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India, Luxembourg ink 3 pacts to push funding ties of their maiden summit in twenty years

Prime Minister Narendra Modi on Thursday emphasised that the idea in democracy, rule of regulation and freedom is the power of the partnership between India and Luxembourg as the 2 sides signed three pacts at their first bilateral summit in twenty years to push their enterprise and funding partnership.

The 2 Prime Ministers on the Summit exchanged views on strengthening India-Luxembourg relationship within the post-COVID world, particularly within the areas of economic expertise, inexperienced financing, house purposes, digital improvements and start-ups.

The three agreements signed on the Summit are MoU between India Worldwide Change (India INX) and Luxembourg Inventory Change (Gives for cooperation in monetary companies business, upkeep of orderly markets in securities respective nation, ESG (environmental, social and governance) and inexperienced finance within the native market.); MoU between State Financial institution of India and Luxembourg Inventory Change (Gives for cooperation in monetary companies, business upkeep of orderly markets in securities respective nation, ESG (environmental, social and governance) and inexperienced finance within the native market); and MoU between Make investments India and Luxinnovation (This can help and develop mutual enterprise cooperation between Indian and Luxembourg corporations, together with promotion and facilitation of inbound FDI, coming from or proposed by Indian and Luxembourgish traders).

The 2 sides have proposed settlement between the regulatory authorities “Fee de Surveillance du Secteur Financier” (CSSF) and the Securities and Change Board of India (SEBI) would deepen bilateral cooperation within the monetary sector.

Talking on the India-Luxembourg summit held just about Modi stated, “India-Luxembourg`s partnership amid the COVID-19 pandemic may be useful for the restoration of each the nations. Our bilateral perception in democracy, rule of regulation and freedom strengthens our relation and partnership.”

Luxembourg Prime Minister Xavier Bettel greeted Modi as “Good day my buddy” after welcoming him with folded arms. “On the behalf of 130 crore Indians, I ship my condolences to the individuals who died of COVID-19 in Luxembourg. I additionally congratulate the Prime Minister for his environment friendly coping with the coronavirus,” he stated, including, “This yr`s summit is essential. We’ve been assembly on varied platforms however that is the primary stand-alone summit for the reason that previous twenty years.”

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Editor: **Secretary General**

He additionally welcomed Luxembourg`s determination to hitch the Worldwide Photo voltaic Alliance and urged Luxembourg counterpart Xavier Bettel to hitch the Coalition for Catastrophe Resilient Infrastructure.

The Prime Minister steered that India and Luxembourg have immense potential to extend commerce partnerships. "We've a very good partnership within the discipline of metal, monetary expertise, digital area however there's a likelihood of taking it additional. I'm glad that our house company not too long ago launched Luxembourg`s 4 satellites. We welcome Luxembourg`s determination to hitch the Worldwide Photo voltaic Alliance. We welcome you to hitch the Coalition for Catastrophe Resilient Infrastructure."

The 2 Prime Ministers additionally took word of the long-standing cooperation between India and Luxembourg within the metal sector and the leaders referred to as upon companies, together with SMEs and startups, to discover additional alternatives for increasing the financial relationship. Additionally they famous that Luxembourg corporations have been taking a rising curiosity in India's varied initiatives associated to the setting, clear vitality and sustainable applied sciences, together with the Clear Ganga Mission.

Bettel highlighted that Luxembourg, as a number one worldwide monetary centre in Europe, can act as an vital bridge to assist join India's monetary companies business with worldwide markets and attain European and international traders.

The 2 leaders agreed that the problem of future-proofing international provide chains shall be to make sure a clean interaction between interdependence and better resilience, requiring notably an elevated coordination amongst all stakeholders concerned within the worth chain.

The 2 leaders expressed their dedication to advertise efficient and reformed multilateralism and a rules-based multilateral order with the United Nations (UN) and the World Commerce Organisation (WTO) at its core.

(Source: Skynewspress, 20/11/2020)

Indian economy may be recovering faster than anticipated: Oxford Economics

The Indian economy is seen recovering faster than expected and the Reserve Bank is likely to have come to an end of the rate easing cycle, according to global forecasting firm Oxford Economics. It further said that inflation is expected to average significantly above 6 per cent in the fourth quarter of the current fiscal and the RBI may hold policy rates in December monetary policy review meeting.

"Consumer inflation rose back to pre-virus highs in October, with almost every broad category other than fuel experiencing a rise in prices. While Q4 is likely to mark the peak for inflation, we have turned more cautious on the trajectory over 2021," it said.

Costlier vegetables and eggs pushed up retail inflation to a nearly six-and-a-half year high of 7.61 per cent in October, keeping it significantly above the comfort zone of the Reserve Bank. Retail inflation stood at 7.27 per cent in September 2020.

"At the same time, robust bottom-up activity data suggest that the economy may be recovering faster than we anticipated. As such, we see an increasing possibility that the RBI's easing cycle has ended," Oxford Economics said.

(Economic Times, 15/11/2020)

India may attract $120-160 billion worth investments per year: CII and EY report

As per the CII and EY report, 'FDI in India: Now, Next and Beyond', India's GDP growth could also improve to 7-8 percent growth if the investments come in.

India may attract foreign direct investment (FDI) of $120-160 billion per year by 2025, subject to increasing the ratio of FDI to GDP to less than 2 percent from 3-4 percent, a CII and EY report found.

In fact, the country saw GDP grow 6.8 percent over the past 10 years with FDI to GDP at 1.8 percent.

It found that investors ranked India third in terms of attractiveness, at least 80 percent have plans for India in the next two to three years, and close to 25 percent stating investments worth over $500 million, The Economic Times reported.

As per the report, 'FDI in India: Now, Next and Beyond', India's GDP growth could also improve to 7-8 percent growth if the investments come in.

Traditionally, automobiles, chemicals, drugs and pharmaceuticals have attracted a majority 89 percent of FDI, but boost in manufacture of electric vehicles (EVs), manufacture of high end machinery, and diversification of service and regionalisation of cotton textile and mining value chains would determine FDI in flows post-COVID.

States-wise Maharashtra remains the most attractive destination, getting 28 percent of the share, followed by Karnataka (19 percent), Delhi (16 percent) and Gujarat (10 percent). These four alone grabbed 75 percent of the FDI between October 2019 and June 2020, while the top 10 got 97 percent, it noted.

Thus, focusing on making low-skill sectors attractive for FDI could also increase employment opportunities for India's "large labour force" and spread investments to untapped states - some of which also hold larger populations, the report said.

Investors surveyed in the report stated India's workforce, political stability, cheap labour and policy reforms were factors that influenced investments and attractiveness.

(Money Control, 24/11/2020)

Jobs, tax relief for home-buyers and a message for China: Who got what in Nirmala Sitharaman's 12-point Stimulus 3.0

Union Finance Minister Nirmala Sitharaman on Thursday announced 12 measures in the next set of stimulus under Atmanirbhar Bharat 3.0 aimed at boosting employment, credit and manufacturing. The additional stimulus steps amount to about Rs 9 lakh crore, taking the total virus relief to almost Rs 30 lakh crore, or 15% of gross domestic product.

The Finance Minister pointed at recovery in energy consumption, GST collections, daily railway freight and bank credit as examples of the economy's upward trend.

Twelve new measures were announced as the third leg of the Atmanirbhar scheme championed by the Modi government.

1.) Relief for homebuyers

Differential between circle rate and agreement value increased from 10 to 20%, till 30th June 2021 for only primary sale of residential units of value up to Rs 2 crore.

Till now, only 10 per cent difference between the circle rate and the agreement value was allowed.

2.) Boost for rural employment

An additional outlay of Rs 10,000 crore will be provided for the PM Garib Kalyan Rozgar Yojana in the current FY to accelerate rural economic growth.

As of today, Rs 73,504 crore has been released under MGNREGA and 251 crore person-days of employment have been guaranteed.

PM Garib Kalyan Rozgar Yojana is in progress in 116 districts and has spent Rs 57,543 crore till date.

3.) Fertilizer subsidy for farmers

A Rs 65,000-crore fertilizer subsidy for farmers was announced to ensure adequate availability of fertilisers to farmers.

An additional outlay of Rs 10,000 crore will be provided for PM Garib Kalyan Rozgar Yojana in the current financial year.

Further said, Rs 3,000 crore will be released to EXIM Bank for promotion of 'Project Exports' through lines of credits.

4.) Promise of new jobs

Subsidy to be given to those establishments that make new hires.

Would be to cover for retirement fund contributions by employees as well as employers for two years.

Employees contribution (12% of wages) and employer's contribution (12% of wages) would be given to establishments for two years.

EPFO registered establishment taking new employees would get this subsidy.

Any new employee on monthly wages less than Rs 15,000.

The scheme would be operational till June 30, 2021.

5.) Emergency Credit Line Guarantee Scheme extended

ELGS 1.0 extended till 31st March, 2021.

It would be fully guaranteed and collateral free.

Additional credit of up to 20% of outstanding loans will be given for entities with outstanding credit up to Rs 50 crore and annual turnover up to Rs 250 crore.

MSMEs, business enterprises, individual loans for business purposes and MUDRA borrowers will be eligible.

Under ECLGS 1.0, Rs 2.05 lakh crore sanctioned to 61 lakh borrowers, with total disbursals of Rs 1.52 lakh crore.

The scheme will be available till 31 March, 2021.

The scheme will be utilized for 100 per cent guarantee collateral free additional credit at capped interest rates. This will be for:

Entities in 26 stressed sectors identified by Kamanth Committee with credit outstanding above Rs 50 crore and up to Rs 500 crore

Entities with outstanding up to Rs 50 crore covered under existing scheme

Entities to be up to 30 days past due (SMA 0) as on 29 Feb, 2020

There is no upper ceiling on annual turnover

Additional credit up to 20 per cent of outstanding as on 29 Feb, 2020

6.) The plan to take on China

Current five-year PLI scheme extended to ten more sectors.

Total allocation of Rs 1.46 lakh crore

Special focus to draw businesses away from China.

7.) PM Awaas Yojana-Urban (PMAY-U)

Rs 18,000 crore will be provided for PMAY-U over the 2020-21 budget estimates through additional allocation.

This will be over and above Rs 8,000 crore from earlier this year.

This may help 12 lakh houses to be grounded and for 18 lakh houses to be completed.

Expected job creation of 78 lakhs.

8.) Relief to contractors

Earnest money deposit (EMD) and performance security on govt tenders relaxed by reducing locking up of capital.

Performance security on contracts will be reduced to 3 per cent, and will be extended to ongoing contracts which are free of disputes.

EMD will not be required for tenders, being replaced by Bid Security Declaration.

Relaxations will be given till 31 December, 2021 under the General Financial Rules.

9.) Booster shot to vaccine research

Rs 900 crore grant to the Department of Biotechnology for COVID-19 vaccine research.

The grant does not cover the actual cost of vaccine and distribution expenses, which will be made separately as and when the vaccine is available.

10.) Infrastructure debt financing

NIIF Strategic Opportunities Fund has set up a debt platform comprising an NBFC Infra Debt Fund and NBFC Infra Finance Company.

The platform has a loan book of Rs 8,000 crore and deal pipeline of Rs 10,000 crore

NIIF AIFL (AA rating) and IFL (AAA rating) will be raising Rs 95,000 crore debt from the market, including project bonds.

By 2025, will provide infrastructure project financing of Rs 1,10,000 crore.

NIIF has already invested nearly Rs 2,000 crore in equity of the platform, and the govt will be investing Rs 6,000 crore as equity, with the rest being raised from private investors.

Actual investments made by three NIIF funds in downstream funds, platforms and operating companies is Rs 18,676 crore.

11.) Capital and industrial stimulus

Rs 10,200 crore additional budget outlay will be provided towards capital and industrial expenditure, which covers domestic defence equipment, industrial incentives, industrial infrastructure and green energy.

12.) Boost For Project Exports

Rs 3,000 crore will be released to Exim Bank for promotion of project exports through lines of credit (LOC) under the IDEAS scheme.

Exim Bank has extended LOC on behalf of govt as assistance to developing countries under the IDEAS scheme and promotes Indian export by mandating recipient countries to import 75 per cent value of the LOC.

(Economic Times, 12/11/2020)

Stimulus 3.0: Now, guaranteed credit for large firms in 27 sectors

Loan growth has been faltering in recent months. According to the latest RBI data, non-food bank credit growth decelerated to 5.8% on year in September from 8.1% a year before.

The government has already earmarked a corpus of Rs 41,600 crore over the current and the next three financial years to implement the ECLGS.The government has already earmarked a corpus of Rs 41,600 crore over the current and the next three financial years to implement the ECLGS.

The government on Thursday launched a new version of its Rs 3-lakh-crore guaranteed loan programme, originally meant for MSMEs, to benefit even larger firms in 27 stressed sectors ravaged by the Covid-19 pandemic, as it announced a raft of measures under the Aatmanirbhar package 3.0 to bring the economy back on its feet fast.

The move follows Rs 1.46 lakh crore production-linked incentive (PLI) schemes launched for 10 sectors on Wednesday, seeking to lure mainly large companies to ramp up manufacturing base and boost exports.

However, the Emergency Credit Line Guarantee Scheme (ECLGS) 2. 0 has been rolled out without raising the overall loan limit, as one-third of the Rs 3-lakh-crore cap is yet to be exhausted. That means no additional budgetary expenditure will be required for the revamped scheme. Nevertheless, it’s open to revising the limit later, based on the responses.

Both the ECLGS 1.0 and ECLGS 2.0 will run simultaneously and companies can tap the schemes until March 2021, as the government seeks to ensure greater flow of credit to lift economic activities in the aftermath of the easing of lockdown. The ECLGS was earlier extended only up to November 30 this year.

Finance minister Nirmala Sitharaman said, under the ECLGS 2.0, companies in 26 stressed sectors identified by the Kamath panel as well as healthcare, with credit outstanding of above Rs 50 crore and Rs 500 crore as of February 29, will be eligible to get up to 20% additional collateral-free loan with official guarantee.

The sectors include power, construction, iron and steel, roads, real estate, wholesale trading, textiles, consumer durables, aviation, logistics, hotels, restaurants and tourism, and mining.

The government has already earmarked a corpus of Rs 41,600 crore over the current and the next three financial years to implement the ECLGS.

Unlike in the ECLGS 1.0, there is no turnover limit set for the companies to tap the scheme. Their accounts must have been SMA-0 (where the delay in repayment ranges between one and 30 days) as of February 29, 2020.

Interest rates under both the versions of the scheme are capped at 9.25% for banks and other financial institutions, and 14% for NBFCs. However, instead of four years, the tenor of loans to be provided under the ECLGS 2.0 is five years, including a moratorium of one year on principle repayment.

“ECLGS 2.0 to provide much-needed relief to stressed sectors by helping entities sustain employment and meet liabilities. It will also benefit MSME sector which provides goods and services to eligible entities,” the finance minister said.

Loan growth has been faltering in recent months. According to the latest RBI data, non-food bank credit growth decelerated to 5.8% on year in September from 8.1% a year before.

Loans of Rs 2.05 lakh crore has been sanctioned so far under the ECLGS since its rollout on June 1 to 61 lakh borrowers. Of this, an amount of Rs 1.52 lakh crore has been disbursed.

Under the ECLGS 1. 0, announced as part of the government's Rs 21 lakh-crore relief package in May, the Centre has pledged full guarantee for up to 20% extra, collateral-free working capital loans, subject to the Rs 3-lakh-crore limit. While this scheme was initially meant for only MSMEs, the government, in August, decided to relax the eligibility criteria to cover professionals and enable a wider pool of businesses to benefit from it.

Still, as part of its expanded coverage, companies with an annual turnover limit of only up to Rs 250 crore are eligible to tap the ECLGS 1. 0. Even individuals such as doctors, chartered accountants, lawyers, etc, who wish to take loans for professional purposes, are covered. Similarly, eligible businesses with only up to Rs 50 crore outstanding as of February 29 can avail of the additional guaranteed loans.

(Financial Express, 13/11/2020)

Modi government outlines new science technology, innovation policy, focuses on bringing back diaspora

The policy-making aims at defining priority issues for the national STI ecosystem, recommendations, implementation of strategies, robust monitoring mechanism, and expected deliverables, the Ministry of Science and Technology said in a statement.

science policy forum, science policy in India, science policy forum India, science policy 2020, science policy jobs in India, science policy interfaceDr. Harsh Vardhan said that STIP 2020 is aiming to create a long-term pathway for scientists and students.

India has begun preparations to bring in Science Technology and Innovation Policy (STIP) 2020. Along with the "landmark policy initiative", the Central government has emphasized building "policy level mechanisms" and creating opportunities to attract bright talents among Indian diaspora back home, Union Minister Harsh Vardhan said. Dr. Vradhan has disclosed that the prime objective of STIP 2020 is to decentralize the policy designing and transform it into an inclusive process.

STIP 2020 focuses on the development of technology and research methods. Apart from making socio-economic progress, the STIP 2020 aims at fulfilling the aspirations of lakhs of budding scientists and young students, Dr. Vardhan said while chairing policy consultation with the Indian diaspora and seeking their contributions to the upcoming policy on Science and Technology.

Dr. Vardhan has also outlined that the new policy is under formulations. He said that STIP 2020 is aiming to create a long-term pathway for scientists and students. The central government wants to make the policy formulation process more participatory and inclusive.

STIP 2020 policy is being formulated through four interrelated tracks. There are 21 expert-driven thematic groups, and the focus is on public consultations. The policy-making aims at defining priority issues for the national STI ecosystem, recommendations, implementation of strategies, robust monitoring mechanism, and expected deliverables, the Ministry of Science and Technology said in a statement.

Dr. Vardhan has stated that the central government has launched a dedicated platform for science and technology diaspora engagement ‘PRABHASS’. Lauding the Indian scientific diaspora’s contributions, Dr. Vardhan said that the Central government wants to tap the potential of the diaspora, bring them back and provide opportunities to engage in the country’s scientific and economic ecosystem in order to accelerate the growth in Science Technology and Innovation. This will not only benefit India’s development but also for the global welfare, Dr. Vardhan said.

Professor K. Vijay Raghavan, Principal Scientific Adviser, Govt of India, Secretary Department of Science and Technology, Professor Ashutosh Sharma, Healthcare-Biotech Consultant, Dr. Vijay Chauthaiwale, Indian Scientific Diaspora from across the world and several dignitaries attended the virtual meeting.

(Financial Express, 9/11/2020)

India’s economy set to make strong recovery in upcoming quarters; ample of investment options lie ahead

The government said that the country is poised to recover strongly in the upcoming quarters due to reform orientation, resilient financial system, and robust domestic consumption.

Nirmala Sitharaman, finance minister added that pre-filled income-tax forms and the indirect tax system were also simpler than earlier versions.

Even as the coronavirus pandemic hits the Indian economy severely, the country is poised to recover strongly in the upcoming quarters due to reform orientation, resilient financial system, and robust domestic consumption, Finance Minister Nirmala Sitharaman’s Office said in a tweet. It added that the government has been consistently introducing reforms that are improving the investment climate in India. A day after Prime Minister Narendra Modi’s addressed the global investors in an effort to attract them to invest in India, the FM Office said that the investment landscape in India offers abundant opportunities across sectors, segments and industries.

With the growth in spending power, consumption expenditure, and internet and smartphone penetration, India is fast turning into a market that every investor would like to tap, the FM Office underlined. Highlighting the favourable investment conditions in India, it said that the National Infrastructure Pipeline, with an investment target of $1.5 trillion by 2025, provides opportunities to invest in the creation of large infrastructure assets.

The government said that India is on track to becoming a sought-after and favoured destination for global manufacturers and the country has seen robust investment inflows in recent times, with several MNCs committing significant investments in the country. The increase in FDI inflows and forex reserves over the last few years were also attributed to India’s sustained GDP growth and controlled inflation levels, which are believed to have boosted investor confidence.

Meanwhile, India received the highest ever Foreign Direct Investment (FDI) for the first five months of a financial year during April-August 2020. The total FDI inflow into India in the first five months was $35.73 billion, according to the Ministry of Commerce and Industry. It is also 13 per cent higher than that in the same period last fiscal. The FDI equity inflow received during April- August 2020 stood

at$27.10 billion, which is also the highest ever for the first 5 months of a financial year and 16 per cent more than the same period last year.

(Financial Express, 8/11/2020)

Government reaches out to MNCs over global digital tax

The tax department has reached out to some of the top multinationals and asked them about issues they could face under the Organisation for Economic Co-operation and Development's proposal to tax large corporates across jurisdictions.

India would be required to submit its suggestions to the OECD in December and wants companies to point out if there are any issues relating to the global taxation.

Under the Base Erosion and Profit Shifting (BEPS) framework, large economies, barring the US, have come together to tax the global income of digital companies. India wants companies to discuss issues if any that they could face under the OECD's so-called Pillar-1 and Pillar-2 approaches.

The Pillar-1 approach includes how digital companies allocate profits and which countries have the first right to tax them. Pillar 2 proposes a mechanism that would determine how to calculate the amount of taxes each jurisdiction can charge from the total profit pool.

Large digital companies are under the scanner for escaping tax in several countries through complex holding structures.

"Most multinationals are planning to make their presentations directly to the OECD, as they want the current system to continue," said a person with direct knowledge of the matter. Most of them are staying away from the Indian government because of this, he added.

The OECD had been trying to bring large economies on one page under the BEPS framework. ET on October 13 wrote that Google, Facebook, Amazon, LinkedIn and Netflix could face larger domestic tax liability after the OECD postponed a common tax framework for global economies, a move that would allow countries like India to go ahead with their own plans to tax the digital giants.

Tax experts also point out that some of the smaller companies or startups that may be valued in billions but may not have a particular level of revenues may escape the tax net.

"Whether a particular activity will fall in scope of Pillar One will be dependent upon the quantum of threshold of revenue. If the various thresholds are set at the higher end of the spectrum (which seems to be a possibility) then, a sizeable number of small or mid-size e-commerce companies may be left out. This may make difficult for India to phase out equalization levy in entirety," said Amit Singhania, a partner at Shardul Amarchand Mangaldas.

The OECD was expected to come out with a common tax framework by December this year, but now it is expected to do so mid-next year. The US has already threatened reciprocal treatment of any economy that attempts to tax US-based digital giants. The US in June has already launched an investigation on how some of the countries including India were taxing companies such as Google, Twitter and Facebook.

India in 2018 had said that global digital companies had a large consumer base in India but did not pay enough tax here.

There is a global push to bring the digital giants under the ambit of local taxes. Many such companies deliberately base themselves in low-tax jurisdictions.

India has come up with a framework, whereby it can tax global giants taking their user base into consideration, a move objected by the US.

The issue, say industry trackers, is worth $100 billion. Most of the large digital companies have created a maze of companies across the world as part of their tax planning. This also means they don't pay domestic taxes in several jurisdictions as per the liking of the local governments.

Take India for instance, government officials say digital giants earn as much as Rs 25,000 crore from India a year but do not pay tax here on the entire amount.

In most cases, these companies have created domestic units that only charge "fees" or "commissions" and the domestic tax (30%) is paid only on this portion of the amount.

To circumvent this, the Indian government has introduced an equalisation levy — 6% on advertising revenue and 2% on online purchases — on digital transactions.

According to people in the know, the concern among digital companies is that they might face tax in different jurisdictions for the same profits.

(Economic Times, 4/11/2020)

No agreements that are FTAs by stealth with China, to focus on EU, US: India on RCEP

India will avoid joining agreements which are actually trade pacts by stealth with China and instead explore trade agreements with developed countries with large markets such as the US and EU where Indian products and services would be competitive unlike ASEAN, officials said, a day after 15 Asia-Pacific countries signed the Regional Comprehensive Economic Partnership (RCEP) agreement.

"India will avoid joining agreements, which are in reality FTAs by stealth with countries like China," said an official.

India had pulled out of the pact last year after negotiating it for seven years citing its concerns on trade deficit, circumvention of rules of origin and base rate of customs duty, remaining unaddressed.

"We are already suffering huge trade imbalance and market distortions with these countries. This has negatively impacted domestic producers and the Indian economy," the official added.

Officials said that India took a stand based on firm principles.

New Delhi has said its stance to not join the pact remains unchanged despite calls by the grouping "expressing their strong will to re-engage".

The RCEP now comprises the 10 Association of Southeast Asian Nations (Asean) nations, as well as Australia, China, Japan, South Korea and New Zealand.

New Delhi had raised concerns at a threat of Circumvention of Rules of Origin by China wherein cheap goods from China would come into into India via other RCEP members. It had also sought a change in base rate of customs duty from 2014 to 2019 to reflect latest realities and safeguard domestic manufacturing of electronics and mobile phones.

“These were not bargaining chips for greater concession…To sign RCEP, India needed to resolve issues in its previous FTAs and ensure balanced, fair and beneficial framework in the RCEP,” said the official.

Similarly, it had pitched for an automatic mechanism to impose safeguard duties in case of import surge from RCEP members and a carve-out that local policy measures should be applicable only in top two levels of government.

India also wanted an exclusion from the Most Favoured Nation (MFN) clause related to investment commitments under the pact as it offers such benefits on investments only to strategic allies or geopolitical reasons and was not keen to be hand out to countries it has border disputes with.

(Economic Times, 17/11/2020)

How Insolvency and Bankruptcy Code can provide exit mechanism in economy

In the earlier laws, there was no mechanism that the company could survive and continue while at the same time the interest of all types of creditors was also safeguarded.

IBC, insolvency, bakruptcy code, resolution, creditor, debitorIBC Code was enacted with the aim of reorganisation of an affected business and insolvency resolution in a time-bound manner.

Daizy Chawla

Change is the rule of nature and it applies to businesses and corporates too. Profitability in a business is the natural corollary of the efficiencies of its promoters and/or management. If this efficiency starts slipping, things spiral out of control at times leaving only two options in front of its owners/management – either let the entire venture sink or the owners and management gracefully exit and allow the business’s creditors to try and salvage the situation which may even give a chance for the business to survive. This is possible in cases where, though the promoters/management might have failed, there are still good assets or business prospects in the company.

In these situations, it is necessary to have a mechanism whereby the promoters voluntarily exit and let some other person run the show. But prior to the introduction of the Insolvency and Bankruptcy Code in 2016 the laws in force in India did not provide an exit mechanism for the promoters or management. They merely enabled needful action against erring and inefficient promoters or management and were modes to recover the dues. The earlier laws did not facilitate or explore options to keep the ailing business a going concern.

For example, under the Recovery of Debts due to Banks and Financial Institutions Act, 1993, the creditors are allowed to proceed with filing an application before the DRT and the DRT after due satisfaction issues recovery certificate. The recovery against such a recovery certificate is made through the asset(s) of the company which ultimately means that the business suffers and then dies. Similarly, the erstwhile Winding-up provision under the Companies Act, 1956, provides for filing an application for

winding-up of a company if there are any dues and again the ultimate result of this exercise is that the affected business goes into liquidation and with waterfall mechanism provided w.r.t distribution, the creditors get paid.

As mentioned, in the earlier laws there was no mechanism that the company could survive and continue while at the same time the interest of all types of creditors was also safeguarded. Though the Reserve Bank of India brought circulars w.r.t Debt Restructuring etc, however, those were also more from the perspective of safeguarding the Bank Debts (i.e. safeguarding corporate Financial Creditors in other words).

The Insolvency and Bankruptcy Code was enacted with the aim of reorganisation of an affected business and insolvency resolution in a time-bound manner. It aims at maximising the value of a company's assets by way of providing an exit to current promoters/management who are responsible, in addition to other factors, for bringing the Corporate Debtor into Insolvency.

The I&B Code provides a formulated, time-bound exit mechanism for resolution of insolvency whereby the current management/promoter(s) exit either voluntarily (under Section 10 of the I&B Code) or are asked to step aside. With their exit, other(s) can step in and take over the management of the company with the consent of the stakeholders (i.e. Committee of Creditors) who can vouch in their commercial wisdom that the Resolution Applicant (or new owner) will be able to use the resources of the Corporate Debtor in an efficient manner which will be beneficial for both the Financial as well as Operational Creditors and also for the company as it gets to remain as a going concern.

Both legislation, as well as the judiciary, is taking all possible efforts to strengthen the Code so that the exit mechanism, a main aim of the Code is strengthened and is accepted by the promoters/management in good spirit and give way to new management to keep the business going.

Daizy Chawla is Senior Partner at Singh & Associates. Views expressed are the author's personal.

(Financial Express, 2/11/2020)

After European Union, what's next for 'Global Britain'?

A brave new world or a dangerous leap into the unknown? After nearly 50 years of integration with Europe, Britain starts an uncertain new chapter on January 1.

Britain formally quit the European Union in January this year but has continued to observe all its rules during a transition period.

That half-way house ends at 2300 GMT on December 31. So from 2021, it will stand on its own, for better or worse.

If the two sides can secure a new trade deal in the time left, that will smooth the path by lifting the prospect of tariffs and quotas for cross-Channel goods, from cars to lamb.

Without a deal, imports and exports face serious disruption with the abrupt return of barriers that have not existed for decades.

There are fears that certain foodstuffs and medicines could run short.

But even with a deal, the future won't be seamless.

UK exporters will still need to file reams of new customs paperwork to prove their goods have authorisation to enter the EU's single market.

Britain is urging business to be ready either way but industry players say the government has failed to deliver vital IT systems and support staff in time, heightening the risk of chaos after January 1.

Brexiteers argue the EU has held Britain back through onerous regulation and it can now embark on a buccaneering new mission to support free trade around the world -- "God's diplomacy", according to a February speech by Prime Minister Boris Johnson.

But if heaven was listening, it had other plans in mind: a month after Johnson's speech, Britain was forced into national lockdown by the coronavirus pandemic.

If the world ever gets back to normality, the idea is that Britain will not shrink inwards after Brexit but will look outwards, as far afield as a free-trade pact with Pacific rim countries.

"Now Global Britain is back, it is time for the makers, the doers and the innovators to help us write our most exciting chapter yet," International Trade Secretary Liz Truss declared in October, touting UK exports of everything from clotted cream to robots.

Truss has signed a post-Brexit trade deal with Japan, and is negotiating others with the United States, Australia, Canada and New Zealand -- Britain's partners in the "Five Eyes" collective of English-speaking intelligence powers.

Further deals in the pipeline will cover 80 percent of overseas trade by 2022, according to the government, which has shaken up the Foreign Office to integrate aid and development into Britain's diplomatic agenda.

Johnson's pitch to voters in last December's general election was to "get Brexit done" and focus both money and attention on parts of the country that have failed to benefit from London's finance-driven growth.

That "levelling up" agenda to bring new investment such as high-speed rail to northern England has been side-tracked by the pandemic.

But the government insists its long-term goals remain in place and that membership dues sent to the EU will be better spent at home.

Some Brexiteers want a radical overhaul of Britain's economic model, to turn the country into "Singapore on Thames" -- a lightly regulated, lightly taxed rival to supposedly sclerotic Europe.

Yet the government stresses that any free-trade deals won't sacrifice its "red lines": the state-run National Health Service, food standards and UK farming.

All of those sacred cows could be carved up if the United States forces post-Brexit Britain to yield the same kind of concessions on trade that the world's most powerful economy has negotiated elsewhere.

And Joe Biden's election as US president could restrict Johnson's plans to bind Northern Ireland into the post-January 1 UK internal market, free of EU influence.

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