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Merkel, Modi push trade ties and climate action

Prime Minister Narendra Modi and German Chancellor Angela Merkel called for greater cooperation among nations of the world even as the two countries signed 12 agreements, including on cyber cooperation, development cooperation, education and railway safety.

Prime Minister Narendra Modi and German Chancellor Angela Merkel A comprehensive joint statement issued at the end of the 4th India Germany Inter-Governmental Consultations in Berlin said the two sides discussed a whole range of issues, including agreements, including clean coal, electric mobility, science and technology cooperation, cyber-security and aviation security.

The Indian prime minister is also reported to have told the German Chancellor during in talks in Berlin on Tuesday that India would stay in the Paris climate accord even if the United States pulled out.

Addressing the media after the meeting, Prime Minister Modi said an outcome oriented momentum is perceptible in relations between the two countries.

He appreciated Chancellor Merkel's vision for Europe and for the world.

The Prime Minister said foreign investment from Germany to India is rising, especially for the Make in India initiative. He said German partnership is important for the Skill India Mission, with German parameters being "global benchmarks" which are crucial for India.

The prime minister said cooperation is also envisaged in the sports arena, particularly in football.

Modi spoke of themes such as climate protection and smart cities, which came up for discussion. He said German innovation and Indian youth could together add great dynamism in the start-up space.

The prime minister said a global order based on democracy is the need of the hour, in an interconnected and interdependent world.

Chancellor Angela Merkel said on Tuesday that Germany wanted to develop its ties with India, but said this should not be at the cost of its trans-Atlantic relationship. Modi, after his meeting with Merkel said Berlin is "a very reliable partner".

Merkel, who has reacted sharply to US President Trump's comments saying it is an era in which Europe could rely on its partners was somewhat over, repeatedly stressed the importance of trans-Atlantic ties despite Trump.

Prime Minister Modi reiterated India's timeless values of nurturing and protecting nature. He recalled India's commitment to generate 175 GigaWatts of energy from renewable sources by 2022. Emphasising the importance of protecting nature, the prime minister said "playing with the well-being of future generations would be an immoral and criminal act."

Earlier, during the IGC, Modi emphasised the big role that the European Union has to play in nurturing a rule-based global order. Both leaders shared deep concern over the global menace of terrorism, and decided to strengthen mutual counter-terrorism initiatives.

Modi thanked Germany for support of Indian membership of export control regimes. Themes such as clean coal, electric mobility, science and technology cooperation, cyber-security and aviation security came up for discussion. The consultations also touched upon Afghanistan and other global matters.

Modi, Merkel nudge FTA, sign a dozen agreements

India and Germany agreed on the need to resume free trade talks between India and the European Union soon, and signed a dozen wide-ranging but low-profile MoUs on the subjects of education, health, skill development and sustainability after a meeting between Prime Minister Narendra Modi and German Chancellor Angela Merkel.

“Prime Minister Modi and Federal Chancellor Merkel underlined their determination to ease bilateral trade and investment…They also reaffirmed their strong commitment to the EU-India Broad Based Trade and Investment Agreement (as the FTA is called) and their commitment to bring about a resumption of the negotiations at the earliest possible date. This would, inter alia, allow to establish provisions for the mutual protection of new foreign investments,” a joint statement issued in Berlin said, addressing an issue that has been raised repeatedly by businessmen in the European Union.

EU-India summit

MEA officials said Indian and EU negotiators would meet in July this year and then in October for the EU-India summit in Delhi, in an effort to “take FTA talks forward.” FTA talks had stalled after 16 rounds of negotiations in 2013. Since then bilateral investment treaties with Germany and other European countries have also lapsed. German CEOs, who met with Mr. Modi, said this had caused much “uncertainty” in the business relationship, as they were particularly worried about investor protection. “We clearly see the progress under your term…. But the cancellation of the India-German investment treaty makes it very difficult for investment especially by small companies from Germany, and we urge that you work on the conclusion of the EU-India FTA,” Hubert Leinhard, president and CEO of hydropower company Voith Gmbh, and president of the German business chamber APA, said, speaking in the presence of Mr. Modi and Ms. Merkel.

The Prime Minister, who spent several hours speaking to Chancellor Merkel, was accorded a ceremonial guard of honour at the German Chancery in Berlin on Tuesday morning. The two sides announced agreements on cyber policy, railway safety, and the training of Indian Skill Development Officers and Cluster Managers.

Merkel and Macron key to Modi's Europe strategy

India is re-engaging Europe as the world enters a period of profound changes. The UK is peeling away from the EU, creating a great deal of uncertainty. Across the pond, Trump appears to be upending an international order with his inexplicable tactical moves. To the east, the growth of China as an aggressive expansionist power impacts both India's interests and growth trajectory.

Modi is using his Schengen visa cleverly. After his meetings with German Chancellor Angela Merkel , Modi's enduring message is this - India wants a cohesive Europe and a strong leader in Germany. Addressing a press conference with Merkel, Modi+ said, "the cohesiveness of EU is very important".

That's the message Modi will carry with him to Spain and France. Germany, France and Spain are the top three economies in Europe following Britain's decision to turn its back on the continent. These are also countries looking for new, stable partners in the developing world , particularly as China is received with admiration and discomfort in equal measure.

India too has moved on with its own policies regarding this old continent - it is still easier for India to deal with individual countries rather than the cumbersome 27-nation EU. But from quietly sneering at the practicality of the European project, India has decided to embrace it. That is an important development.

Modi paid tribute to Merkel+ as a wise and strong leader. "I learn and benefit from her knowledge," he said. Merkel and Macron or rather the Franco-German alliance is at the heart of this engagement. Hence Modi's meeting with France's new President Emmanuel Macron later this week.

With former US President Barack Obama, Modi connected on the issue of climate and environment. Trump doesn't care much for such stuff, so India will engage with EU much more closely to endorse the EU stand on climate change. At the same time India will also tap EU countries for technology to deal with it. Modi is clear India would have to grow cleaner, whether Trump agrees or not.

In return, from all accounts, India is being less curmudgeonly about free trade pacts and has promised to move on it within a year.

There is another reason for India to engage EU in a deeper way than before - China is building railway tracks right up to Europe's door, bringing with it a very different way of governance and values. If India doesn't set itself up as an easier and more attractive partner, China can stitch up its FTA and bully EU into lifting the arms embargo. That would effectively make EU a no-go strategically for India. It was not a surprise therefore, to find China's OBOR to be a big topic of conversation between Modi and Merkel, both sharing the same discomfort with this connectivity project.

In another way, India is also hedging its bets against an unpredictable US. Just as it is playing the balance of power game in the East, India is playing a similar game in the West, engaging both Europe and US with equal attention. After his European sojourn, which will include Russia and the annual meeting with Putin, Modi will then look towards Washington DC as he and Trump hold their first meeting in June. That will be followed by his visit to China for the BRICS summit, rounding off with Japanese premier Shinzo Abe's visit to India in September.

India's economy to expand at 7.7% in 2018-19: IMF

India's economic growth is expected to rebound to 7.2 per cent in the 2017-18 fiscal and further to levels around 7.7 per cent in 2018-19 as the country leaves behind the temporary disruptions caused by demonetisation, the International Monetary Fund (IMF) said recently.
For India, the IMF's Regional Economic Outlook report said, while the temporary disruptions (primarily to private consumption) caused by cash shortages accompanying the currency exchange initiative are

expected to gradually dissipate in 2017, it recommended the removal of long-standing structural bottlenecks to enhance market efficiency.

IMF cited a favourable monsoon season and continued progress in resolving supply-side bottlenecks as facilitators that would help investments recover. However, the recovery is expected to be modest and uneven across sectors as deleveraging takes place and industrial capacity utilisation picks up, it noted.

''In India, growth is projected to rebound to 7.2 per cent in FY2017-18 and further to 7.7 per cent in FY2018-19,'' the IMF said.

''Headwinds from weaknesses in India's bank and corporate balance sheets will also weigh on near-term credit growth. Confidence and policy credibility gains, including from continued fiscal consolidation and anti-inflationary monetary policy, continue to underpin macroeconomic stability,'' the IMF said.

Growth in Asia as a whole is forecast to accelerate to 5.5 per cent in 2017 from 5.3 per cent in 2016.

IMF revised growth in China and Japan upward for 2017 compared to the October 2016 World Economic Outlook, owing mainly to continued policy support and strong recent data.

Growth in South Korea has been revised down due to political uncertainty.

Over the medium term, slower growth in China is expected to be partially offset by an acceleration of growth in India, underpinned by key structural reforms.

According to the report, in India, improving productivity in the agriculture sector, which is the most labour-intensive sector and employs about half of Indian workers, remains a key challenge.

More needs to be done to address long-standing structural bottlenecks and enhance market efficiency, including from liberalising commodity markets to giving farmers more flexibility in the distribution and marketing of their produce, which will help raise competitiveness, efficiency, and transparency in state agriculture markets, it said.

In addition, input subsidies to farmers should be administered through direct cash transfers rather than underpricing of agricultural inputs, as such subsidies to the agriculture sector have had large negative impacts on agricultural output, IMF said.

Growth in the Middle East and Central Asia is set to pick up in 2017 as external factors improve. After a disappointing 2016, growth is expected to be 3.1 per cent in 2017 and 4.1 per cent in 2018. This is largely due to firmer growth in Russia, an upgraded outlook for China, and a partial recovery in commodity prices, IMF stated in its regional economic outlook.

The IMF report also called on Asian economies to learn from Japan's experience and act early to cope with rapidly ageing populations, warning that parts of the region risk ''getting old before becoming rich.''

Asia has enjoyed substantial demographic dividends in the past decades, but the growing number of elderly is set to create a demographic ''tax'' on growth, the IMF said in its report.

''Adapting to ageing could be especially challenging for Asia, as populations living at relatively low per capita income levels in many parts of the region are rapidly becoming old,'' the report said. ''Some countries in Asia are getting old before becoming rich.''

The population growth rate is projected to fall to zero for Asia by 2050 and the share of working-age people - now at its peak - will decline over the coming decades, the report said.

The share of the population aged 65 and older will increase rapidly and reach close to two-and-a-half times the current level by 2050, it said.

That means demographics could subtract 0.1 percentage point from annual global growth over the next three decades, it said.

The challenges are particularly huge for Japan, which faces both an ageing and shrinking population. Its labour force shrank by more than 7 per cent in the past two decades, the IMF said.

The high percentage of its citizens living on pensions may be behind Japan's excess savings and low investment, which are weighing on growth and blamed in part for keeping inflation below the Bank of Japan's 2 per cent target, the report said. ''Japan's experience highlights how demographic headwinds can adversely impact growth, inflation dynamics and the effectiveness of monetary policy,'' it said.

GST Council finalises tax rates for services

The Goods and Services Tax Council, the apex body to fix tax rates under the new indirect tax regime, on 19 Mayy finalised the tax rates for services under the GST, which is scheduled to be rolled out from 1 July.

The GST Council finalised four tax rates of 5, 12, 18 and 28 per cent – similar to the tax slabs for goods - for the various services, including telecom, insurance, hotels and restaurants.

There will, however, be no tax on services like healthcare and education, which will be exempt from GST.

Addressing the media after the 2-day GST Council meeting in Srinagar, finance minister Arun Jaitley said, GST will be levied at 5 per cent on cab aggregators like Ola and Uber.

Telecom and financial services will attract GST of 18 per cent while race clubs, betting and cinema halls will be taxed 28 per cent.

"Restaurants with turnover of Rs50 lakh or below will face 5 per cent tax under GST while non-AC restaurant will face 12 per cent tax," said Jaitley.

AC restaurants and those with liquor licence will be charged 18 per cent GST and 5-star hotels will be levied 28 per cent, he said, adding that hotels with tariff of Rs1,000-2,500 will have to pay 12 per cent tax.

Travelling on metro, local train and religious travel, including Haj yatra will all continue to be exempt from GST, revenue secretary Hashmukh Adhia said. Economy class air travel will attract 5 per cent GST while business class will be charged 12 per cent, he said.

The tax rate on gold has not been finalised yet. The GST Council will meet again on 3 June.

The GST rates for all but six items were finalised at the first day of the two-day meeting of the GST Council.

Prices of foodgrains, especially wheat and rice, will come down as they will be exempt from the GST. Currently, some states levy Value Added Tax (VAT) on them.

"We have finalised tax rates for a majority of items as well as the exempt list," Jaitley told reporters.

Out of the 1,211 items, the GST rate for all but six was decided on the first day, he said.

"Rates have been finalised for the rest," he said, adding GST for packaged food items is to be finalised later.

"(With) the standard rate items of 12.5 percent and 15 percent, plus the cascading effect of local taxes, the tax rate was going up to 30-31 percent. These 30-31 per cent taxes... Have all been brought down to 28 per cent.

"Of these, some are items to be used by common man soap, oil - that has been brought down to 18 per cent. So there will be a substantial reduction as far as those items are concerned. We have kept one criterion in mind that the overall impact is not inflation, in fact it brings down the costs," Jaitley added.

Revenue secretary Hasmukh Adhia said 7 per cent of the items fall under the exempt list while 14 per cent have been brought under the lowest tax bracket of 5 per cent. Another 17 per cent items are in 12 per cent tax bracket, 43 per cent in 18 per cent tax slab and only 19 per cent of goods fall in the top tax bracket of 28 per cent.

GST rules in place: New tax to reduce prices of most goods, from milk, coal to FMCG goods

Businesses will acquire the ability to cut prices without taking a hit on their bottom lines, as either lower tax rates (in a minority of cases) or enhanced input tax credit or a combination of both will reduce their tax costs and help boost sales volumes.

Prices of a vast majority of everyday-use and mass consumption items, as well as that of scores of industrial inputs and capital goods, could potentially reduce significantly, giving a big push to both consumption and investment demand in the economy, as the country embraces the goods and services tax (GST) shortly. Businesses will acquire the ability to cut prices without taking a hit on their bottom lines, as either lower tax rates (in a minority of cases) or enhanced input tax credit or a combination of both will reduce their tax costs and help boost sales volumes. More than four-fifths of the goods would fall under a GST rate of 18% or below, finance minister Arun Jaitley said here after a crucial GST Council meeting, which endorsed the rate fitment for “1,211 items barring six categories”, the bulk of the GST goods universe.

Currently, around 35% of items are being taxed at 27% (12.5% excise + 14.5% state VAT), although the real tax incidence on them is 4-5 percentage points lower because the excise duty is virtually levied on the ex-factory price, given the abatement for post-manufacturing value addition. “There will be no increase (in the tax incidence) on any commodities. In many cases, there is a reduction (in rates),” the minister said. The principle of aligning the current rates to the GST slab closer to them has itself allowed more rate reductions than increases. This apart, Jaitley said, “we have consciously brought down the rates” for many items.

The GST Council has decided to tax food grains, mithai (sweets) and milk at zero per cent, as against 5% now; sugar, tea, non-instant coffee and edible oil and life-saving drugs will be taxed at 5% around the same level as now; several fast-moving consumer goods including toilet soaps, tooth paste and hair oil will come under 18% tax, compared with current 22-24% (nominal rate 29%); air conditioners and refrigerators will attract 28% tax (29% nominal rate now, real incidence 2-3 percentage points lower); a slew of industrial intermediates and capital goods will attract GST at 18%, at least 4 percentage points lower than now.

The tax on coal will reduce from around 12% (plus Rs 400/tonne clean energy cess) now to 5% (plus the cess), in what could reduce power tariffs for households and industries. Source said that on top of the peak rate of 28%, small cars will attract a 1% cess and mid-sized cars, 3%. Apart from 28% GST, luxury cars will attract the cess at the ceiling rate of 15%. However, the council, sources said, did not take a final call on the rates for bidi, cigarette, textiles, agricultural implements, footwear, non-processed food and gold. There were two basic questions before the council: a) Whether to tax items items with a combined tax incidence of 5-6% (which include over 250 excise-exempt items that attract VAT at 5-6%) at 12%; b) Whether to bring 35% of items that have a combined tax incidence of at least 27% under 18% bracket. It seems that it decided not to increase the rate for the former list of items while it hasn't brought down the rate for all items now being taxed at 27% or higher. Jaitley said there will be no inflationary impact as most of the rates which are at 31% ot above have been brought down to 28%. Although the tax incidence will come down for the CPI basket and other items, evasion would be plugged and buoyancy would improve, he added. The council also cleared seven out of the nine GST Rules it was considering; the rules on transition and returns are yet to be endorsed by it.

Welcoming the council's decisions, Pratik Jain, partner and leader–indirect tax, PwC, said: The only concern is that 19% items (over 200) would be kept under 28%, which was initially meant for only few commodities such as luxury cars, aerated beverages etc. One would hope that government would continue to make efforts to bring the rates down on most of these products as we go along." FE has recently reported that among the 120 services that are currently being taxed, a vast majority is likely to come under the GST slab of 18%, while a clutch of them including air travel services, renting of hotels, restaurants and other "bundled" food supply services could get taxed at 12%. A handful of services including transport of goods by road (trucks) and rail and financial leasing including hire purchase could fall under the lowest GST rate of 5%.

EIFE-OECD to organise 2nd Global Skill Development Meet in Paris in June 2017

The Europe India Foundation for Excellence will organise the 2nd Global Skill Development Conference in Paris on 19th-23rd June. Keeping in mind the current requirement of government of India as well as the Global industry, EIFE & OECD have joined together to the 2nd GLOBAL SKILL DEVELOPMENT MEET. In line with the focus of the Indian Prime Minister, Mr. Narendra Modi, the central theme of the GSDM 2017 will be "Making India a global hub of skilled manpower''. Where global skill experts will share their views on the steps that India needs to take in order to become the key supplier of skilled manpower to the world and notably the EU countries and to assess the domains and countries where the Indian workforce can be deployed in the future.

In India, there is a significant gap between the requirement and the supply (quality) which, unless checked, will constrain India's economic growth and we all know that there is a huge mismatch between our current education system and the skill sets that the industry and business needs. In past two year we indentified the area where we need to work to match the skill requirement of India industry and business.

Right now the major concern for Skill Mission is the quality of the training. The country had more than 70 odd programs on skill development being run across 29 states through 21 different ministries and Apart of these 70 add programs there so many programmes were no rationalisation of the process and the system and the training were never outcome focused or placement/job oriented. Seeking all the issues in the current training system we build this event with the objective of providing a platform between various government, private sector and civil society players to rapidly build up a vibrant skill development partnership with International Countries, Companies & Institutes those who have satisfactory experience in this filed. > We will come with the aim to skilling with Speed, Scale and Standards across the country and come with new India in which knowledge-empowered people, institutions and organizations achieve results to overcome global challenges. The Chairman of the Foundation can be contacted for details through E-mail chairman@eife.org

India's domestic M&A deal value rises, cross-border activity moderates

Merger and acquisition (M&A) activity involving Indian companies during the first quarter of the calendar year rose to a total disclosed deal value of $15.8 billion across 252 deals. Compared with the corresponding period of last year, there was a 23 per cent rise in the deal value from $12.9 billion, while deal volume remained almost the same at 252 (253 deals in first quarter of last year), according to EY's Transactions Quarterly.

The rise in the deal value was due to a mega deal - the announced merger between Vodafone India and Idea Cellular for over $11 billion, which accounted for nearly 74 per cent of the total disclosed deal value in the quarter. Barring this mega deal ($1 billion and above), the total deal value was $4.4 billion for the quarter.

The diversified industrial products sector led the M&A activity in terms of volume, accounting for 31 deals ($533.4 million). The majority of these acquisitions were either domestic or inbound in nature with acquisition targets in the power and electrical equipment and packaging segments. These acquisitions were largely aimed at expanding market share and enhancing product lines. On the other side, the telecommunications sector dominated in terms of deal value, owing to the announced Vodafone-Idea deal.

Amit Khandelwal, partner and national director, transaction advisory services, EY said: ''The deal environment looks conducive on the back of a strong economic outlook, and healthy capital markets, accompanied by the Indian government's increasing focus on improving infrastructure and expanding digital reach across the country. Though global buyers are expected to be selective, owing to ongoing global geopolitical issues, their interest in Indian businesses will remain alive as they look for growth opportunities outside the US and Europe. With respect to the outbound investments, cash-rich Indian players will continue looking for opportunistic buys with an aim to seek access to new technology and markets''.

Domestic activity remained the key contributor to M&A activity in India in the quarter, accounting for 87 per cent and 67 per cent of the total disclosed deal value and volume, respectively. Domestic deal value increased to $13.8 billion from $5.2 billion in the first quarter of 2016, largely because of the announced Vodafone-Idea merger.

Barring this deal, the domestic deal value stood at $2.2 billion. Other sectors that witnessed consolidation include diversified industrial products, technology and retail and consumer products. With expansion to acquire scale becoming a critical element of Indian corporates' strategy agenda, consolidation deals are likely to gain further prominence across sectors.

Cross-border M&A falls

Cross-border M&A activity slowed in 1Q17, both in deal value and volume terms. While, the deal value declined to $2 billion in 1Q17 from $7.7 billion in 1Q16, deal volume weakened to 83 deals from 104 deals.

Within the cross-border market, inbound activity moderated. Deal value decreased by 51 per cent to $539.8 million in 1Q17 and deal volume reduced to 42 inbound deals from 51 deals. The diversified industrial products sector dominated the inbound front with 10 deals having a cumulative value of $224.3 million.

The outbound activity also recorded a decline. While 1Q17 registered 41 outbound deals with a disclosed deal value of $1.4 billion, 1Q16 had clocked 53 deals totaling $6.6 billion. The technology sector sustained its leadership in terms of deal volume, recording 11 outbound deals.

In terms of value, the automotive sector took the lead owing to the largest outbound deal of the quarter - €571 million acquisition of 93.75 per cent stake in Finland-based PKC Group Oyj by Indian auto parts maker Motherson Sumi Systems.

Strong bilateral relationship with the US in terms of M&A continued this quarter as well. The US was the most preferred cross-border partner to India with 28 deals (12 inbound and 16 outbound) with a total disclosed value of $449.9 million.

No mass layoffs, IT firms are still hiring: Nasscom

Rebutting reports of mass layoffs in the Indian information technology industry over the last month or so, industry association Nasscom has said the companies are still hiring, having added about 1.7 lakh jobs in the 2016-17 period, and can be expected to hire about 1.5 lakh employees this year.
"We categorically reject the reports of mass layoffs in the sector. FY2017 saw 1.7 lakh people being added, while in Q4 alone, the gross hiring was of over 50,000 by top five companies," Press Trust of India quoted Nasscom president R Chandrashekhar as saying.

He also explained that Nasscom had spoken to its members who assured the body that reports of unemployment headaches were exaggerated and that the sector will still hire people this year.

Nasscom underscored what the point companies like Infosys, Wipro, Cognizant, Tech Mahindra and IBM have been making about the layoff reports, saying the best way for employees to retain their jobs would be to "re-skill". The body said the world was moving towards automation and digital services and employees will have to "re-skill or perish".

Backing the IT firms' stand that the sackings – that these are much less in number than reported and are based on the annual performance appraisal - Chandrashekhar said, "Performance-linked workforce realignment impacts about 0.5-3 per cent of the talent pool and there is no change this year. It is something every company does to stay competitive and have the right skill sets."

Nasscom chairman Raman Roy also stressed the importance of re-skilling, especially at the time when the industry is embracing new technologies for cost optimisation and better efficiency.

"The need for re-skilling talent is a reality that we have to address. To keep up in a fast-evolving technology environment, the IT industry must reinvent itself by re-skilling its employees in new and upcoming technologies," he added.

Meanwhile, IT giant Cognizant, which was said to be laying off 6,000 employees in India to hire workers in the United States, has now said that it is not sacking employees. Instead, it revealed that it would re-skill 1,00,000 employees in FY2018 so that they can be in tune with new technologies and automation.

"We are talking about 3-D printing happening in manufacturing, in financial services people are talking about blockchain, media and entertainment industry people are talking about virtual reality, augmented reality, so on and so forth. All these are enabled by the technology," Ramkumar Ramamoorthy, senior vice-president of corporate marketing at Cognizant, told Moneycontrol.

"So if somebody were to get employed by the market today the opportunities and the options that are available to the individual today, the canvas is much wider more enriching."

India Government announces purchase policy to boost 'Make in India'

India has approved a policy for providing preference to 'Make in India' for government purchases, in a move to give a substantial boost to domestic manufacturing and service provision, thereby creating employment.

The union cabinet chaired by Prime Minister Narendra Modi has approved a policy for providing preference to 'Make in India' in government procurements.

The new policy will stimulate the flow of capital and technology into domestic manufacturing and services. It will also provide a further thrust towards manufacture of parts, components, sub-components etc. of these items, in line with the vision of 'Make in India'.

The policy is part of the government's policy to encourage 'Make in India' and promote manufacturing and production of goods and services in India with a view to enhancing income and employment. Procurement by the government is substantial in amount and can contribute towards this policy objective.

Local content can be increased through partnerships, cooperation with local companies, establishing production units in India or joint ventures (JV) with Indian suppliers, increasing the participation of local employees in services and by training them, an official release stated.

The policy will be implemented through a government order to provide purchase preference (linked with local content) in government procurements. Under the policy, preference in government procurement will be given to local suppliers. Local suppliers are those whose goods or services meet prescribed minimum thresholds (ordinarily 50 per cent) for local content. Local content is essentially domestic value addition.

In procurement of goods for Rs50 lakh and less, and where the nodal ministry determines that there is sufficient local capacity and local competition, only local suppliers will be eligible.

For procurements valued at more than Rs50 lakh (or where there is insufficient local capacity/ competition) if the lowest bid is not from a non-local supplier, the lowest-cost local supplier who is within a margin of 20 per cent of the lowest bid, will be given the opportunity to match the lowest bid. If the procurement is of a type that the order can be divided and given to more than one supplier, the non-local supplier who is the lowest bidder will get half of the order and the local supplier will get the other half if it agrees to match the price of the lowest bid. If the procurement cannot be divided, then the lowest cost local supplier will be given the order if it agrees to match the lowest bid.

Small purchases of less than Rs5 lakh are exempted. The order also covers autonomous bodies, government companies/ entities under the government's control.

The policy also requires that specifications in tenders must not be restrictive, eg, should not require proof of supply in other countries or proof of exports in respect of previous experience. They must not result in unreasonable exclusion of local suppliers who would otherwise be eligible, beyond what is essential for ensuring quality or creditworthiness of the supplier.

The policy lays down a procedure for verification of local content relying primarily on self-certification. There will be penal consequences for false declarations. In some cases, verification by statutory / cost auditors etc will be required.

A Standing Committee in Department of Industrial Policy and Promotion will oversee the implementation of this order and issues arising therefrom, and make recommendations to nodal ministries and procuring entities.

The policy has been developed keeping in view the core principles of procurement, including competitiveness, and adhering to sound procurement practices and execution of orders. The policy would continue to maintain the balance between promoting 'Make in India' and ensuring timely, value-for-money products for the procuring entities.

$21 billion (Rs1,35,500 cr) black money left India in 2014 alone: watchdog

While black money continues to be a major political issue in India, international watchdog Global Financial Integrity has estimated that money worth $21 billion (around Rs1,35,500 crore) was taken out of India illegally in 2014.

In its latest report, GFI also threw some light upon illegal inflow of funds, with India being identified as the parking spot for around $101 billion (Rs6,52,056 crore), 11 per cent more than in the previous year.

Titled Illicit Financial Flows to and from Developing Countries: 2005-2014, the report said that between $620 billion and $970 billion was drained out across all emerging market countries, primarily through the trade fraud route. In all, illegal inflows and outflows were estimated to constitute 14-24 per cent of total developing country trade between 2005 and 2014.

The highly detailed report is being considered far more precise than its predecessors as GFI published it after analysing information on international trade and balance of payments.

It included data from other sources wherever International Monetary Fund data proved to be insufficient and Swiss data on gold exports, which together led to a revision of India's inflow and outflow figures.

''Due to India's large imports of gold from Switzerland, rectifying this data issue significantly closed observed bilateral trade gaps between the two countries,'' one of the report's co-authors, economist Joseph Spanjers, was quoted as saying by Times of India.

Despite the report presenting a range of estimates for inflows and outflows for India, economists have termed both the lower and higher ends of the range as 'conservative', taking into account that it was difficult to trace all illegal transactions. However, the higher end of the range is closer to previous years' estimates, while the lower end only takes into account trade gaps with developed economies, Spanjers said.