association with Entrepreneurship Development Institute of India (EDII) Bhubaneswar at the Conference Hall of IDCO Towers Extension Building, Bhubaneswar.

Some of the other leading bankers from the state who participated and made their representations in the programme were Mr Mizra Baig, Chief Manager, SME, from State Bank of India, Mr Barin Gopal Maitra, Chief Manager Credit from Indian Bank and Mr Satya Sharan Mondal, Assistant General Manager (Credit) from IDBI Bank. The bankers subsequently presented on their products and services along with the schemes of the respective banks for the entrepreneurs to avail SME as well as export finance. They also shared the particulars on various critical areas of export finance such as guidelines, pre-shipment and post – shipments finance, advance disbursement, banking in foreign exchange etc.

Mr C R Pattanayak, Coordinator of EDII, Bhubaneswar in his opening remarks asserted the need for such interactions between bankers and entrepreneurs as



A view of the meeting in session.

well as other stake holders from time to time as because there exists a huge need to boost and motivate the educated masses of the state to take up entrepreneurship and remove certain mental barriers carried by them when it comes to devising a start-up firm.

Earlier in her welcome address Ms Nimeshika Natarajan, Manager, World Trade Centre Bhubaneswar while welcoming the participants and bankers talked about various other initiatives of the Centre over the past one year towards facilitating international trade and business by the entrepreneurs of the state.

The meet was attended by a cross section of entrepreneurs, start-ups and aspiring individuals from various sectors including handicrafts, handlooms, logistics, travel and health services, food processing units, sea food exporters and other financial institutions.

**The event was held on April 22, 2016 at IDCO Towers, Bhubaneswar**

## Art competition to mark World Environment Day



WTC Bhubaneswar in association with Artya Craft organised 'Reflect' (an art competition) on United Nations Environment Program's (UNEP) theme *Go Wild for Life – Zero tolerance for the illegal wildlife trade*, to observe the World Environment Day. The winning paintings were subsequently displayed at Rahagiri in Bhubaneswar on World Environment Day, June 5, 2016. A live painting made by one of the artists appeared as an added attraction to the event.

**The art competition was organised on May 31 at IDCO Towers, Bhubaneswar**

## When Indonesia met Goa

H E Saut Siringoringo, Consul General of the Republic of Indonesia along with a delegation visited the World Trade Centre (WTC) Goa with the view to discuss ways to further promote economic ties between Indonesia and India. Ms Ambika Dhakhenkar, Assistant Manager, WTC Goa and Ms Cheryl Fernandes, Officer, Trade Promotion, WTC Goa were present for the discussion. Mr Manguirish Pai Raiker,



L to R: Ms Ambika Dhakhenkar, Asst. Mgr, WTC Goa, Mr. Manguirish Pai Raiker, Advisor, WTC Goa and H.E. Saut Siringoringo, Consul General of The Republic of Indonesia.

Advisor, WTC Goa presided over the meeting. Mr Hariyanta Soetarto, Consul (Economics), Mr Walfred Tagor Manihuruk, Director, Indonesian Trade Promotion Center were present at the meeting. The meeting highlighted various ways to boost economic ties with Goa, India.

H E Saut Siringoringo addressed the meeting highlighting that both Indonesia and Goa should partner in promoting tourism, as there is a lot of potential for the industry growth. The onus is on the Indonesian government as the current imports from India lie merely at USD 2.74 Billion, which is 23 per cent of the export value at US\$ 11.71 billion according to last year's statistics, he revealed. The country imports goods like coal, palm oil, cashew nuts etc, which could be sourced from the Goan manufacturers and exporters, he said. Also, Goan Pharmaceutical industry could be a huge potential for growth in exports, as well as the education sector, could be promoted for the Indonesian students travelling overseas, to apply in the foreign academic institutions.

**The meeting was held at the World Trade Centre Goa on April 29, 2016**

## Portugal Ambassador's maiden visit to Goa

Ms Rupa Naik, Director, WTC Goa, Ms Ambika Dhakhenkar, Asst. Mgr, WTC Goa and Ms Cheryl Fernandes, Officer, WTC Goa hosted a B2B meeting with H E Dr João da Camara, Ambassador of Portugal in India accompanied by Mr Rui Carvalho Baceira, Consul General of Portugal in Goa and Mr Joao Rodrigues, Trade Commissioner, Economic and Commercial Counsellor, Embassy of Portugal in India at Panjim, Goa on May 6, 2016.

Dr João da Camara stated that there exists vast opportunities for economic cooperation between India and Portugal. He solicited participation of major industries to enter Portugal, which offers an attractive market of 400 million to the world and is very strong in the sectors of IT, pharmaceuticals, automobiles,

alternative energy, tourism, agro products and fisheries.



L to R: Ms Rupa Naik, Director, WTC Goa, H E Mr João da Camara, Ambassador of Portugal in India and Ms Debjani Chowdhary, Advisor, WTC Mumbai

The trade commissioner informed the audience that a web summit is being hosted in Portugal with a strong participation of 70,000 delegates and 400 companies from India, have already registered for this Summit. Ms Naik also proposed to take a delegation from India to the Web Summit by working out a suitable cooperative model with its counterpart in Lisbon, if there is favourable response from the Goan IT firms.

The meeting concluded on an optimistic note on emerging prospects on Portugal and Goa, economic relations.

**The meeting was held at Panjim, Goa on May 6, 2016**

# IDU highlights need to strengthen governance and balance sheets of banks

World Bank's twice yearly report on the Indian economy states that a pickup in investments is crucial to sustain economic growth in the longer term

**T**HE INDIAN economy will continue to post robust growth in the coming years, says the latest India Development Update of the World Bank. The Update also reviews the current challenges in India's financial sector and analyzes some of the impacts of the recommendations of the 14<sup>th</sup> Finance Commission on Indian states.

According to the Update, India's economy expanded at a faster pace in financial year (FY) 2016 even as a number of its growth engines stalled. Agriculture – having faced two consecutive drought years – rural household consumption, private investments, and exports have not performed to potential.

The oil bonanza most directly benefited the government, which for the first time in five years exceeded its revenue collection targets and used the resources to contain the fiscal deficit, transfer more resources to states, and spend more on infrastructure. Capital spending by the central government was ramped up, its efforts amplified by state governments that had additional resources from larger fiscal devolution.

But it was urban households who were the main drivers of growth in FY 2016. The manufacturing and services sectors, which expanded 7.4 and 8.9 per cent, respectively, also created urban jobs. Inflation abated, primarily because of lower food prices. Lower inflation raised real incomes, and allowed RBI to cut interest rates, which favored the financially-connected urban households.

To remain on this growth path and sustain growth at 7.6 percent into FY17, the challenge for the Indian economy is to activate the stalled engines – agricultural growth and rural demand; trade; and private investment, while



ensuring that demand from urban households and public investments, what the Update describes as the working engines of the economy, do not run out of fuel. The dissipation of the large boost from historically low oil prices in the past year will make this a challenging task, but prospects of a normal monsoon will help, the Update suggests.

The Update, a twice yearly report on the Indian economy and its prospects, expects India's economic growth to be at 7.6 percent in 2016-2017, followed by a modest acceleration to 7.7 percent in 2017-2018 and 7.8 percent in 2018-2019. Even while uncertainty about the momentum of growth is high and downside risks substantial, these risks can be balanced in the short run by the possible upside from a favorable monsoon, says the Update.



According to the Update, the most significant near-and medium-term risks stem from the banking sector and its ability to finance private investment which continues to face several impediments in the form of excess global capacity, regulatory and policy challenges, in addition to corporate debt overhang.

“There are good reasons for confidence in India’s near-term prospects. However, a pickup in investments is crucial to sustain economic growth in the longer term. The recently approved Bankruptcy Code is helpful in this regard, and once it is implemented it will help unleash the productivity that Indian firms need in order to create jobs and become globally competitive,” said Onno Ruhl, World Bank Country Director in India.

In less than three decades, India’s financial sector has evolved from an essentially state-controlled system toward one with greater participation of private banks and generally more competition. Banks currently have capital levels in excess of regulatory requirements, regulations have been strengthened, and overall credit growth in real terms has been resilient. On the other hand, concerns have arisen about growing non-performing assets (NPAs) and declining credit growth, particularly in public sector banks (PSBs).

The Update suggests two key reform fronts for the financial sector. First, accelerate the ongoing structural transformation of the sector toward one that is more market-oriented and competitive, for example by providing a roadmap for relaxing government mandates on banks. Second, address the NPA challenge, both by its branches (through recapitalization of PSBs and providing tools for banks to manage stressed assets), and its roots (through stronger governance of both commercial banks as well as the corporate sectors that have generated the largest share of NPAs).



“India’s financial sector has performed well on many dimensions and can be a reliable pillar of future economic growth. However, accelerating structural reforms and addressing the non-performing asset (NPA) challenge remain urgent tasks,” said Frederico Gil Sander, Senior Country Economist and main author of the India Development Update.

Another significant step taken by the government has been the greater devolution of the spending power from the center to the states and local bodies, the Update says. States are now responsible for 57 per cent of the spending, which accounts for 16 per cent of GDP. Of this, nearly 74 per cent of the funds are untied (compared to an average of 57 per cent during the 13th Finance Commission period), allowing more flexibility to states.

An analysis of the FY17 budget documents of 20 states suggests all states gained following the implementation of the 14th FC recommendations in FY16, but the extent of gains varied significantly. Tax devolution increased everywhere, even for states that saw a reduction in their inter-state share, such as Bihar and Rajasthan. Overall, transfer of grants to states increased by 0.7 percent of GDP in FY16

compared to the budget estimate of a net increase of 0.5 percent.

Health and education expenditures increased in almost every state in FY16. Combined health and education expenditures increased in 13 of the 14 states for which data was available. Education expenditures generally increased more than health, likely on account of implementation of the Right to Education Act and as states allocated additional amounts to cover lower contributions from the centrally sponsored schemes.

On average, states increased health and education expenditures by 0.4 percent of GSDP. Uttar Pradesh spent over one-third of its additional resources on health and education. Rajasthan and Kerala stand out as spending the equivalent of over 70 percent of additional resources on health, education, and infrastructure.



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