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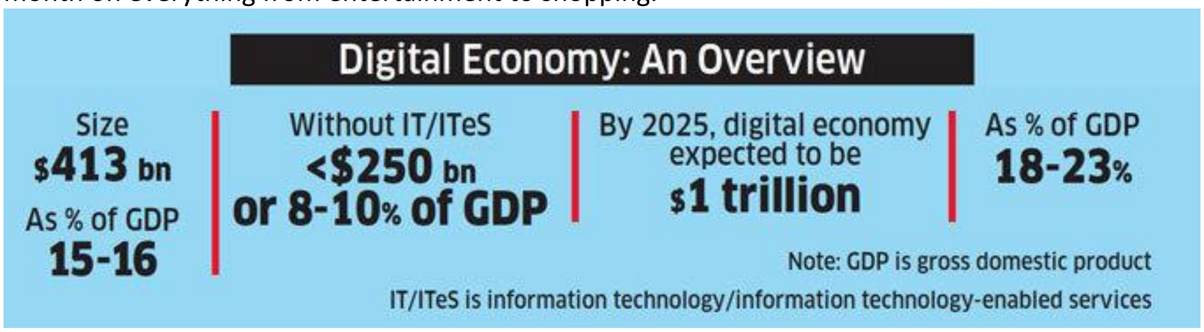
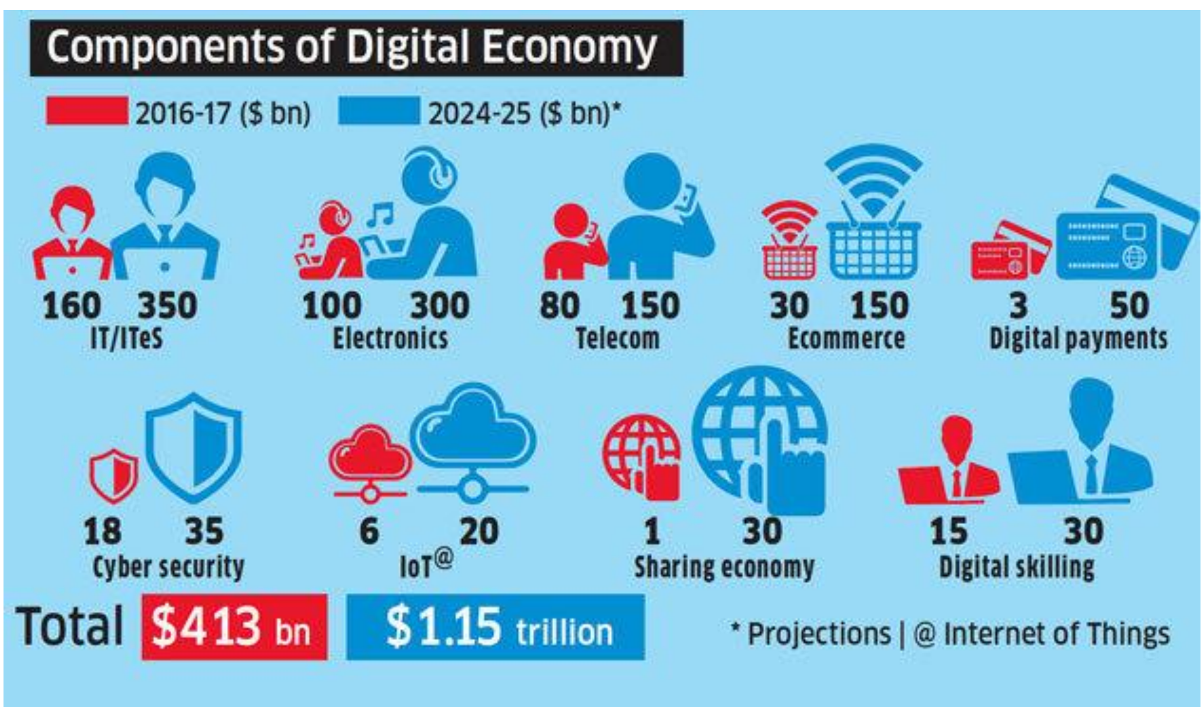
India's way to $1 trillion digital economy

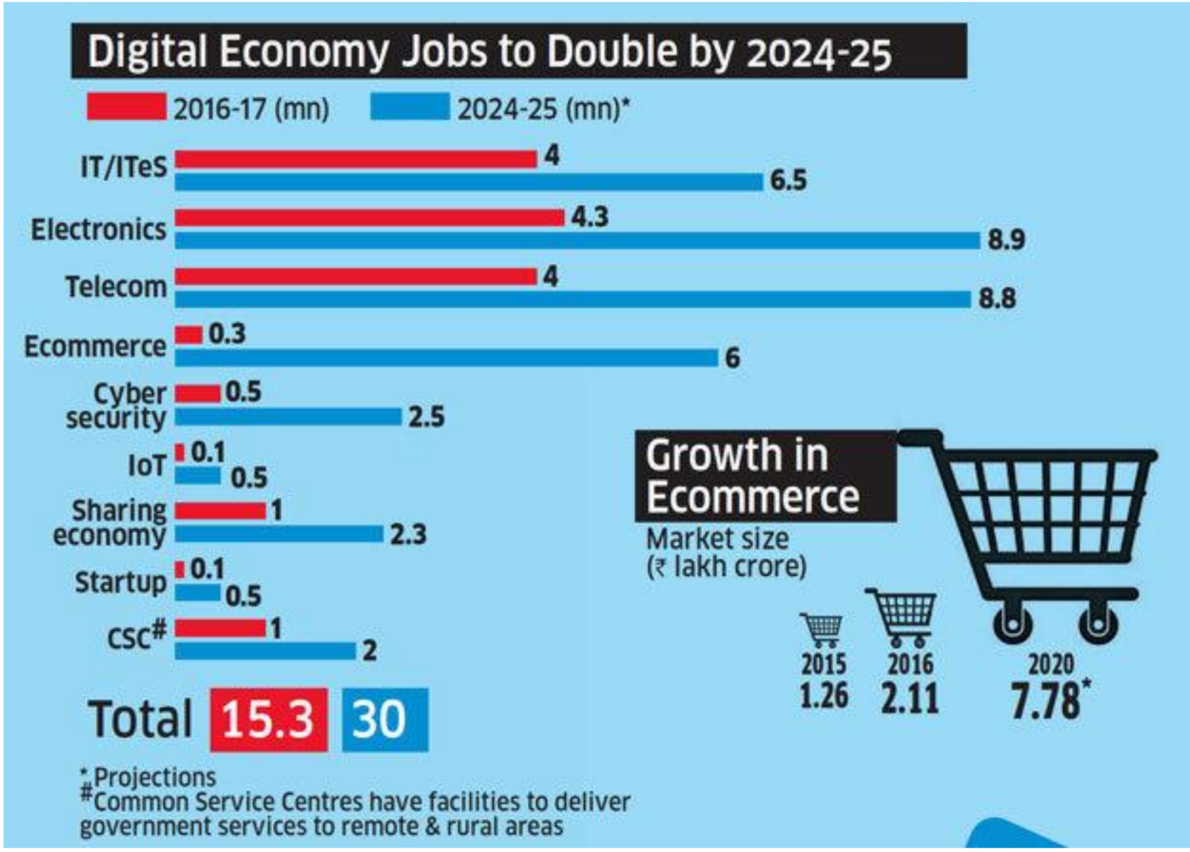
Digital is fast engulfing our lives. Users are consuming more of it, using an average of 4 GB of data a month on everything from entertainment to shopping.



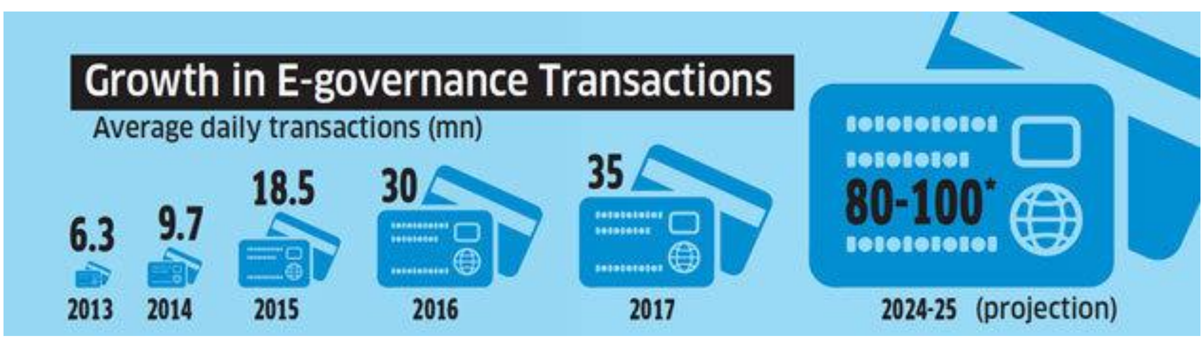
New users, all on smartphones, start using mobile internet with free services like email and regional language content, and "within weeks leapfrog to ecommerce and digital payments," says Subho Ray, president, Internet & Mobile Association of India. Arpan Sheth, partner & head of Asia-Pacific for digital practice, Bain & Company, says there will be 600 million Indians with smartphones in five to seven years, each consuming content and transacting digitally.

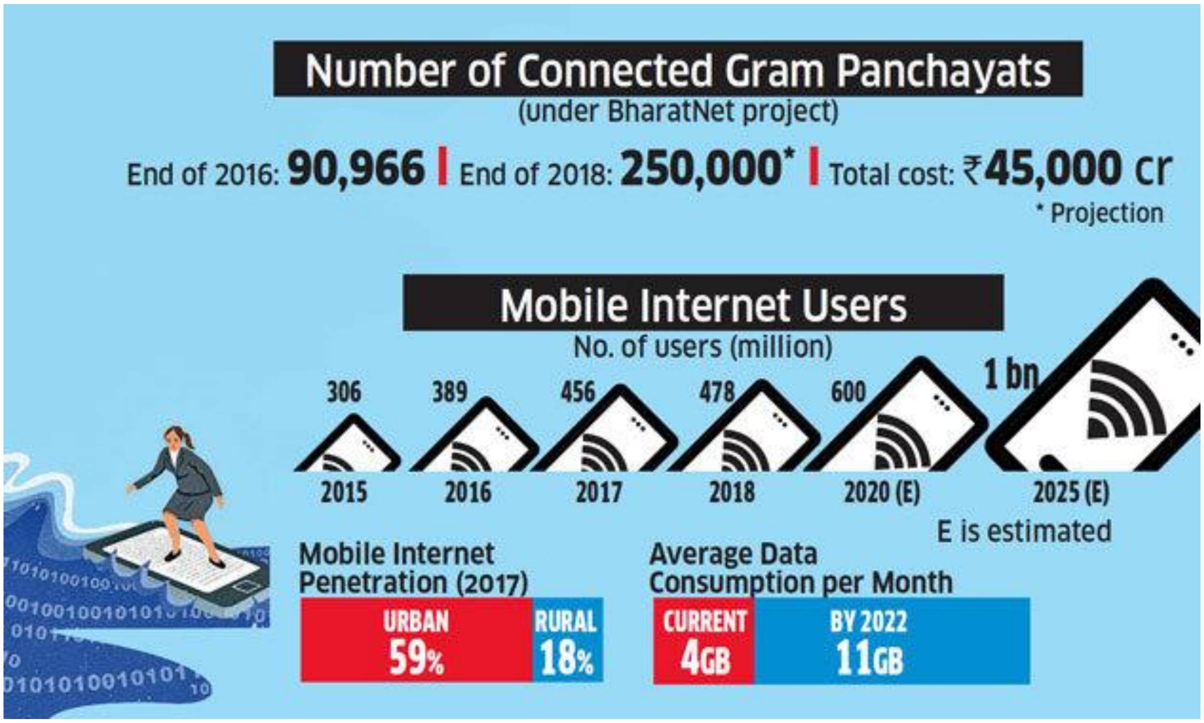


"That creates immense opportunities across the lives of those individuals and impacts nearly all industries they interact with, including financial services, retail, media, travel & hospitality and healthcare."



Rajan Anandan, vice-president-South East Asia & India, Google, says, "In the next five years, India is really going to be a continuous story about user growth. And as India's internet user base matures, there will be a significant impact on every vertical." Poor bandwidth & technology could eclipse this the growth. A snapshot of the digital economy that is expected to balloon.





All-round Growth

*500 millionn users will consume online videos by 2020

*Fourth largest category will be online news, reaching 280 million users by 2020 from 106 million users today

* 50% of internet users will pay digitally by 2020

Challenges to Digital Economy Growth

*Slow roll-out of Wi-Fi hotspots

*Most small & medium enterprises still not online & slow to adopt technology

*Entry-level smartphones have limited capabilities to allow smooth internet access

*Not enough skilled manpower in digital technologies

*Lack of user education

(Data sources: Ministry of Electronics & IT, IAMAI, Google-BCG report, FICCI-EY report) – News appeared in Economic Times

On India visit, France's President Macron stresses defence ties, environment
French President Emmanuel Macron, in India on a four-day visit, said that New Delhi is a strategic partner of France in South Asia and "we want to be your (partner) in Europe."

Prime Minister Narendra Modi welcomes French President Emmanuel Macron in New Delhi on 10 March 2018

Addressing a joint press conference with Prime Minister Narendra Modi in Delhi after their meeting, Macron said that stability in the Indian Ocean is important for the stability of the region.

Modi, who spoke before President Macron, said "In defence, we welcome investments in Make in India from France".

The two countries have signed 14 agreements.

"India and France have decided to work together to deal with threats of terrorism and radicalisation," said Macron. "Defence cooperation between the two countries now has a new significance."

Modi, speaking in Hindi as usual, said, "India and France have always had good ties with African nations, which gives us another opportunity to come closer.

"For the future of planet earth, we are committed to the international solar alliance. I am sure you (Macron) will experience the wisdom of India in Varanasi. In the next two days, President Macron and I will continue to discuss various ideas and issues."

Macron is scheduled to visit Modi's constituency Varanasi. Both leaders will take a boat ride on the Ganga, which will include a private lunch. They will also visit Mirzapur to inaugurate a 100 MW solar power plant. President Macron and his wife will also visit the Taj Mahal.

Modi said that India and France have taken a big leap forward in ties. "Be it land, water, air, or space, our cooperation and ties bind us together in all," he said.

''Our ties when it comes to defence cooperation are deep. There are many war drills conducted between the armies of our two nations.

"In the future, Indian Ocean will play a crucial role in peace and stability, whether it is about environment or freedom of navigation," said the Indian Prime Minister.

"This is why we are implementing a joint strategic vision for the Indian Ocean," he said. "The most important are our people-to-people ties," he added.

Macron said, "Stability in the Indian Ocean is very important for the stability of the entire region, and we are with India for freedom of navigation in the Indo-Pacific."

Later, Modi tweeted, ''Held important talks with President @EmmanuelMacron. We discussed several areas of India-France cooperation, particularly in defence, security, trade and people-to-people ties.''

As PM Modi and President Macron met, the French presidency said in a statement that French and Indian companies signed contracts worth €13 billion ($16 billion).

Macron, 40, began his official engagements this morning, when he was given a ceremonial welcome at Rashtrapati Bhavan in Delhi.

"Our aim is to begin a new era in ties between our two countries. For France, India is our priority and has always been. India has been France's first ally in the region. It is the entry point for France in the region, and my aim is to make France the entry point for India to Europe," Macron said. He later visited Rajghat.

President Macron met foreign minister Sushma Swaraj this morning. "They exchanged views on enhancing strategic partnership in trade and investment, defence and security, culture, education and people-to-people ties," tweeted foreign ministry spokesperson Raveesh Kumar.

The French President arrived in Delhi on accompanied by his wife Brigitte Marie-Claude Macron, businessmen and top officials. Prime Minister Modi received Macron at the airport and greeted him with his trademark hug.

Modi and President Macron co-chaired the founding conference of the International Solar Alliance (ISA). The ISA is a flagship Indian initiative launched by Modi and the French president on the sidelines of the Paris climate conference in 2015. This meeting assumes extra significance in the light of the United States under President Trump pulling out of the Paris accord. India and France have pledged to achieve reduction in emissions as committed in Paris.

The last visit of a French President to India was in January 2016, when President Francois Hollande was the chief guest at the Republic Day celebrations. Modi had visited France in June last year, immediately after Macron was elected president.

How India beat China to regain top slot among fastest growing economies
India's Gross Domestic Product (GDP) grew at 7.2%, rebounding sharply from a three-year low just six months ago, and beating China to regain the fastest growing economy spot in the October-December period of the year 2017. Here's why:

India’s Gross Domestic Product (GDP) grew at 7.2%, rebounding sharply from a three-year low just six months ago, and beating China to regain the fastest growing economy spot in the October-December period of the year 2017. Driven by government’s final consumption expenditure, India recorded a higher Gross Fixed Capital Formation (GFCF) growth at 12% in Q3 FY18 as against 8.7% in the previous quarter, and a sizeable uptick was witnessed in different sectors including agriculture and real estate.

Meanwhile, China, world’s second-largest economy, is undergoing a long-term slowdown, with its President Xi Jinping mainly focused on poverty, debt-risk, and pollution reduction. China has recorded a GDP growth of 6.8% in the October-December period of the FY17-18.

According to ICRA, India’s GDP growth at 7.2% could be because of the double-digit expansion in production of capital goods, the sharp rise in the capital spending of the government and the modest pickup in the capital spending of the state governments in Q3 FY18.

The last time India beat China was in the October-December period of the year 2016, but only for just one quarter, or three months. While India follows the financial year, China follows the Calendar year. In the January-December, the 12-month period in 2017, China recorded a growth of 6.9%, and for the next calendar year, it has set its target at 6.5%, “omitting an intention to hit a faster pace if possible”, according to Bloomberg.

While India is seen growing at 6.6% in the 12-month period between April 2017 and March 2018, trailing China, but in the next 12 month period, India's growth is expected to grow above 7%, while China has put it at 6.5%.

According to BofA Merrill Lynch Global Research, India's nominal GDP, in the next 10 years, could beat become the third largest in the world overtaking France, the UK, Germany and Japan. Meanwhile, Morgan Stanley has said that in the next 10 year, India's GDP growth will top $6 trillion mark. Currently, India has already surpassed Canada, Italy, Russia, Brazil to emerge as the second largest BRIC economy after China.

India's sharp rebound at 7.2% came at the time of global slowdown after the country showed signs of recovery from two big structural changes — demonetisation and the indirect tax regime of the Goods and Services Tax (GST). In the April-July quarter, India's economic growth slumped to a three-year-low of 5.7% mainly due to inventory destocking ahead of the implementation of the GST.

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International Solar Summit helps India take on leadership role

The maiden International Solar Alliance Summit is not only an attempt to fight climate change through cost effective renewable energy means but also a concerted attempt by India to acquire a leadership role in the developing world where China, by virtue of its economic prowess, has made huge inroads over the past two decades.

Prime Minister Narendra Modi's initiative that culminated in this Summit would help India to express power in a manner that is benign and rule-based, unlike China's more aggressive and expansionist postures in geo-politics.

India's goodwill backed by French economic clout created a new development-oriented narrative at the Summit that witnessed presence from 60 signatory countries and delegates from over 60 other countries who are prospective ISA members, officials indicated to ET. The group of over 120 nations once in place would contribute to India's power projection in the 21st century.

Presence of several leaders from Africa and the Pacific region riding on their earlier summits with India in 2014-2015 signals Delhi growing geo-political clout as the Modi government hopes to produce solar panels at rates cheaper than those Made in China.

These panels would also meet domestic demand. At the Summit, India offered Line of Credit worth $1392.48 m for solar projects for African countries besides Bangladesh and Sri Lanka. This Line of Credit is being offered at interest rates cheaper than Chinese commercial loans.

Consider the presence of Western African leaders in this Summit besides the participation of leaders from Seychelles, Mauritius, Djibouti, Somalia and Comoros (Eastern Africa). While India has significant footprints in Eastern and Southern Africa, Delhi is keen to raise its profile in Western & Central Africa -- Mali, Niger, Chad, Burkina Faso, Togo, Ghana, Democratic Republic of Congo (Central Africa), Gabon, Rwanda and Equatorial Guinea.

Top leaders of all these countries were present at the Summit which India put together after months of painstaking efforts. Interestingly, all these nations except Rwanda, Equatorial Guinea and Ghana were French colonies, and Paris still maintains strong ties with these countries. Modi made it a point to hold separate meetings with leaders of each of these nations.

While India is partnering with Japan in its quest to expand development and infrastructure initiatives in Eastern Africa, France is being considered as India's partner in Western Africa or largely Francophone Africa.

French influence in this region is unparalleled and partnership with Paris would help Delhi to make further inroads. While harnessing resource from Western Africa would be a priority for Delhi, forging counter-terror partnership would also help in achieving geo-political goals amid the Islamic State taking refuge in Mali, Burkina Faso, Niger and Chad. Interestingly, a number of Western African countries are members of Organisation of Islamic Conference (OIC) and India would be keen to build bonds with them to blunt Pakistan's Kashmir narrative in OIC.

Simultaneously, Modi's meetings with Djibouti leader was also significant as the Eastern African country hosts the first and only Chinese military base abroad so far. Indian President went to Djibouti last year on his maiden visit abroad in his current role. Besides India's partnership with Somalia is critical to fight Al Qaeda.

As India gives shape to its Indo-Pacific strategy, equally important were the presence of leaders from the Pacific Island states, many of whom can't think of a separate bilateral visit to India. Since the Modi government came to power in 2014, India has held two Summits with Pacific states including the maiden edition in Fiji.

India, EU to decide fate of trade agreement this month

India and the European Union will discuss this month resumption of the much-delayed Bilateral Trade and Investment Agreement (BTIA) that hasn't progressed much over the past five years.

Chief negotiators of the two sides will meet in April to explore the possibility and work out some roadmap for the negotiations. "EU negotiators are coming in April to discuss how to take the talks forward," said a person aware of the development.

The BTIA talks hit a roadblock on the contentious issues of import duty on European cars and alcohol (wines and spirits) levied by India, and recognition of India as a 'data-secure' nation by the EU. India also wants a greater access for its professionals in the EU.

Prior to the meeting, the government plans to consult the industry on products of its aggressive interest or exports in which it wants tariff concession from the European Union.

Stakeholders will also deliberate on the products they don't want opened up. While Germany is keen on automobiles, France wants lower import tariffs on wines. "A lot of time has lapsed since the last set of talks happened. We will have to see which all new issues have cropped up in the meanwhile, especially on free movement of labour and data security front," said an industry representative who will take part in the stakeholder meeting this week.

India and the EU had started the BTIA talks in 2007 and 16 rounds of negotiations have taken place till now. Negotiations were stalled amid the prolonged downturn in Europe and its focus on concluding the Transatlantic Trade and Investment Partnership agreement with the US.

India then deferred talks after the EU had banned 700 generic drugs that were tested at Hyderabad-based GVK Biosciences. Brexit and the eventual apprehension of the EU to sign a BTIA separate from the Bilateral Investment Treaty with India further extended the delay.

India's exports to the EU in the April-December period were $38 billion, compared with $47.3 billion in 2016-17. In the same period, India's imports from the EU were $35.2 billion and $42.3 billion.

Only a third of Indian IT companies ready for EU privacy laws

Only a third of India's IT services firms are compliant with a European data protection law to be effective in May, say analysts, warning that potential damages of any breach of privacy of user data from the continent could cost companies as much as 4per cent of their revenue.

The sweeping new-data protection law — general data protection regulation (GDPR) being rolled out on May 25 — is the most comprehensive set of rules being put forward globally to strengthen data protection and privacy of users.

The policy enforces rules and responsibilities for corporations to be more transparent in acquiring user data, stick to unambiguous ways to seek consent and allow the user to withdraw consent. "Only 30-35per cent of all IT/ITeS companies have started their journey to work towards GDPR compliance," said Jaspreet Singh, Cyber Security Partner at EY.

For technology services companies, newer policies will conflict with decades-old technologies where their client and record-keeping systems need rework. For instance, a legacy application that does not support any kind of login, will need to put in place a login interface to keep a record of the people who accessed it. This should be open for audit by European authorities.

"The IT services providers will have to rework the contracts and they will see a cost increase. But the cost impact depends on the incremental work (due to GDPR compliance) that needs to be done," said Raman Roy, chairman, National Association of Software and Services Companies, adding that the industry is capable of meeting the May deadline. Almost 30per cent of revenue for Indian IT services comes from European clients with multiple centres in the region.

Top Indian IT services firms Tata Consultancy Services, Infosys, Wipro and Tech Mahindra declined to comment. BPO firm Genpact has identified "GDPR as a risk" in their 10K filing with the SEC with potential fines for violations of certain regulations.

The data protection regulation may cost dearer to the Indian software service exporters too as they foresee deployment of more resource for compliance and probable rework in client contracts.

Industry analysts suggest even though the GDPR norms will be applicable across all industries, firms that deal with BFSI, retail, utilities and healthcare are likely to invest in greater compliance as they deal with health and financial data of users to provide service on behalf of their clients.

“In terms of readiness by May, most of the critical systems will be ready and compliant. There will be at least 30-40per cent non-compliance across the industry that will start happening. Huge compliances will take time,” said CTO of a Bengaluru-headquartered IT firm who did not wish to be named.

Priya Kanduri, Head of Innovation & Solution Development, IMSS, Happiest Minds, believes software services players will not incur “significant” cost and expenses may shore up primarily due to resources used to run more checks on data protection compliance.

“We have been supporting our European customers to protect the PII data with accurate measures across the infrastructure. So for those organisations who already have measures in place for sensitive data protection supported with periodic audits, GDPR will not really increase costs of doing business. In the process, the additional costs that we foresee being incurred are for Data Protection Officer (DPO) services, ongoing record keeping, audits etc,” said Kanduri.

The cost of technology compliance could be as much as $500,000, says EY’s Singh. IT services companies, analysts say, should also ensure they have clauses with indemnity against the “steep” penalties of ¤20 million or 4per cent of global revenues for GDPR non-compliance respectively.

Nirav Modi effect: Cabinet okays `Fugitive Economic Offenders Bill'

The union cabinet has approved the Fugitive Economic Offenders Bill that provides for confiscating all assets of absconding fraudsters and loan defaulters to recover dues.

The cabinet chaired by Prime Minister Narendra Modi also approved setting up of a National Financial Reporting Authority (NFRA) as an independent regulator for the auditors.

The proposed fugitive law aims at tightening the noose around economic offenders like Nirav Modi and Vijay Mallya, by impounding and selling assets of their assets in order to quickly recover dues.

The law will also apply to defaulters who have an outstanding of Rs100 crore or more and have escaped from the country.

Finance minister Arun Jaitley said the Bill, which will be taken to Parliament for approval in the second half of the Budget session beginning 5 March, defines a fugitive offender as someone against whom a court has issued an arrest warrant for a scheduled offence and who leaves or has left India so as to avoid criminal prosecution, or refuses to return to India to face trial.

The new law is different from the Prevention of Money Laundering Act, which also provides for confiscation of assets of economic offenders, he said.

Under PMLA, only profit of crime is confiscated and that too upon conviction. The new law extends to all assets irrespective of whether it is acquired as a result of crime or not, he said. "This is triggered by the offender being a fugitive".

To confiscate assets of fugitive offenders, the lender has to make an application before the special court for a declaration that an individual is a fugitive economic offender, upon which the court, if satisfied, will issue of a notice to the individual alleged to be a fugitive economic offender.

The bill provides for confiscation of the property of an individual declared as a fugitive economic offender – both in India and abroad - including benami property.

The bill also seeks to disentitle the fugitive economic offender from defending any civil claim.

An administrator will be appointed to manage and dispose of the confiscated property under the Act.

If at any point of time in the course of the proceeding prior to the declaration, however, the alleged fugitive economic offender returns to India and submits to the appropriate jurisdictional court, proceedings under the proposed Act would cease by law.

All necessary constitutional safeguards in terms of providing hearing to the person through counsel, allowing him time to file a reply, serving notice of summons to him, whether in India or abroad and appeal to the high court have been provided for.

Further, provision has been made for appointment of an administrator to manage and dispose of the property in compliance with the provisions of law.

The Bill has been proposed to address the lacunae in the present laws and lay down measures to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts.

The law, though it was announced in the Budget for 2017-18, has been hastened after Nirav Modi and his uncle Mehul Choksi allegedly defrauded state-owned Punjab National Bank of Rs12,700 crore and left the country and are refusing to cooperate with law enforcement agencies.

"In the last Budget, there was an announcement that the government bring law to confiscate assets of fugitives under economic offences. That has been approved by (the) cabinet," Jaitley said.

He said the law will apply to new and old cases of persons who have fled the country to avoid prosecution. The jurisdiction of NFRA for investigation of Chartered Accountants and their firms would extend to listed companies and large unlisted public companies, the thresholds for which shall be prescribed in the Rules. The Central Government can also refer such other entities for investigation where public interest would be involved.

India's media, entertainment industry to cross Rs2 trillion by 2020

India's media and entertainment (M&E) industry touched Rs1.5 trillion ($22.7 billion) in 2017, a growth of around 13 per cent over 2016, a study by consultancy firm EY India said.

This figure is expected to cross Rs 2 trillion (Rs2 lakh crore or $31 billion) by 2020, with a compounded annual growth (CAGR) of 11.6 per cent amid the growth in the broader economy and increasing disposable incomes, said the FICCI-EY report, 'Reimagining India's M&E Sector', released on Sunday by Union Information & Broadcasting Minister Smriti Irani,

This growth is being led by the digital segment, showing that advertising budgets are in line with the changes in content consumption patterns. The report observes the sector continues to grow faster than the country's gross domestic product (GDP). Subscription growth outpaced advertising during 2017 but advertising will continue to grow till 2020, led by the digital segment.

Farokh Balsara, partner and M&E leader at EY India, said, ''The Indian M&E sector reached Rs1.5 trillion in 2017, led by digital. With digital revenues expected to cross Rs220 billion (22,000 crore) by 2020, has Indian M&E reached its digital tipping point?"

"We now need to re-imagine the Indian M&E sector,'' Balsara suggested.

Ashish Pherwani, partner and M&E advisor at EY India, said, ''Growth in 2017 was led by the digital, film and animation and VFX (visual effects) segments.''

While demonetisation and the Goods and Services Tax affected advertising across sectors, digitisation helped subscription revenue to accelerate faster. However, advertising is expected to continue expanding until 2020, led by the digital medium.

Digital media has grown significantly over the past few years. And, continues to lead the growth charts in advertising. Subscription revenues are emerging and are expected to make their presence felt by 2020.

In 2017, digital media grew 29.4 per cent (27.8 per cent, net of the impact of goods and services tax), on the back of 28.8 per cent growth in advertising and of 50 per cent in subscription.

Subscription was only 3.3 per cent of total digital revenues in 2016. It is expected to grow to 9 per cent by 2020. Around 250 million viewed videos online in 2017 and this is expected to double by 2020. Around 40 per cent of all mobile traffic came from the consumption of video services in 2015. This is expected to touch 72 per cent by 2020.

Television

The television industry grew from Rs594 billion in 2016 to Rs660 billion in 2017, at 11.2 per cent (9.8 per cent, net of taxes). Advertising grew to Rs267 billion, while distribution grew to Rs393 billion and comprised 41 per cent of revenues. Distribution was 59 per cent of total revenues.

At the broadcaster level, subscription revenues (including international subscription) made up about 28 per cent of the total. Advertising is 41 per cent of total revenues. The report expects this to grow to 43 per cent by 2020.

Print media

Print continues to hold the second-largest share of the sector, despite growing at under 3 per cent to reach Rs303 billion in 2017. The segment is estimated to grow at an overall CAGR of 7 per cent till 2020, with the non-English segment at 8-9 per cent and English a bit slower. This is expected despite the foreign direct investment limit remaining unchanged at 26 per cent for the sector, restricting access to foreign print players.

This is despite imposition of the GST at 5 per cent on the advertising revenues of the print industry for the first time in history.

While magazines contributed 4.3 per cent to the print segment, the latter was largely at status quo, with not many significant new launches in 2017.

Films

Films grew 27 per cent in 2017, on the back of box office (BO) growth, both domestic and international, coupled with increased revenues from sale of satellite and digital rights. All sub-segments grew with the exception of home video, and the film segment reached Rs156 billion in 2017.

The top 50 films contributed approximately 97.75 per cent of the total net box office collection. Box office collections of the top 50 films grew by 11.60 per cent in 2017. Regional movies drove the growth in number of releases in 2017.

Screen count increased from 9,481 in 2016 to 9,530 in 2017. The number of Hindi movies crossing the Rs1 billion mark in 2017 was the highest in the past 5 years. From 31 movies in 2016, Hindi dubbed movies increased more than 3 times to 96 in 2017.

Trump's tariff walls could hurt India

Higher levies are not just meant for China and Mexico. They could scupper exports of — and FDI to — all developing countries.

Donald Trump's presidential victory should be disquieting to developing nations like India who must globally export to power their economic growth. Trump has promised to rein in free trade and globalisation that are believed to be eroding American manufacturing and factory employment. He plans to execute his promises through prohibitive tariffs and controls that could turn the US into a nettlesome export market for developing countries.

As Trump's presidency looms, fear is growing: Will he proceed with his protectionist plans?

Trade and manufacturing losses

By output value, manufacturing was one-third of GDP in the 1950s. America produced heavy durables like aircraft, autos, and industrial machinery but also a wide-range of consumer non-durables: apparel, electrical appliances, and accessories.

The US has since evolved further into an intellectual and service-based economy, driven by market dynamics and the choices businesses made — the service sector is presently predominant, and manufacturing has shrunk to 12 per cent of GDP.

The US still makes aircraft, turbines, and semiconductors but these are complex products that involve sophisticated (automated) manufacturing; most standard goods and those requiring labour-intensive processes have moved to low-wage countries, propelled by cost pressures in a globalising world. The US has become a net merchandise importer in the last 30 years, with manufacturing employment down to 12 million from a high of 20 million — the promise of its rejuvenation through import barriers and trade restrictions is what has catapulted Trump to the presidency.

Trade barriers and effects

Trump intends to employ punitive tariffs on cheap merchandise entering the US to encourage domestic manufacturing and bring back lost jobs. His primary tariff targets, as he has frequently indicated, are China and Mexico but one cannot rule out the effects of his action on other countries that export similar products, for example, India.

In broad terms, Trump's plan involves a 45 per cent across-the-board levy on Chinese goods and 35 per cent on Mexican. Machinery, engineered products, auto parts, electronic devices, and apparel are imports likely to be affected. In dollar terms, a good percentage of China's current exports to the US of $482 billion — and perhaps India's $44 billion too — could be at risk.

Interestingly, the effects of these tariffs will not be confined to the exports of these countries. They will equally impact the foreign direct investment (FDI) that flows to their manufacturing sector. As imports become less attractive to US businesses, they will increasingly prefer domestic manufacturing to off-shore ventures in low-wage countries, thereby reducing FDI. Incidentally, both exports and FDI could be further imperilled as “the nationalism” (anti-globalisation) hysteria currently gripping parts of the West becomes ubiquitous.

President’s power on trade

Can Trump unilaterally pursue the extreme protectionist policies he is touting? The US Constitution and Congressional legislation grant the President broad powers on matters of international trade. The President can abrogate trade agreements, levy tariffs on select goods, or impose at will an across-the-board levy on all goods imported from a country to protect US economic interests.

The last requires Congressional approval, and may not receive WTO blessings unless egregious trade violations are proved. But Presidents have imposed harsh levies on select goods irrespective of country origin or on specific items emanating from a country. In 2002, Bush levied a 30 per cent duty on all steel imports. In 2009, Obama hit China with a 35 per cent duty on tyres. In 2012, Congress authorised Obama higher duty on all Chinese goods citing unfair trade behaviour.

What would President Trump do? Historically, US presidents have refrained from punitive tariffs to avoid risking a trade war. Obama’s steep tyre levies resulted in Chinese retaliation on US chicken exports that eventually hurt both. There are also economic factors that act as restraints: a) High tariffs hurt US. durable goods manufacturers who must import components from several foreign locations to finish their product, and b) tariffs are in fact taxes on the consumer.

Nevertheless, public opinion seems to favour trade policies that would protect American manufacturing.

Polls show growing belief (especially in the Rust Belt - Michigan, Pennsylvania, Wisconsin) that low wage countries are taking advantage of U.S. free trade policies.

Presently, only a third of U.S. imports are on the tariff list, the rest are on the free list.

And those on the tariff list pay a nominal duty. Under President Trump, the tariff list may expand and the duty paid may rise – that will not be good news for developing countries relying on exports for economic growth.

(The writer Raghavan Parthasarthy is a professor of business policy and strategy, Baruch College, City University of New York.)

Torrent Pharma readies €2 billion binding offer for Sanofi’s European unit

Ahmedabad-based Torrent Pharma ties up funds from several domestic and foreign banks for the Zentiva bid.

Torrent Pharmaceuticals Ltd is readying a €2 billion (Rs16,000 crore) bid for Zentiva N.V., the generic drugs unit of France’s Sanofi, two people directly aware of the bidding process said.

If Ahmedabad-based Torrent is successful, it will be the biggest outbound transaction by an Indian drug maker, the previous largest being Lupin Ltd's acquisition of Gavis Pharmaceuticals Llc. and Novel Laboratories Inc. for $880 million in 2015.

Torrent Pharma has tied up funding from several domestic and foreign banks for the bid, the deadline for which ends on 28 March, the people cited above said on condition of anonymity.

Sanofi had acquired Zentiva in 2009 by paying close to $2.6 billion for the company. Zentiva is currently the third largest generics company in Europe and sells medicines for cardiovascular, gastrointestinal, anti-inflammatory, pain management, metabolic and blood disorders among others.

Zentiva has earnings before interest, tax, depreciation and amortization (Ebitda) of $150 million. Torrent's €2 billion bid will value the firm at 13 times its Ebitda, said one of the two people cited above, adding Sanofi has hired JP Morgan, Rothschild & Co. and Morgan Stanley as advisers to manage the sale process.

"More Indian pharma companies had submitted non-binding bids when the asset first came up for auction but their bids were not shortlisted," said the second person cited above. "Apart from Torrent, a few more bidders have been shortlisted, which include a strategic bidder and private equity funds," the second person said, adding that shortlisted bidders among PE firms are global giants Blackstone and Carlyle.

News agency Reuters reported in February that apart from Torrent, Brazilian drugmaker EMS has been shortlisted by Sanofi for Zentiva.

Responding to a query, a spokesperson for Sanofi said "As announced in our 2020 strategic roadmap, Sanofi has carefully reviewed all options for its generics business in Europe and has decided to initiate a carve-out process in order to divest it by the end of 2018. Sanofi will be looking for a potential acquirer that will leverage the mid and long-term sustainable growth opportunities for this business in Europe."

"While Sanofi does not disclose the details of the preparation of the divestment, the company can confirm that, as it is common business practice, bankers have been appointed to advise Sanofi on the divestment. Sanofi can also confirm having received different manifestations of interest for the acquisition of its profitable European generics business. The company will not comment further at this stage," the spokesperson added.

Requests for comment sent to Blackstone and Carlyle remained unanswered. JPMorgan, Rothschild and Morgan Stanley did not respond to requests for comment.

In August last year, Intas Pharmaceuticals Ltd, one of the largest privately held domestic pharma companies, unsuccessfully bid for the European assets of Israeli generic drugmaker Teva Pharmaceutical Industries Ltd in a deal that was valued at close to $1 billion.

Torrent has been fairly active in the M&A space in the recent past. In January, Torrent announced the acquisition of US-based generic pharmaceuticals company, Biopharm Inc (BPI) through its US subsidiary. BPI is a maker of oral solutions, suspensions and suppositories. In November last year, it acquired the domestic business of Unichem Laboratories for close to Rs 3,600 crore. In 2014, Torrent acquired the branded domestic formulations business of Elder Pharma for Rs 2,000 crore and acquired select brands of Novartis, and manufacturing plants of Zyg Pharma and Glochem Industries in 2015.

(News appeared in Livemint on 7 March)

Digital Taxation: Commission proposes new measures to ensure all companies pay fair tax in EU
The European Commission on 21st March proposed new rules to ensure that digital business activities are taxed in a fair and growth-friendly way in the EU. The measures would make the EU a global leader in designing tax laws fit for the modern economy and the digital age.

The recent boom in digital businesses, such as social media companies, collaborative platforms and online content providers, has made a great contribution to economic growth in the EU. But current tax rules were not designed to cater for those companies that are global, virtual or have little or no physical presence. The change has been dramatic: 9 of the world's top 20 companies by market capitalisation are now digital, compared to 1 in 20 ten years ago. The challenge is to make the most of this trend, while ensuring that digital companies also contribute their fair share of tax. If not, there is a real risk to Member State public revenues: digital companies currently have an average effective tax rate half that of the traditional economy in the EU.

The proposals come as Member States seek permanent and lasting solutions to ensure a fair share of tax revenues from online activities, as urgently called for by EU leaders in October 2017. Profits made through lucrative activities, such as selling user-generated data and content, are not captured by tax rules. Member States are now starting to seek fast, unilateral solutions to tax digital activities, which creates a legal minefield and tax uncertainty for business. A coordinated approach is the only way to ensure that the digital economy is taxed in a fair, growth-friendly and sustainable way.

Two distinct legislative proposals proposed by the Commission will lead to a fairer taxation of digital activities in the EU:

The first initiative aims to reform corporate tax rules so that profits are registered and taxed where businesses have significant interaction with users through digital channels. This forms the Commission's preferred long-term solution.

The second proposal responds to calls from several Member States for an interim tax which covers the main digital activities that currently escape tax altogether in the EU.

This package sets out a coherent EU approach to a digital taxation system which supports the Digital Single Market and which will feed into international discussions aiming to fix the issue at the global level.

Valdis Dombrovskis, Vice-President for the Euro and Social Dialogue said: "Digitalisation brings countless benefits and opportunities. But it also requires adjustments to our traditional rules and systems. We would prefer rules agreed at the global level, including at the OECD. But the amount of profits currently going untaxed is unacceptable. We need to urgently bring our tax rules into the 21st century by putting in place a new comprehensive and future-proof solution."

Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs added: “The digital economy is a major opportunity for Europe and Europe is a huge source of revenues for digital firms. But this win-win situation raises legal and fiscal concerns. Our pre-Internet rules do not allow our Member States to tax digital companies operating in Europe when they have little or no physical presence here. This represents an ever-bigger black hole for Member States, because the tax base is being eroded. That's why we're bringing forward a new legal standard as well an interim tax for digital activities."

Proposal 1: A common reform of the EU's corporate tax rules for digital activities
This proposal would enable Member States to tax profits that are generated in their territory, even if a company does not have a physical presence there. The new rules would ensure that online businesses contribute to public finances at the same level as traditional 'brick-and-mortar' companies.
A digital platform will be deemed to have a taxable 'digital presence' or a virtual permanent establishment in a Member State if it fulfils one of the following criteria:

- It exceeds a threshold of €7 million in annual revenues in a Member State

- It has more than 100,000 users in a Member State in a taxable year

- Over 3000 business contracts for digital services are created between the company and business users in a taxable year.

The new rules will also change how profits are allocated to Member States in a way which better reflects how companies can create value online: for example, depending on where the user is based at the time of consumption.

Ultimately, the new system secures a real link between where digital profits are made and where they are taxed. The measure could eventually be integrated into the scope of the Common Consolidated Corporate Tax Base (CCCTB) – the Commission's already proposed initiative for allocating profits of large multinational groups in a way which better reflects where the value is created.

Proposal 2: An interim tax on certain revenue from digital activities
This interim tax ensures that those activities which are currently not effectively taxed would begin to generate immediate revenues for Member States. It would also help to avoid unilateral measures to tax digital activities in certain Member States which could lead to a patchwork of national responses which would be damaging for our Single Market.

Unlike the common EU reform of the underlying tax rules, this indirect tax would apply to revenues created from certain digital activities which escape the current tax framework entirely. This system will apply only as an interim measure, until the comprehensive reform has been implemented and has inbuilt mechanisms to alleviate the possibility of double taxation.

The tax will apply to revenues created from activities where users play a major role in value creation and which are the hardest to capture with current tax rules, such as those revenues:

- created from selling online advertising space

- created from digital intermediary activities which allow users to interact with other users and which can facilitate the sale of goods and services between them

- created from the sale of data generated from user-provided information.

Tax revenues would be collected by the Member States where the users are located, and will only apply to companies with total annual worldwide revenues of €750 million and EU revenues of €50 million. This will help to ensure that smaller start-ups and scale-up businesses remain unburdened. An estimated €5 billion in revenues a year could be generated for Member States if the tax is applied at a rate of 3%.

Next Steps

The legislative proposals will be submitted to the Council for adoption and to the European Parliament for consultation. The EU will also continue to actively contribute to the global discussions on digital taxation within the G20/OECD, and push for ambitious international solutions.

BUSINESS INFO:

India Maritime*plus*

(Investment Facilitation Cell)

Dear Sir/Madam,

We have pleasure in bringing to your notice information regarding RFP invited by **Maharashtra Maritime Board**for empanelment of Consultants**.**

For further details, please visit the website mentioned in the notice below:

	Maharashtra Maritime Board
1	**Maharashtra Maritime Board**invites Request for Proposal (RFP) for empanelment of consultants for preparation of Detailed Project Report and related works for various marine infrastructure projects. Other details including Tender documents can be downloaded from website https://mahammb.maharashtra.gov.in. Last date for bid submission is 19.04.2018 up to 05.00 pm.
