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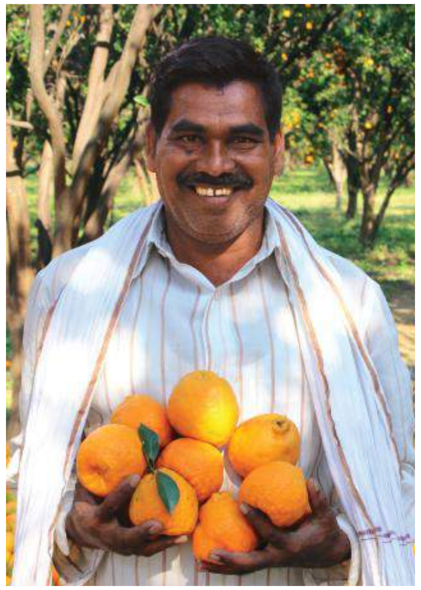
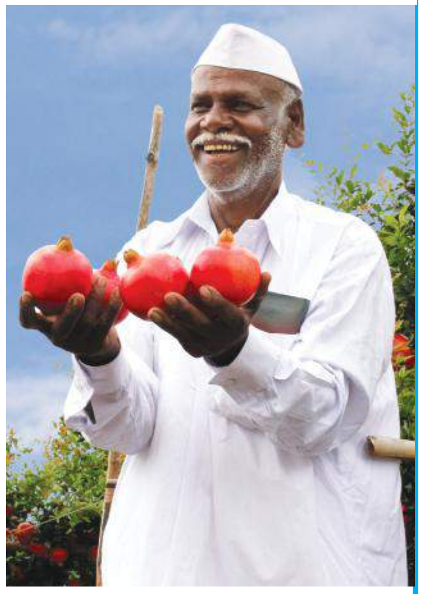

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President's Desk

Dear Members,

This last quarter, AIAI hosted several prominent international delegations seeking investment and business opportunities in India. Our experience over the last three months confirms that more and more foreign investors are looking at India as a global market and manufacturing hub.

Moreover through the Make in India initiative, the industrial sector has gradually picked momentum. Economic liberalization reforms, Industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, has further accelerated the country's growth.

The Reserve Bank of India's decision to cut interest rates by 50 basis points eases pressure on the private sector. This is also seen as an effort to encourage foreign businesses to invest in India, with a focus on public and private partnerships. Yet to make things more easier the RBI need to further cut repo rates.

In our bid to promote the business interests of our members, the AIAI during this period hosted high-level business and trade delegations from various countries such as Taiwan, Eastern Poland, China, Luxembourg, Brazil to name a few.

In addition the association led trade and official missions to Taiwan, Russia, Eastern Poland, Ireland and Mauritius.

And organized significant seminars and conferences for business and trade on relevant topics such as "Alternate means for Settlement of Commercial Disputes and Concilation in SAARC Countries in association with the SAARC Arbitration Council.

AIAI also felicitated Mr. Yashwant Sinha, Former Union Minister for Finance and External Affairs, Government of India on being conferred "Officer of the Legion of Honour" the highest French Civilian Distinction by the Government of France.

We in our efforts to bring to the fore our members apprehensions represented to the Government at the Centre and State level a number of industry grievances and issues, some of the issues taken up by us was on Prioritizing Funds For Renewable Energy, Deflationary Trends, Non-Performing Assets, Joint Lender Forum, Corporate Debt Restructuring besides other crucial matters of concern.

The recent developments of the 5th edition of the Global Economic Summit on the theme "Enabling Food for All" has been very encouraging. The summit has received tremendous response, we expect participation from over 30 countries and have already received confirmations from Russia, Poland, Brazil, Cyprus, Netherland, USA, Taipei, Canada ,New Orleans, Accra, Bangladesh, Cameroon, Armenia, Rawanda, France Italy, Israel, Saudi Arabia, Indonesia and Oman to name a few.

On this note, I am also very pleased to inform you that the response we have received from the State Governments is encouraging not just Maharashtra, but stakeholders, SMEs and State Government Authorities from the agriculture and food processing sectors from prominent States in India have consented to participate.

As is done every year we do plan on making the GES a truly successful forum for sharing of knowledge and technologies as well as business development. And will continue in our endeavor to assist our members to promote their businesses and represent them on government foras.

Vijay Kalantri

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European Nations keen to invest in India

H.E. João Cravinho, Ambassador of the European Union to India along with (L-R) Mr. Leszek Brenda, Consul General, Consulate General of the Republic of Poland, Mr. Vijay Kalantri, President, All India Association of Industries, Mr. Kamal Morarka, Chairman, MVIRDC World Trade Centre Mumbai and Ms. Samina Naz, Deputy High Commissioner, Bangladesh High Commission in Mumbai at an interactive meeting organized by AIAI and WTC Mumbai

European countries are interested in investing in India but there still are walls which need to be broken. Speaking positively of the relations between European countries and India. H.E. Ambassador João Cravinho, of the European Union (EU) urged the Indian government to break the walls around that deter foreign investors from doing trade with India. Although EU is the highest investor and trading partner in India the bureaucracy and taxation deter our investors from coming here. We request the Government of India to help peop le do their business and more will come to India," said H. E. Cravinho,

The Ambassador H.E. Cravinho praised the flagship programmes of Narendra Modi Government, 'Make in India' and 'Digital India. "There is an opportunity for India to embark upon change with the Make in India and Digital India projects. However, there needs to be more openness so that European companies can bring latest technology and fine innovations to India. We assure that EU and India can make these flagship programmes successful," assured Mr. Cravihno.

H. E. Cravinho, also appreciated Modi government's efforts to open up investments in railways, insurance and defence. "We are happy the Indian government has pushed for reforms that we wanted to see happening in India and the EU has the required expertise in them," said H. E. Cravinho,

H. E. Cravinho, also lauded the government for the Clean Ganga project, saying the European rivers like Danube and Rhine too were just as dirty as Ganga. The different countries came together to clean these rivers and H. E. Cravinho, attributed its success to first taking the decision to clean up and effective Governance.

H. E. Cravinho, also praised the Hon'ble Prime Minister Mr. Narendra Modi's government, saying he instils confidence in foreign investors. "The one or two years before elections, one felt India will never change and in just one year we see a huge transformation. Since last year we are seeing energy dynamism that was missing before," appreciated H. E. Cravinho

"European countries are interested in investing in India but there still are walls which need to be broken"

-H.E. João Cravinho, Ambassador of the European Union (EU)

The All India Association for Industries and World Trade Centre Mumbai organised anreception in honour of Mr. JoãoCravinho, during his visit to Mumbai. Mr. Vijay Kalantri, President, AIAI, emphasizingon the need for reforms in EU, to make the relations stronger said, "We are looking forward to the Free Trade Agreement talks between India and EU. We are confident these will boost trade and exchange of technology between EU and India.

We however feel this has to be a mutual relationship, where the EU also needs to open up for India," added Mr. Kalantri. Further informing that the Union Commerce Minister is soon expected to visit Brussels to sort out the issues regarding FTA. An optimistic Mr. Kalantri said, "I am positive these talks will enhance business opportunities between EU and India and pave way for better future."

The Chairman of WTC Mumbai Mr. Kamal Morarka felicitated H. E. Cravinho, and bid him a warm farewell. Mr. Morarka said, "We have had a long association with the Ambassador of EU and I am confident we will continue to do so in future."

Events Supported by AIAI

Sustainable Smart Cities India 2015 3rd & 4th September, 2015 Vivanta by Taj, Bengaluru	2nd Annual EPC Project Management 2015 21st-22nd September, 2015 Hilton Hotel, Mumbai
Elets India Ports Summit 2015 11th September, 2015 Trident, Nairman Point, Mumbai, Maharashtra	International Conference on Extension-Research Interface Promoting Exportable Rice Varieties & Evolving a Sustainable Development Model 16-18 October,2015 New Delhi
Strengthening SME for sustainable growth 11th-12th September, 2015 Lavasa City, Pune	Paperex 2015 12th International Exhibition 1-4 November, 2015 Pragati Maidan New Delhi
10th Southern Asia Ports, Logistics & Shipping 2015 17th and 18th September 2015 The Leela Kempinski Hotel Mumbai	9th Biennain Internation Conference on Ports, Shipping & Logistics November Mumbai

Taipei Delegation Expresses Confidence in Indian Economy

Ms. Rupa Naik, Executive Director, AIAI, Mr. Chien-Nan Kuo, CEO, Yu Tong Steel Co. Ltd., Mr. Y. R. Warerkar, Executive Director, WTC Mumbai and Ms. Emma Yang, Director, Taipei WTC, Mumbai during an interactive meeting on "2015 Taiwan Trade Mission to India".

A 20-member delegation from Taiwan, led by Mr. Chien-Nan Kuo, CEO, Yu Tong Steel reached out to the Indian investors and members of World Trade Centre Mumbai. In a joint effort to encourage bilateral trade, an 'Interactive meeting on 2015 Taiwan Trade Mission India,' was organized by All India Association of Industries, WTC Mumbai and Taiwan External Trade Development Council.

Ms. Emma Yang, Director of Taipei World Trade Centre presented the Taiwan delegation with a warm 'Namaste'. Ms. Yang highlighted the grand food fair that is organized annually in Taiwan. She announced a joint delegation of WTC Mumbai and WTC Taipei to the food fair. "We are going together as a joint delegation with AIAI and WTC Mumbai to attend the Taiwan food fair." Adding, "Taiwan is a very important market for international investors and is seen as a good testing market for Asia."

Ms. Rupa Naik, Executive Director, AIAI in her opening remarks called the visit an encouraging development in Indo-Taipei ties. She said that there were ample opportunities for investments in India. Apart from Mumbai, Ms. Naik emphasized the immense scope for new projects and investments in Bhubaneshwar, Jaipur and Goa. Ms. Naik also called upon Indian investors to visit Taipei. "Taipei has been a leader and matched the competitive spirit of China. We now need to bring them to invest in our states. The Taipei World Trade Centre organizes many fairs and our members can avail of this business opportunity," said Ms. Naik.

In his remarks, the delegation leader, Mr. Chien-Nan Kuo, CEO, Yu Tong Steel Company introduced there are 20 members from various sectors representing hardware, livestock, poultry, food processing, water treatment, education, software, steel, metal, air-cooling, engineering, electrical and solar power companies, and so on. "We look forward to the B2B connections. We also welcome business tours and can help organize visits," said Mr. Kuo.

Mr. Richmond from Get Kuang Enterprise expressed his happiness over India's progress and expressed a lot of confidence under Hon'ble Prime Minister Mr. Narendra Modi's leadership. "You have a huge population that can actually boost the economy and under Mr. Modi's leadership Indian economy is sure to overtake China and America."

> **"You have a huge population that can actually boost the economy and under Mr. Modi's leadership Indian economy is sure to overtake China and America"**
>
> **-Richmond, Get Kuang Enterprise.**

While answering a question from an Indian consultant as to how Taipei will compete with China's aggressive marketing in India, Ms. Yang said, "We have brought large companies to Gujarat when Mr. Modi was the CM, like China steel company, thanks to his open door policy." She mentioned the other sectors where companies have entered the Indian market and reposed confidence that under Mr. Modi's leadership more such investments will be made. "Our country is small but we are strong and advanced in technology. Indians cannot imagine a small country can give stiff competition to large markets like China."

Mr. Y R Warerkar, Executive Director, WTC Mumbai appreciated the efforts of Taipei World Trade Centre organized by Ms. Emma Yang. "Taiwan and India have been growing steadily due to mutual cooperation in science and technology, culture and educational exchange," said Mr. Warerkar. He also mentioned the recent visit to Taiwan by Mr. Vijay Kalantri, President, AIAI and Vice Chairman, WTC Mumbai Mr. Kamal Morarka Chairman, WTC Mumbai along with other officials.

Rate cut may not boost growth, AIAI

Industry and Trade was expecting minimum rate cut off 100 BPS in view of the slow-down, which would have resulted in growth in industrial production and infra sector, said Vijay G. Kalantri, President – All India Association of Industries (AIAI).

AIAI feels in view of bringing in stability on inflation front and with abundant stocks of food grains and stable crude prices without worrying about monsoon forecasts, the Governor of Reserve Bank of India, Dr. Raghuram Rajan could have taken a bold step by reducing 100 BPS to give impetus to the economic growth.

However, AIAI further feels that the banks should pass on to trade and industry, the 25 BPS twice reduced earlier and 25 BPS reduced now which will ease of the burden on the manufacturing and infra sector.

RBI needs to further cut Repo Rates

Mr. Kamal Morarka, Chairman, World Trade Centre (WTC) Mumbai felicitating Mr. Yashwant Sinha, Former Finance Minister, Government of India, from (L to R) looking on is Mr. Shatrugan Sinha – M.P and Mr. Vijay Kalantri President, All India Association of Industries (AIAI) and Vice Chairman, World Trade Centre, Mumbai during the event organized by AIAI an WTC Mumbai

The former Finance Minister, Mr. Yashwant Sinha was critical of the Reserve Bank of India. He emphasised that the RBI needs to reduce interest rates. The Central Bank has been stingy in reducing repo rate, especially now that the inflation is under control. "I am shocked the RBI has cut in such small portions the repo rate which the banks have not reduced. It should surprise with 75 basis points and reduce the interest rates." Mr. Sinha continued his criticism of Mr. Raghuram Rajan, the Governor of RBI, "Only a bad economist will say that once can control food inflation through monetary policy. We started to attack food inflation by increasing the interest rate. We have recovered from the slow down through efforts and now the RBI governor needs to cut interests by 2-3% to give impetus to the industry."

Mr. Sinha spoke at a function in Mumbai. The AIAI and WTC Mumabi felicitated Mr. Yashwant Sinha, Former Union Minister for Finance and External Affairs, Government of India on being conferred "Officer of the Legion of Honour" The highest French Civilian Distinction by the Government of France.

Mr. Sinha expressed shock that the RBI is not stringent in implementing the rate cuts. "How can the central bank ask the private bankers to implement interest cuts and these banks are refusing to do it. We cannot have such a situation. I have recommended that RBI needs to categorize the defaulters and not punish all people. It is time RBI took some responsibility on itself," said an emphatic Mr. Sinha.

Mr. Sinha feels the firewalls between the central government and RBI need to be removed, as this is an opportune time for India to become a leader in Asia and world. "India has proved to the world and we have consistently taken steps in the right direction. Corporate Debt Restructure is not the only solution. Business sector needs to be given relief. As a Finance Minister, I gave impetus to remove hurdles and support good projects. The current recessionary trend in Euro Zone we are seeing people are looking towards India. We should not miss this opportunity and government should do everything to support the manufacturing sector," said Mr. Sinha.

"First 'Make in India' and automatically Make in India will follow. As a Finance Minister I was laughed at when we went ahead to build national highways and roads. We did not have the equipment and I helped to reduce the import duties on the equipment required to build these highways and roads. Once I reduced the duties, we are today making these machineries. I strongly believe, we first should Make in India," said Mr. Sinha. Mr. Sinha also urged the micro and small scale entrepreneurs to now grab the opportunity to collaborate with foreign firms instead of depending on the governments.

> **"First 'Make in India' and automatically Make in India will follow"**
>
> **- Yashwant Sinha, Former Finance Minister**

"It is an excellent time for the micro and small entrepreneurs to grab the opportunity instead of blaming the administration. Prime Minister has gone out to every important country in the world that can help Make in India. Many of these countries have strong MSME sector. Now it is the responsibility of the MSMEs here to connect and collaborate," emphasised Mr. Sinha.

Mr. Kamal Morarka, the Chairman of WTC Mumbai recalled his association with Mr. Sinha as Parliamentarian. Mr. Morarka said it was personally a great honour to felicitate Mr. Sinha. "Mr. Sinha has vast experience in political life and it is a huge achievement. Mr. Sinha has vast knowledge in different fields and we have seen him as a fine Minister of External Affairs and a Finance Minister who has given one of the best budgets," said Mr. Morarka. He further appreciated Mr. Sinha's political acumen and the positive impact Mr. Sinha has made. Mr. Morarka emphasised, "This is an extraordinary honour, appreciating the efforts Mr. Sinha has taken as an External Affairs Minister and he is the first Indian politician to be conferred this honour."

Mr. Vijay Kalantri, the President of AIAI said, "Mr. Sinha had presided over the Chair of the India-France Parliamentary group, made my contribution and this is in recognition of all his efforts to improve ties between India and France." Mr. Kalantri added, "Mr. Sinha's observation on Make India is important. As Finance Minister Mr. Sinha implemented saral forms and abolished the Dividend Tax. He was also the one to bring inflation under control. He was the Finance Minister who brought stable policies and created a good political and economic environment."

Mr. Shatrughan Sinha, Member of Parliament too was present on this occasion. The function was very well attended by Industrialists, Consular Corps and eminent persons from all walks of life.

Mr. Kamal Morarka, Chairman, WTC Mumbai presenting memento to Mr. Yashwant Sinha, Former Finance Minister, Government of India, from looking on is Mr. Vijay Kalantri President, AIAI and Vice Chairman, WTC Mumbai.

“We are committed to signing the Free Trade Agreement with India,” Steven Ciobo, Australian Parliamentary Secretary for Foreign Affairs

Mr. C. Sarat Chandran Director, Indo-Australian Chamber of Commerce felicitated Guest of Honour Hon’ble Mr. Steven Ciobo Member of Parliamentary Secretary to the Australian Minister for Foreign Affairs the Chief Guest Mr. Rana Kapoor, Founder and CEO, YES Bank and Mr. Vijay Kalantri, President All India Association of Industries and Vice Chairman, WTC Mumbai

Hon’ble Mr. Steven Ciobo Member of Parliamentary Secretary to the Australian Parliamentary Secretary for Foreign Affairs on his first visit to India said that his country is committed to delivering the comprehensive economic trade treaty, or the Free Trade Agreement.

“Australia is convinced the bilateral relations have can grow in significant amounts and Free Trade Agreement is a critical element in the strategic relations between our two countries. We will deliver this commitment by the end of 2015,”said Mr. Ciobo, adding, Australia’s number one priority is comprehensive economic agreement.” He elaborated on the need for free trade, which is crucial for the Asian countries and their ties with Australia. “I believe the deadline with India can be met. Last 14 months my country has signed high quality free trade agreements with China, Korea and Japan. Australia believes in liberalized trade and Free Trade Agreement we will pursue strongly,” said Mr. Ciobo.

The Australian Parliamentary Secretary spoke at the Indo-Australian Business Summit organized by the Indo-Australian Chamber of Commerce, All India Association of Industries and World Trade Centre Mumbai.

Mr. Ciobo highlighted the immense untapped potential of trade between India and Australia. He highlighted the disparity of trade that Australia has with China as compared to India. “The two-way trade between both our countries is worth $15 Billion while with China it is $160 Billion, clearly there is so much more to do and a huge amount of potential that we see,” emphasized Mr. Ciobo. The Member Parliament also welcomed the ambitious Smart Cities project announced by India’s Hon’ble Prime Minister Mr. Narendra Modi. “The 100 Smart Cities project is very ambitious but can help growth in India. Australia has good infrastructure and will like to be a part of it,” said Ciobo.

The Parliamentary Secretary explained the investments made by Tata Steel with Blue Scope, Aurizon with Indian Railways and the investments in agri sector, which he feels is immense. “Australia is hungry to create and trade more. India can draw on Australia agri-business experts, like we can call on India’s Information Technology (IT) experts,” Mr. Ciobo explained. He added, the core sectors that Australia is strong in and can help India with expertise for enhancing their trade is mining, agriculture, medical, education, minerals, infrastructure and dairy.

Mr. Ciobo began his speech speaking of the warm ties and the spirit of resilience that connects both India and Australia. He said he led the delegation to lay a wreath at the Hotel Taj Mahal in Mumbai in memory of all the people who lost their lives in the terror attacks on November 26, 2008. “We laid a wreath at the hotel Taj in memory of all those who lost their lives in the terror attacks. We share that common in both the nations. Both have been touched by terrorism and we have resilience, people’s lives were affected but our people are our strength,” said Mr. Ciobo.

In his speech Mr. Ciobo thanked Mr. Rana Kapoor, Founder and CEO Yes Bank and President ASSOCHAM for playing the role of a catalyst between the two Hon’ble Prime Ministers Mr. Narendra Modi and Mr. Tony Abbott. Mr. Kapoor said India and Australia are natural partners bound by historical linkage. Mr. Kapoor said there were a lot of commonalities the two countries share. “India and Australia share a mutual love for cricket and are both multi-cultural countries,” said Mr. Kapoor. Mr. Kapoor enlisted the sectors for mutual collaborations. “I believe tourism is very strong for both the countries. Besides, the Water waste systems where there is bilateral opportunity and Murray-Darling basin work which can be replicated for Clean Ganga. The one strong collaboration I see is in dairy and Agri-business, which is important for India’s food security,” said Mr. Kapoor. While India is a growing economy and will need Australia’s support, Mr. Kapoor Australian companies are world leaders but are relatively underexposed.

Mr. Vijay Kalantri, President All India Association of Industries and Vice Chairman WTC Mumbai and in his opening remarks said this is an opportune moment for Australia to look towards India. Currently, Australian trade with India is only upto $12 billion, there is a huge potential enhancing. “We are pursuing for free trade agreement and we have to work together. The bilateral relations and trade will improve once the Free Trade Agreement is in place. Hopefully the issues will be resolved,” said Mr. Kalantri. He added, “The new efforts of our Prime Parliamentary Secretary for Ease of doing business in India, Make in India, and port-led growth tells us that it is an opportune time to invest in India.”

Mr. C Sarat Chandran, Director Indo-Australian Chamber of Commerce said the defining moment for Indo-Australian ties was the visit by Hon’ble Prime Minister Mr. Narendra Modi to Australia last year.

Guandong Province explores business opportunities with India

(L-R): Mr. Xie Guoxiang, Commercial Counselor, Consulate General of The People's Republic of China in Mumbai, Mr. GuoYuanqiang, Director General, Department of Commerce of Guangdong Province, China, Mr. Vijay Kalantri, President, All India Association of Industries and Vice Chairman, World Trade Centre Mumbai and Zheng Xiyuan, Consul-General of the People's Republic of China in Mumbai

Drawing comparisons and similarities between Asia's two most economies, Mr. Guo Yuanqiang, Director General of Department of Commerce of Guangdong Province said, "Ï see it is right time for cooperation in trade and investments which will eventually increase bilateral relations between our two countries. This is needed for Asia right now," said Mr. Yuanqiang. He added, "Both are large countries with large population further elevate bilateral trade."

Mr. Yuanqiang and Mr. Zheng Xiyuan, Consul General, Consulate General of the People's Republic of China led a high level business delegation to Mumbai, and a meeting was organised by the All India Association of Industries (AIAI) and World Trade Centre Mumbai (WTC Mumbai). Mr. Yuanqiang introduced the Guangdong province and presented the opportunities for doing business in this province. "We have always received very good feedback from Indian business people, politicians and officials. Through their dialogue we seek cooperation for our companies to set up base here in India and likewise for Indian companies to set up units in Guandong. We can chalk out the areas of cooperation and benefits," said Mr. Yuanquiang. He also highlighted the sectors that Chinese companies want to invest in India. "Construction, infrastructure, real estate, roads, highways, ports, electronics, manufacturing and Smart Cities are definitely the areas of interest to our investors," he added.

Specifically, he informed that the business community in Guangdong would look to import more goods and services from India. He welcomed Indian companies in the areas of strategic emerging industries, pharmaceuticals, software services, outsourcing, financial services etc. to explore ties with the province.

He remarked "Although the trade between India and Guangdong stands at USD 12.5 billion, it represents hardly 1% of the total foreign trade of China. We want Indian business people to come and invest in China."

"Although the trade between India and Guangdong stands at USD 12.5 billion, we seek cooperation for our companies to set up base here in India and vice versa"

- Guo Yuanqiang, Director General of Department of Commerce of Guangdong Province

Mr. Yuanqiang said the gross domestic product (a measure of the size of the economy) of this province is around USD 1 trillion and its GDP per capita is USD 10,300. This province contributes over 25% of the total foreign trade of China. To which, the Consul General in his talk remarked, "The Guangdong Province is the engine of Chinese economy, it is a very strong province and we see it a symbol of cooperation and warmth with India," said Mr. Zheng Xiyuan. Mr. Xiyuan highlighted the importance of Maharashtra and said, "I want to introduce this state to Guangdong. I am the Consul General, but I am based in your state and therefore I represent Maharashtra to the investors back home." Mr. Xiyuan also complimented the Hon'ble Chief Minister Mr. Devendra Fadnavis's signing of deals with American companies. "I am happy that the CM has signed a good deal with US companies. This is a successful story and I am positive our efforts will bring our two nations closer," said Mr. Xiyuan.

The Chinese delegates presented Mr. Vijay Kalantri, President of AIAI and Vice Chairman of WTC Mumbai a miniature replica of the highest tower in Guangshou, the capital of the province. Mr. Yuanqiang welcomed Indian business delegation to his province and said they need to visit the revolving restaurant on top of the tower.

Mr. Kalantri in his welcome address highlighted that the Balance of trade is in the favour of China and they should invest in India. "Our Hon'ble Prime Minister Mr, Narendra Modi's government has passed new policies and reforms that allow investment in our various sectors. This is supported by Make in India, Smart Cities projects that can attract Chinese investors," said Kalantri. He added, The balance of trade is $18-20 billion which favours of China and their investors need to take advantage of this situation.

Mr. Kalantri said that the current political environment in both the countries is conducive to growth in bilateral ties. "We see a huge scope for Chinese companies to invest in manufacturing sector, digital, electronics and infrastructure."

Mr. Vijay Kalantri, President, AIAI and Vice Chairman, WTC Mumbai being felicitated by Mr. Guo Yuangiang, Director General, Department of Commerce of Guangdong Province, China and looking on is Mr. Zheng Xiyuan, Consul-General of the People's Republic of China in Mumbai

Flawed legal systems impacting trade in SAARC countries

Mr. Thusantha Wijemana, Director General, SARCO presenting a memento to Mr. Vijay Kalantri, President, All India Association of Industries and looking on is from (L-R) Mr. Nusrat Hassan, Managing Partner, DH Law Associates Mr. Faazaan Mirza, Legal Research Officer, SARCO, and Mr. Vyapak Desai, Partner & Head of International Litigation & Dispute Resolution Practice, Nishith Desai Associates during a Seminar on Arbitration and Conciliation Alternate means for Settlement of Commercial Disputes in SAARC countries organized by All India Association of Industries.

SAARC Arbitration Council (SARCO) have initiated various regional awareness programmes to highlight the importance of settling disputes through arbitration which is the positive way to promote investments and trade in SAARC countries. Since setting up of the Centre in 2010, it has not got a single arbitration matter as most parties opt for Singapore, London and Hague as their seat of centre. Mr. Thusantha Wijemanna, Director General SARCO was speaking at the promotion Seminar on Alternate means for Settlement of Commercial Disputes- Arbitration and Conciliation in SAARC Countries organized by All India Association of Industries (AIAI) in association with the SARCO in Mumbai.

> **"The business community doesn't want solutions to be provided after many years, they would want to clear hurdles and move on promptly which is not seen in the current judicial procedure"**
>
> **-Mr. Thusantha Wijemanna, Director General SARCO**

"The aim of setting up SARCO is to expedite the process to save time and money for the foreign investors. The legal experts cautioned against the flawed domestic laws in SAARC countries that are impacting trade and business. The business community doesn't want solutions to be provided after many years, they would want to clear the hurdle and move on promptly which we do not see in the current juridical legal procedure," Mr. Wijemanna stated."

The only country after Singapore is India who had taken cognizance of the development of Arbitration. Since 1996, with the inception of Arbitration and Conciliation Act. However, from the time of this Act till September 2012 the Indian arbitration law did not follow the guidelines as per New York Convention for enforcement of Foreign Awards.

Former Chief Justice, Justice Mr. Anant Mane said, "The culture of misinterpretation of law needs to be stopped. The job of the judiciary is to support the process of arbitration through interpretation with the help of experts and give justice."

Mr. Vyapak Desai, Partner & Head of International Litigation & Dispute Resolution Practice, Nishith Desai and Associates highlighted the era of post 1996 till BALCO case of September 2010, when for the first time in India one saw a change in arbitration. The legal fraternity said it was a matter of concern for foreign investors to see the courts interfering rather than being supportive. "There was immense concern as we saw the judiciary lose focus on arbitration. The judicial precedence was interpreting Acts rather than support. It was seen as judicial interference and we unfortunately we saw an export of arbitration cases to Singapore, London and Hague,"" said Mr. Desai. He pointed out that there has been a visible change from the judiciary and legislature since the call for Ease of Doing Business. "Since the time Hon'ble Prime Minister Mr. Modi has called for Ease of doing business, we have seen that the judiciary and legislature have responded positively and things are improving. Now, India and the SAARC countries need to improve on their credibility for investors to seek a seat of centre in these countries, which is still not happening," said Mr. Desai.

Mr. Nusrat Hassan, Managing Partner, DH Law Associates emphasized that the domestic award is a not streamlined and hardly an option for the companies to arbitrate in India. As a result the first option of seeking seat of centre is still Singapore or London for most foreign investors.

"The western countries prosper because the disputes are in control their judiciary is in place. The SAARC countries need to understand that arbitration is an instrument that promotes trade and business. Exporting disputes arbitration to other countries is not good," said Mr. Hassan.

(L-R): Mr. Nusrat Hassan, Managing Partner, D H Law Associates Mr. Vijay Kalantri, President,All India Association of Industries, Mr. Thusantha Wijemana, Director General, SARCO, Mr. Faazaan Mirza, Legal Research Officer, SARCO, and Mr. Vyapak Desai, Partner & Head of International Litigation & Dispute Resolution Practice, Nishith Desai Associates during a Seminar on Arbitration and Conciliation Alternate means for Settlement of Commercial Disputes in SAARC countries organized by All India Association of Industries.

Mr. Hassan added that the issue for enforcement of arbitration is deficient in India and other SAARC countries.

Mr. Faazaan Mirza, Legal Research officer, SARCO gave a detailed account of the constitution of board and functioning of SARCO.

The eminent former judge of special court Justice Mr. J. H. Bhatia said that it is binding on every individual in the judiciary to eradicate the culture of backlog. "I recall that few other judges and I would dispose off the case at the admission stage itself. This saves delays, time and most of all cost of the litigants. This would automatically help reduce the backlog," said Justice Bhatia. The current backlog registered as per the judiciary in India runs in such high volumes that it would take nearly 200 years to clear this back log.

Mr. Vijay Kalantri, President, All India Association of Industries (AIAI), highlighted the need for judicial reforms. "There is a bill pending in the parliament on judicial reforms and the arbitration in India. I hope it would be passed soon," said Mr. Kalantri. He added, "Investors are scared of coming to India due to the misinterpretation of law by individuals at every level in the government and judiciary. It has definitely impacted our trade and foreign investments adversely and it is in our hands to correct it."

Agreements of Co-operation

July – August 2015

All India Association of Industries signed Memorandum of Understanding (MoU) with:

- New Taipei City Industrial Association – July 7, 2015
- Vologda Region Development Corporation (VRDC) – July 27, 2015
- CRISIL Ltd – August 4, 2015

The signing of MoU shall encourage and promote in accordance with their respective laws and regulations co-operation between the two Associations which includes:

a) Exchange of trade and investment related information in order to promote international trade and investments.

b) Exchange of business proposal for joint ventures, collaborations and technology transfers.

c) Promote the exchange of trade mission between the two countries and set up business contacts.

d) Exchange of publications and information of bilateral trade, foreign trade and investment policies of their respective countries.

e) Exchange of trade delegations.

f) To regularly exchange information and help organise exhibitions and international fairs and encourage their members in participating in such events.

Official Mission to Russia
Khanty Mansiysk, Moscow & St. Petersburg

July 06 - 09, 2015

At the invitation of Ms. Alfiya A. Pavkina, President, Chairman of the Board the Chamber of Commerce and Industry of Khanty-Mansiysk Autonomous Okrug – Ugra and to promote bilateral cooperation between Khanty-Mansiysk and India, the All India Association of Industries (AIAI) led an official Mission to Russia from July 06 - 09, 2015. The mission was headed by Mrs. Rupa Naik, Executive Director All India Association of Industries and Director, Projects World Trade Centre Mumbai.

The objective of the mission was to explore the potentials of investment and trade opportunities in Russia, in particular the regions of Khanty-Mansiysk Autonomous Okrug – Ugra and to promote the Global Economic Summit "Enabling Food for All' in Russia

Khanty Mansysk a flourishing town, which in recent years has received considerable foreign investment. Main industries of Khanty-Mansiysk are oil and gas (88,6%), power engineering (6,8%), printing (1,2%), fishing and fish-processing; wood working and agriculture. The region also boasts of a port on the Irtysh River. The region's main source of wealth is oil and gas, the majority i.e 51% of the oil produced in Russia comes from Khanty–Mansi Autonomous Okrug, giving the region great economic importance.

Khanty-Mansiysk is also known as the center of skiing and mountain skiing. World Cups in biathlon take place here anad tourism is well-developed in the city. The city has hosted several World Cups in biathlon. Besides, in 2010, World Chess Olympics was held here.

July 06 – 07, 2015, Khanty Mansiysk, Siberia

The VII International IT-Forum

The VII International IT-Forum is organized alongside the UNESCO language diversity conference in internet and the BRICS conference in UFA and had participation of BRICS and SCO countries. The key goal of the VII International IT-Forum was to create conditions for the development and implementation of best practices in the use of information and communication technologies in BRICS and SCO countries and the development of a system of long-term strategic cooperation in the social sphere.

The forum discussed issues regarding information & communication, mainly the monopolization of internet or domain of few companies & countries and discussed at length the usage of IT for mass benefit like tele medicine.

World Bank reports that in the IT sphere India is lost in BRICS and urges India and Brazil on reviewing its IT regulations to make sure investment process is eased out and also reports that Russia is No. 1 in IT.

Mrs Rupa Naik, representing the AIAI and WTC Mumbai at the Summit spoke on the importance of IT in Smart Cities in which she highlighted ICT as being the key driver for development of any smart city. And is the core which connects urban planning with the social planning of any region. Stressing that ICT the social, urban and business communities will be all connected with ICT. She further mentioned the Smart Cities being planned by India and suggested that Russia would probably like to partner with India cities for smart cities being developed.

Concerns and queries of inclusiveness and the concept of smart cities were raised and examined. Ms. Naik addressing those queries commented that BRICS countries should put aside their disparities and come together to take advantage of IT and ICT so as to elevate the socio economy of their countries, the panelists were in consensus of the same.

Ms. Natalya Vladimirovna Komarova, Governor of Khanty-Mansiysk Autonomous Okrug – Ugra, presided at the forum and emphasised on ICT and how it should be managed to benefit education, health and social concerns.

The delegates also met with the ICT Minister, and the other government authority who assured that

Spot Light

he would visit us when he comes to Mumbai. Said that India should invest & cooperate more with Khanty -Mansisyk.

Ms. Pavkina informed the AIAI delegates of the forthcoming Economic Summit in April. Inviting the AIAI and WTC to bring a delegation & showcase the products and innovation of SMEs in engineering, electronics, textiles, jewellery, food processing & biotech.

The delegates visited the exhibition which comprised of companies of ICT & application of IT to various segments including culture, medical, textiles, food etc.

Ms. Naik was interviewed by Ugra TV for her views.

A meeting was organized with Chamber of Commerce and its members. Wherein they discussed various aspects of business collaborations and investments in Khanty-Mansisyk specifically for Indian SMEs in IT parks, pharma, oil and gas. A MoU was signed between Ms. Alfiya A. Pavkina, President, Chairman of the Board the Chamber of Commerce and Industry of Khanty-Mansiysk Autonomous Okrug – Ugra and Mrs. Rupa Naik, Executive Director, All India Association of Industries. The evening ended with a reception hosted by the Region's authorities.

July 08 - 09, 2015, Moscow

Meeting with Mr. Keiser Dmitry

The delegates met Mr. Roman and Ms. Maria and a meeting was organized by Roman and Maria to meet with Mr. Keiser Dmitry of Prom Agro Export Ltd to discussed the potentials of exporting chickpeas, barley, corn and ready-to-eat dumplings. Mr. Dmitry was also interested in importing spices from India. He also wants to export titanium for aviation, aero engineering and cosmetic industry.

Breakfast Meeting at the World Trade Centre Moscow

A breakfast meeting was organized by World Trade Centre Moscow for the delegation the following officials of the WTC, Russian Government Representatives and Chambers of Commerce were present

- Mr. Sergei E. Cheremin, Minister, Head of Department for External Economic and International Relations
- Mr. Vladmir Salamatov, Director General, WTC Moscow
- Mr. Oleg Aldoshin, Advisor to Director General, WTC Moscow
- Ms. Oxana Bogomolova, Head, Moscow Chamber of Commerce and Industry
- Mr. Suren Vardanyan, VP, Moscow Chamber of Commerce and Industry
- Mr. Tkatschenko Juri, Director General of Krasnador Chamber of Commerce

Ms. Naik discussed with Minister Cheremin the need to strengthen Russia-India Trade House Mumbai (RITHM) in order to help AIAI to promote Russia India bilateral trade. Ms. Naik invited Mr. Cheremin to attend the GES 2015 and also requested him to support the Summit.

Mr. Juri, Director General of Krasnador Chamber of Commerce requested that the AIAI and WTC Mumbai should lead a delegation to Krasnodar and requested the delegates to participate in the SOCHI forum from Oct 1-4th 2015.

Representatives of the Russian Government and Chamber of Commerce in Russia said that they are keen on Indians coming to Russia to invest.

Mr. Salamatav WTC Mumbai came to Moscow to enhance business relations with them. He listed out areas for cooperation - eng, automotive, steel- which is very imprtant. They are very to import steel to India. However due to hike in non-tariff barriers, anti-dumping laws, these are impacting their exports of steel to India. The delegates assured them we could represent their concerns with right authorities and also connect them to iron & steel importers association. Mr. Roman of WTC Moscow invited AIAI and WTC Mumbai to support the

Eurasia investment seminars that WTC Moscow plans to conduct in India.

Mr. Vnukovo, Head Department of Food Processing Government of Russia spoke of exporting food stuff and spices to India. They are willing to share their expertise and technology with Indian companies from this sector.

Ms. Natalya of the Russian chamber of commerce said she will help promote the Global Economic Summit and send us list of sectors for cooperation. She will also inform us of companies who have requested information on Indian companies willing to invest in Russia and assist in promoting RITHM in Russia.

Meeting with representatives of The Republic of Tatarstan - a leading region of Russia

The delegation met with Mr. Fannur Garifullin, Head of the Economic, Innovation and Investment Programmes Division and Mr. Bullat Minnullin Deputy Head of the Representative Office, Republic of Tatarstan in the Russian Federation.

Mr. Minnullin presented the business opportunities present in Tatarstan. Highlighting that Tatarstan is one of the most economically developed regions of Russia. The republic is highly industrialized, and ranks second only to Samara Oblast in terms of industrial production.

The region's main source of wealth is oil. Tatarstan produces 32 million tonnes of crude oil per year and has estimated oil reserves of more than 1 billion tons. Industrial production constitutes 45% of the Republic's gross regional domestic product. The most developed manufacturing industries are petrochemical industry and machine building.

The Kazan Helicopter Plant is one of the largest helicopter manufacturers in the world. Engineering, textiles, automotive industry, petro-chemistry, garments, wood processing, and food industries are also of key significance in Tatarstan. The region follows the cluster-based policy in agriculture

Tatarstan also produces civil aerotechnics, e.g. long-distance passenger aircrafts, heavy-duty engines, air control devices. About 30 large-scaled plants, development laboratories and research institutes operate in the sphere of conventional weapons, ammunition and management systems production, specialized chemistry, aircraft building and shipbuilding.

Meeting with the Agriculture Ministry, Government of Russia

Adding that there are a number of exhibitions in Russia in which Indians don't participate and want more delegations to be exchanged between the 2 countries. He was keen on exchange of technology and expertise on food and agro. We are going to research on institutions from Russia who could cooperate with Indian research organisations for the benefit of agro.

Ms. Naik informed him of EMPREPA and Malaysian venture for water management. Pemendu. He also mentioned he spent few years in India in embassy and can help us.

Meeting with Russian Industry Development Council

The delegates met with Mr. Chereshnev Maxim, Chairman of Russian Industry Development Council in which Mr. Salamatev is associated with it. He gave an important suggestion upon our observations on sanctions in Russia. We asked specifically if the sanctions have impacted. He said it is a good for Indian companies to invest in Russia. All they have to do is replace the partnerships of European Union. In which the council will help.

July 10, 2015, St Petersburg

The delegates met with the officials of the WTC, St Petersburg to discuss collaborations for the forthcoming Global Economic Summit. The official assured us of a delegation from the region at the Summit.

Official Mission to Ireland

July 4-18, 2015

Mr. Ravinder Manchanda, Ex-Officio member WTC Mumbai, Mr. Kamal Morarka, Chairman, WTC Mumbai, Mr. P K Raghav, Counsellor, Indian Embassy in Ireland and Mr. Vijay Kalantri, President, All India Association of Industries

Mr. Vijay Kalantri, President, All India Association of Industries (AIAI) and Mr. Kamal Morarka, Chairman,

World Trade Centre, Mumbai led an official delegation to Ireland on July 4-18, 2015. During their visit the delegation met with officials from Ireland and discussed the need to promote bilateral trade between the two countries.

The delegation met with Mr. P K Raghav, Counsellor, Indian Embassy in Ireland and discussed the investment, trade andtourism potentials between India and Ireland during their visit to office of the Embassy.

Mr. Kalantri also informed Mr. Raghav about the 5th edition of the Global Economic Summit: Enabling Food for all organized by All India Association of Industries and World Trade Centre, Mumbai scheduled from 19-21, November at Expo Centre, WTC Mumbai and requested for his assistance in disseminating the Summit information amongst trade promotion organization and Chambers of Commerce to participate and lead a delegation to this significant event.

Join AIAI Delegation

- **G Fair in Korea (Korea's Biggest SME Expo)**
  November 4 - 6, 2015, (KINTEX) in Gyeonggi Province, South Korea
  Accommodation will be provided by the organizers in Korea*
- **Natural Stone Buyers Delegation**
  November 4 – 7, 2015, Istanbul, Turkey
  Air Ticket and Accommodation will be provided by the organizers in Turkey*
- **Hong Kong World SME Expo**
  December 3 - 5, 2015,Hongkong Convention and Exhibition Centre, Hong Kong
  "Make in India" and "Digital India" Theme Pavilion Seminar on "Opportunities Abound"
  - Focused on investment potentials offered by prominent Indian States

Interested Members can contact the AIAI, Secretariat at 022-2201 9265 or Email us : info@aiaiindia.com

Delegation to Taipei Food Show 2015

June 24 – 27, 2015

All India Association of Industries (AIAI) delegation with Taipei officials

The Taipei Food Show 2015 was scheduled from June 24 27, 2015, Exhibition Hall, Taipei World Trade Center Nangang. The delegation was led by Ms. Rupa Naik, Executive Director – AIAI and Director Projects, MVIRDC WTC Mumbai.

The Food Show was one among other events that took place concurrently to Foodtech & Pharmatech Taipei, Taipei Pack, Taiwan Horeca and Halal Taiwan Show. In 2014, these joint events created an outstanding record of 1,561 exhibitors and 3,806 booths. Food Taipei Show alone had 1,020 exhibitors and 2,102 booths.

The Food Taipei Show has been the biggest and the most popular for industry players to launch their products in high demand markets like Taiwan and abroad. The Show exhibited a wide variety of products including all kinds of ready to eat food items and distinctively. Taiwanese raw materials, processed and semiprocessed products, such as indigenous tea, sub tropical fruit, fish that are farmed using high tech technology, cuisine styled vegetarian food and materials of the globally fashionable pearl milk tea.

Seminar on 'Enabling Food For All: Challenges and Opportunities' A seminar titled 'Enabling Food For All: Challenges and Opportunities' was organized at the Taipei Food Show 2015.

The objective of the Seminar was to facilitate oneto one business meetings with the delegation and Taiwanese companies who participated. Ms. Rose Dong Chong Hsiou, Deputy Director General and Ms. Ming Chuan Chung, Specialist International Cooperation Section, Department of International Affairs, Council of Agriculture Executive Yuan were present at the Seminar. Ms. Rose made a detailed presentation on the agriculture sector in Taiwan.

The sector generates an economic output valued at nearly US$ 16 billion per year. Its output comprise of plant crops which accounts for 46.64%, livestock 31.06%, fisheries 22.22% and forestry products 0.08%. Rice is Taiwan's most important crop.

The agriculture sector has been invigorated by encouraging young people to take up farming. The government operates more than 10 agriculture research and extension stations in different parts of Taiwan. There are government assisted farmer organizations throughout Taiwan, including 302 farmers' organizations, 40 fishermen's associations and 17 irrigation associations. Welfare services are provided for the security of Taiwan's farmers.

In recent years the government has been actively encouraging farmers to form production and marketing groups or cooperatives to set up large scale zones to specialize in farming selected crops. Improved crop varieties, advanced growing techniques and continuous innovation in business models combine to provide the strongest basis for Taiwan's agriculture to remain competitive.

Mr. Manish Chauhan, Director General, Indo Taipei Association, Ms. Rose Dongchong Hsiou, Deputy Director General and Ms. Rupa Nike, Executive Director-AIAI and Deirctor-Projects, WTC Mumbai.

Formation of Biotechnology Park raises agricultural competitiveness. Taiwan Good Agricultural Practice (TGAP) is a certification standard which guides farmers to comply with standards.

Taiwan's agriculture is pursuing the strategic goal of creating new 'agricultural value chains' by adopting new enterprise models.

Biomedical technology provides a new frontier for agriculture. Agro tourism is a new way to promoting agriculture in Taiwan. Taiwan is actively seeking to promote its agricultural exports with trading partners around the world. Taiwan is also promoting sustainable agriculture for a better tomorrow. Mr. Sambhu Hakki, Deputy Director General, Indo Taipei Association presented on the 'Opportunities in the Indian Food Processing Sector'.

Mr. Sandeep Nagori, Partner, Adarsh Enterprises/ Komal Enterprises, made a presentation on 'Overview of Agro Sector' and Mr. Manguirish Pai Raiker, Chairman, Ramanata Crisna Pai Raikar School of Agriculture, presented on 'Organic Farming' which was highly appreciated.

Mr. Manish Chauhan, Director General, Indo Taipei Association, Ms. Rajeshri Kolekar, Manager-Business Development Logistics, Dighi Port Ltd., Ms. Rupa Naik, Executive Director-AIAI and Director Projects, WTC Mumbai and Ms. Renu Verma-Director, AIAI

Ms. Naik, gave a film presentation on the 5th edition of the Global Economic Summit on 'Enabling Food for All'. She provided an overview of the Summit, in terms of its objectives, scope of discussion and benefits of participation.

Meeting with Manish Chauhan, Director General, Indo Taipei Association

Ms. Naik along with the other delegates had a meeting with Mr. Manish Chauhan, Director General, Indo Taipei Association. Mr. Chauhan congratulated Ms. Naik for the initiative taken to bring a delegation to the Food Taipei Show 2015.

Mr. Chauhan welcomed the delegates and showed keen interest to understand the personal interests of the delegates participating at the Show. He shared the information of various delegations received from Telangana, Haryana, Gujarat, Karnataka and Chattishgarh, prior to the Show.

Mr. Chauhan enlightened the delegation about the Taiwanese economy and highlighted the importance and contribution of the SME and micro sectors in the economic development of the country. Taiwan with abundant knowledge in technology in almost every sphere could be a potential trade and investment partner for India.

Mr. Chauhan mentioned that electronics, engineering, food processing and technology in various sectors could be outsourced from Taiwan. Speaking on the opportunities of cooperation between the two countries, Mr. Chauhan highlighted that there are various avenues for bilateral trade between the two countries in products such as wines, whiskey, beer, garments, auto components, chemicals, medical devices, solar energy, biotechnology, steel, agro and food processing technologies and equipment.

The delegation also discussed the possibility of organizing an India pavilion during the next Food Expo Show to promote India's agriculture and food sector. This could promote several well known brands in the food sector in India. Also many companies such as Jain Irrigation and others have excelled in the agriculture sector.

In this context, Mr. Raiker mentioned about Sri Lanka's participation in the Food Expo Show and ideally India should also have its own pavilion. Mr. Raikar offered his assistance in getting Market Development Assistance (MDA) scheme from the Ministry of Micro Small and Medium Enterprise. Culturally rich with tradition, Taiwan has now gained excellence in technologies and expertise even in the niche areas such as infrastructure and defence technologies.

The Taiwanese investments are mainly in China and India and could well emerge as a potential partner for India if, necessary steps are taken.

Mr. Chauhan appreciated the new Indian government and mentioned that Prime Minister Modi has signaled a new direction for India's economic growth with the launch of 'Make in India' Campaign and creating 'Ease of Doing Business'. The initiative will help facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure, said Mr. Chauhan.

Mr. Chauhan highlighted the trade relation of India and Taiwan and elaborated how the new government is committed to gear up the economic activities and restoring confidence in the Indian economy. This has resulted in increasing India's GDP growth. Industrial growth in general and growth in the manufacturing sector in particular, have shown significant improvement.

Mr. Chauhan assured the delegates that full support and advise on how to promote their business would be given, however, on the part of the delegates, they would need to follow up strategy on their meetings with various business associates, on this visit in order to build their business abroad. Any delegate who intends to do business in Taiwan would have to make a written request of their business interests and thereafter follow up on the initial expression of interest thereby, taking it forward.

Ms. Naik shared the information of AIAI and WTC Mumbai's annual flagship event the Global Economic Summit, now in its 5th edition on 'Enabling Food for All' scheduled for November 19–21, 2015 at Mumbai in great detail. Mr. Chauhan, showed interest in circulating the information amongst the Taiwanese companies for their participation in the Summit.

Meeting with officials of Taiwan Electrical and Electronic Manufacturers' Association Ms. Rupa Naik and Mr. Akut met with Mr. Roger Liao, Director, TEEMA and Mr. Safon Liu, Project Manager, TEEMA to discuss mutual business interests and also informed them about GES 2015.

Investment Mission to Eastern Poland

May 23 – 30, 2015

At the invitation of the Polish Information and Foreign Investment Agency, Warsaw. The All India Association of Industries (AIAI) led an Investment and Trade Mission to Eastern Poland from May 23 – 30, 2015. The mission was headed by Mrs. Queenie Nair, Director AIAI.

Macroregion Eastern Poland covers 31,6% of the Poland's area and comprises of five provinces Warmi sko - Mazurskie, Podlaskie, Lubelskie, Swi to krzyskie and Podkarpackie. The region is a perfect location for investments in sectors such as BPO, aviation, renewable energy, auto motives, food processing and business tourism.

The objective of the mission was to explore the potentials of investment and trade opportunities in strategic sectors of the Polish economy in agriculture, food processing, furniture, aviation, machinery, engineering and renewable energy sectors, in particular in the regions of Krosno, Mielec, Kielce and Lublin.

Monday 25.05.2015, WARSAW

Meeting with Polish Information and Foreign Investment Agency

Mr. Dariusz Karwowski Chief Project Manager, Foreign Investment Departmqent, informed the delegates of the Foreign investment climate in Poland, the developing economy besides the business and investment potentials in Eastern Poland. Indicating that Poland has emerged as an important and dynamic market and is a great location for doing business. Mr. Karwowski's presentation gave a detailed analysis of the GDP growth of Eastern Poland identifying provinces of the macro region which have evolved dynamically in recent years.

Mr. Karwowski also informed the delegates that among foreign investors already in Poland besides Indians, investors from France, USA and Italy are present in the macroregion. Foreign investments are mainly in the sectors of food, aviation, metal, wood, chemistry, machinery and automotives. Eastern Poland is also a suitable region for investing in sectors such as: BPO, yacht constructions and renewable energy. What is also very important in this region is the quality and access to working force and labour costs.

Further highlighting that common advantages for the whole Macroregion of Eastern Poland is being close to the frontiers, special economic zones and industrial parks, besides, well educated work force, natural resources, institutes for natural medicine and competitive labor costs are some of the beneficial conditions for settingup businesses in the macroregion.

Mr. Karwowski also informed the delegates of the immense development in technical advanced industries and investments in innovative activities in the last year.

Also the polish Government's offers incentives in the form of tax rebates, manpower training, land at subsidized rates and low cost labour as compared to other EU countries.

Mrs Nair and the delegates discussed with the polish authorities the various options of investments in Eastern Poland and the benefits and incentives the Polish Government offers to foriegn investors.

Mrs. Nair informed the representatives of PALiZ about the 5th edition of the Global Economic Summit on the theme "Enabling Food for All" scheduled in November 19-21, 2015 at Mumbai. Inviting the regions to lead a delegation of food and agro industries to participate in this very significant event which will present a platform to collaborate and meet with not only their Indian counterparts but also delegates from across 30 countries.

Tuesday 26.05.2015 RZESZÓW / MIELEC

Meeting with the authorities of Mielec, Krosno and Kielce Regions at the Mielec Euro Park

Authorities present at the Meeting with the delegates from India

- Mr. Daniel Kozdeba – Mayor of Mielec
- Dr. Tomasz Solinski – Deputy Mayor of Krosno
- Ms. Miranda Trojanowska – Head of City development and Investor Assistance, Muncipal office of the City of Krosno
- Ms. Anna Sniezek - Muncipal office of the City of Krosno
- Ms. Magdalena Gluch - Structural Projects and City Strategy Department, City Hall of Kielce
- Ms. Teresa Orczykowska – Expert, Euro Park Mielec

Mr. Kozdeba, Mayor of Mielec, addressed the delegates and informed them of the business opportunities the SEZ and Euro Park in the region had to offer.

The EURO-PARK MIELEC is the first special economic zone in Poland was established in 1995, in Mielec. Euro Park offers Investment incentives in the form of corporate income tax exemptions at the highest level allowable within the UE territory he stated.

Over the years, SSE EURO-PARK MIELEC has been positioned in independent rankings on the top of list of the most effective special economic zones in Poland. Besides tax exemptions for foreign investors are very attractive, due to the benefit of the provisions on special economic zones and local exemption from property tax for a period of six

Felicitating Mr. Daniel Kozdeba, Mayor of Mielec

Business Meeting at the Lublin City Town Hall

Dr. Thomas Solina, Deputy Mayor of Krosno addressed the delegates and informed that Krosno is highly ranked as one of the business friendly cities of Poland and gets top rating in regional investment attractiveness reports.

Further stating that the major industry sectors on which the economy is based comprise of automotives, aviation, glass, plastic processing, furniture, oil and gas industry.

Ms. Ms. Magdalena Gluch, Head, Structural Projects and City Strategy Department, City Hall of Kielce informed the delegates of the Kielce City and Kielce Metropolitan Area. Informing that Kielce is a dynamic region for business and investment. The region is home to multinational companies in a variety of sectors (i.e. Lafarge Polska: cement, Dyckerhoff Polska cement and reinforced concrete; DS Smith Polska: printing; and NSK Bearings: spark plugs and bearing). The headquarters of strong regional companies, such as Infover, Kolporter, Barlinek and Echo Investment, are also located in Kielce.

Kielce region's traditional industries are mining, metallurgy and construction, due to rich natural resources of gypsum, brimstone, iron and limestone. Production of cement and regular broken mineral aggregate is the driving force of the regional economy.

Recently recognized by Forbes for its business opportunities Kielce has much to offer business investors, It is an important cultural centre, a picturesque regional hub for tourism and a thriving location for the growing service industry. With a wide range of funding and tax incentives available, for the foreign investor. Besides the business process outsourcing (BPO) sectors which have recently come to Kielce is a new business opportunity.

The delegates expressed their interest in establishing contacts with companies in Kielce and discussed various options available for setting up businesses specifically in the SEZ Zone and the tax benefits the region had to offer in case of foreign investors.

Mrs. Nair invited Mr. Kozdeba to lead a delegation to the 5th Global Economic Summit 2015.

The delegates toured the SEZ wherein various manufacturing units mostly pertaining to aviation and defence are located in the zone.

Visit tothe Lublin Science and Technology Park

The Innovation and Technology Transfer Centre of the Lublin Science and Technology Park aims at supporting cooperation between public research organisations and private sector in order to increase the competitiveness and innovativeness of the Lubelskie region. It is a joint undertaking of a number of relevant regional partners including regional authorities, reserach organisations and educational institutions.

The main activities of the Innovation and Technology Transfer Centre of the Lublin Science and Technology Park comprises of trainings for entrepreneurs and researchers.

The Centre creates new jobs in the Lubelskie region by creating favorable conditions for doing business through efficient office infrastructure, supporting research, facilitating consulting services, training and information. Its strategic importance highlights the fact that it is the only partner undertaking for the entire Lubelskie region, integrating the institutions shaping its development.

Wednesday 27.05.2015 LUBLIN

Business Meeting with the Deputy Mayor of Lublin City at the City Town Hall

Mr. Artur Szymczyk, Deputy Mayor of Lublin City in his welcome address stated that this meeting with the delegates from India is of great significance to the City of Lublin and they hope to facilitate important business ventures with Eastern Poland and India.

Investors from the finance and commerce industries perceive this city as a value-bringing partner. The city is also an academic centre, where over 86,000 students study every year – an impressive number considering the city's population of 350,000. There are 9 universities and colleges here, among which some renowned Polish names such as UMCS - Marie Curie-Skłodowska University, KUL - Catholic University of Lublin, Lublin University of Technology to name a few.

This represents significant human capital and a great foundation for economic development, especially for the investments related to technology transfer. Professional, well-educated staff is a great resource for local entrepreneurs which facilitates the development of a diversified regional economy.

In the context of foreign investments, local scientific potential allows for locating cutting-edge, high-technology projects in Lublin. The city is particularly supportive of ventures encompassing research & development activities. The newly-launched Science and Technology Park in Lublin and the Special Economic Zone Euro-Park Mielec Subzone Lublin offer vast possibilities for development of enterprises.

Mr. Szymczyk, spoke of the opportunities in Lublin Adding that Lublin has emerged as an important region in Eastern Poland having access to European markets and countries in the east. He further informed that the region had a strong agro base. Besides business representatives. dignitaries and representatives from the Mayor's office, Government officials, trade promotion organizations, and airport operators were also present at the meeting.

The delegates introduced themselves and discussed of the various options available for joint venture collaborations.

B2b Meetings with Companies from the Region was organised which was a great success wherein some of the Indian delegates were able to initiate business collaboration with companies in Lublin. The Mayor's office hosted a lunch in honour of the delegation.

Thursday 28.05.2015 Lublin

Meeting with the Lublin University of Technology

Mrs Queenie Nair met with Mr Bogdan Wit, Vice Dean of Management Faculty, Dr. Krzysztof Czarnocki, Deputy Dean of Management Faculty, Ms. Magdalena, Faculty and Mr. Jacek Kuterek, Director Finance to discuss the affiliations with the World Trade Institute Mumbai for their courses and faculty. The officials present showed a keen interest in affiliating with the WTI and are mostly interested in the Family Business program.

Thursday 28.05.2015 WARSAW

Meeting with H.E. Mr. Ajay Bisaria, Ambassador of India to Poland and Lithuania

The following officials from the Embassy of India to Poland were present at the meeting.

H.E. Mr. Ajay Bisaria - Ambassador of India to Poland and Lithuania

Mr. Sanjeev Manchanda - Second Secretary - Embassy of India

Mr. J. J. Singh - President - Indo Polish Chamber of Commerce & Industries (IPCCI)

Mrs Rupa Naik discussed the possibility of participation of the AIAI at the Joint Business Council to be held at Warsaw from 15 – 16 June, 2015, to explore the prospect of enhancing business and investment ties between India and Poland. The Hon'ble Ambassador informed the delegation that the Joint Business Council is coordinated by FICCI and hence the Embassy had no control over the programme. However, the Embassy would forward their recommendation to the Joint Business Council for including IPCCI in the programme. The delegates also informed the Ambassador that mounting a delegation to participate in the Joint Business Council seemed difficult.

Further, Mrs. Rupa Naik informed H.E Mr. Bisaria that AIAI and WTC Mumbai were organizing the 5th edition of the Global Economic Summit 2015 (GES) on the theme "Enabling food for all" which is scheduled from November 19 – 21, 2015, at the

WTC Mumbai stating that the summit will focus on the agro and food processing sectors.

Dinner hosted by Mr. J.J.Singh President of the IPCCI, Warsaw at the Bollywood.

A Dinner was hosted by Mr. J.J.Singh for the delegates, H.E Mr. Ajay Bisaria, Mrs. Maria Nowakowska, Polish Chamber Of Commerce, Mrs. Beata Olesiak Chief Expert, Ministry of Agriculture and Rural Development were also present.

During the dinner the delegates discussed the possibilities of Indo Polish collaboration in the fieldof agro, pharmaceutical, mining, defence and engineering

Friday 29.05.2015,

Meeting with Mr. Tadeusz Nalewajk, Undersecretary of State, Ministry of Agriculture and Rural Development, Warsaw

Meeting was held with the following officials:

- Mr. Tadeusz Nalewajk - Undersecretary of State, Ministry of Agriculture and Rural Development, Warsaw
- Mr. Robert Pilat – Deputy Director – Department of International Cooperation
- Ms. Beata Olesiak – Chief Expert - Department of International Cooperation

The delegation invited Mr. Tadeusz Nalewajk - Undersecretary of State, Ministry of Agriculture and Rural Development, Warsaw, to the Global Economic Summit 2015. Mr. Nalewajk evinced his interest to participate in the GES but he was uncertain about the election results and also indicated that the election coincides with the dates of the GES leaving little time at his disposal to mount a delegation to the summit.

Referring to Poland's export of agro products to India, Mr. Nalewajk mentioned that Poland was trying to export apples to India but encountered some difficulties with certain regulations.

Mrs. Rupa Naik further stated that the Summit would facilitate a platform to explore the possibilities of exporting not just apples but also to present the Polish farm and agro processing technologies to India and the participating Countries besides would also give access to utilize the GES platform to address the Summit and showcase their companies/innovation trends in agro and food processing sectors.

Saturday 30.05.2015, Poznan

Meeting with Mr. Leszek Wojtasiak, Vice Marshal of the Wielkopolska Region, Poland over breakfast

Mr. Leszek Wojtasiak, Vice Marshal of the Wielkopolska Region, assured the delegation that his region would participate in the forthcoming GES. Mr. Wojtasiak organized a meeting for the delegation with the Minister of Agriculture who invited the delegation over for dinner. The delegates discussed the possibilities of participation of the Ministry of Agriculture Department's at the GES and opportunities the summit has to offer.

Mr. Wojtasiak assured the WTC Mumbai and AIAI delegation of the participation of the Wielkopolska Region in the GES and said he looked forward to promote bilateral trade between his region and Maharashtra and with the other States participating from India.

Indian Agriculture Industry: An overview

Introduction

Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the GDP.

As per estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) was 16.1 per cent of the Gross Value Added (GVA) during 2014–15 at 2011–12 prices.

The country is the largest producer, consumer and exporter of spices and spice products. It ranks third in farm and agriculture outputs. Agricultural export constitutes 10 per cent of the country's exports and is the fourth-largest exported principal commodity. The agro industry in India is divided into several subsegments such as canned, dairy, processed, frozen food to fisheries, meat, poultry, and food grains.

The Department of Agriculture and Cooperation under the Ministry of Agriculture is responsible for the development of the agriculture sector in India. It manages several other bodies, such as the National Dairy Development Board (NDDB), to develop other allied agricultural sectors.

Market Size

Over the recent past, multiple factors have worked together to facilitate growth in the agriculture sector in India. These include growth in household income and consumption, expansion in the food processing sector and increase in agricultural exports. Rising private participation in Indian agriculture, growing organic farming and using information technology are some of the key trends in the agriculture industry.

As per the 3rd Advance Estimates, food grain production is estimated at 251.12 million tonnes (MT) for 2014-15. With an annual output of 138 MT, India is the largest producer of milk. It also has the largest bovine population.

India is the largest producer and importer of pulses at 19.0 MT and 3.4 MT, respectively.

India, the second-largest producer of sugar, accounts for 14 per cent of the global output. It is the sixth-largest exporter of sugar, accounting for 2.76 per cent of the global exports.

Spice exports from India are expected to reach US$ 3 billion by 2016–17 due to creative marketing strategies, innovative packaging, strength in quality and strong distribution networks. The spices market in India is valued at Rs 40,000 crore (US$ 6.42 billion) annually, of which the branded segment accounts for 15 per cent.

The procurement target for rice during marketing season (MS) 2014–15 has been finalised as 35.10 MT.

Investments

Several players have invested in the agricultural sector in India, mainly driven by the government's initiatives and schemes.

According to the Department of Industrial Policy and Promotion (DIPP), the Indian agricultural services and agricultural machinery sectors have cumulatively attracted foreign direct investment (FDI) equity inflow of about US$ 2,182 million from April 2000 to May 2015.

Some major investments and developments in agriculture in the recent past are as follows:

- Rabo Equity Advisors, the private equity arm of Netherlands-based Rabo Group, raised US$ 100 million for the first close of its second fund – India Agri Business Fund II. The fund plans to invest US$ 15–17 million in 10–12 companies.
- Oman India Joint Investment Fund (OIJIF), a joint venture (JV) between the State Bank of India (SBI) and State General Reserve Fund (SGRF), invested Rs 95 crore (US$ 15.25 million) in GSP Crop Science, a Gujarat-based agrochemicals company.
- The world's seventh-largest agrochemicals firm, Israel-based ADAMA Agrochemicals plans to invest at least US$ 50 million in India over the next three years.
- Belgium-based Univeg recently collaborated with Mahindra & Mahindra to develop a fresh fruit supply chain.
- Companies from the US, Canada, Australia, Israel, the Netherlands and other European countries have shown strong interest to transfer the best practices, linkages between scientific institutes, agriculture storage, cold-chain management, market access, and productivity enhancement such as the introduction of new technology in seed and plant biotech.
- Canada-based International Food Security Research Fund has major investments in food security research in several Indian universities. These strengthen food-processing and sustainable agricultural techniques.

Government Initiatives

Given the importance of the agriculture sector, the Government of India, in its Budget 2015–16, planned several steps for the sustainable development of agriculture. The government has already taken steps to address two major factors (soil and water) critical to improve agriculture production. Steps have been taken to improve soil fertility on a sustainable basis through the soil health card scheme and to support the organic farming scheme 'Paramparagat Krishi Vikas Yojana'. Other steps include improved access to irrigation through 'Pradhanmantri Gram Sinchai Yojana'; enhanced water efficiency through `Per Drop More Crop'; continued support to MGNREGA and the creation of a unified national agriculture market to boost the incomes of farmers.

The central government recognises the importance of microirrigation, watershed development and 'Pradhan Mantri Krishi Sinchai Yojana'; thus, it allocated a sum of Rs 5,300 crore (US$ 830 million) for it. It urged the states to focus on this key sector. The state governments are compelled to allocate adequate funds to develop the agriculture sector, take measures to achieve the targeted agricultural growth rate and address the problems of farmers.

The Department of Agriculture and Cooperation under the Ministry of Agriculture has inked MOUs/agreements with 52 countries including the US. In addition, the Department of Agriculture Research & Education (DARE) and the Department of Animal Husbandry, Dairying & Fisheries (DAHD&F) under the Ministry of Agriculture have signed MOUs/agreements with other countries, taking the number of partnerships with other countries to 63. These agreements would provide better agricultural facilities in areas such as research and development, capacity building, germ-plasm exchange, post-harvest management, value addition/food processing, plant protection, animal husbandry, dairy and fisheries. The agreements could help enhance bilateral trade as well.

Given the correlation between improvement in agriculture and the development of the country, the Government of India adopted several initiatives and programmes to ensure continuous growth. It allocated Rs 25,000 crore (US$ 3.9 billion) for the Rural Infrastructure Development Fund (RIFD), Rs 1,500 crore (US$ 234 million) for the long-term rural credit fund, Rs 45,000 crore (US$ 7.03 billion) for the short-term cooperative rural credit finance fund and Rs 25,000 crore (US$ 3.9 billion) for the short-term RRB refinance fund. It also marked an ambitious target of Rs 8.5 lakh crore (US$ 132 billion) of agriculture credit during 2015–16.

Some of the recent major government initiatives in the sector are as follows:

- The National Dairy Development Board (NDDB) announced 42 dairy projects with a financial outlay of Rs 221 crore (US$ 35.47 million) to boost milk output and increase per animal production of milk.
- The government planned to invest Rs 50,000 crore (US$ 8.0 billion) to revive four fertiliser plants and set up two plants to produce farm nutrients.
- The Ministry of Food Processing Industries took some new initiatives to develop the

food-processing sector that would enhance the income of farmers and export of agro and processed foods, among others.

- Israel increased contribution to Indian agriculture and helped farmers multiply their income with better practices and yields. It also helped choose the right crops or vegetables to make this a success story, which is strengthening bilateral ties.
- The Government of Telangana allocated Rs 4,250 crore (US$ 682.31 million) for the first phase of the farm loan waiver scheme. The scheme is expected to benefit 3.6 million farmers who took loans of Rs 100,000 (~US$ 1,600) or below before March 31, 2014.

Road Ahead

The agriculture sector in India is expected to generate better momentum in the next few years due to increased investments in agricultural infrastructure such as irrigation facilities, warehousing and cold storage. Factors such as reduced transaction costs and time, improved port gate management and better fiscal incentives would contribute to the sector's growth. Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers.

The 12th Five-Year Plan estimates the foodgrains storage capacity to expand to 35 MT. Also, a 4 per cent growth would help restructure the agriculture sector in India in the next few years.

Exchange rate used: INR1= US$ 0.016 as of July 8, 2015

References: The Economic Survey 2014–15, Agricultural and Processed Food Products Export Development Authority (APEDA), the Department of Commerce and Industry 2014–15, the Union Budget 2015–16, Press Releases, Media Reports

Disclaimer: This information has been collected through secondary research and AIAI is not responsible for any errors in the same.

AIAI welcomes the introduction of Goods and Service Tax (GST) in RajyaSabha

Goods and Service Tax Bill introduced in the Rajya Sabha by the Union Finance Minister Mr. ArunJaitley is going to lead to growth in Indian business which will boost the country's GDP and shall bring in the much needed simplification, rationalization and borderless trade in taxation system and make trade and industry more competitive says Mr. Vijay Kalantri, President, All India Association of Industries (AIAI).

AIAI is of the opinion that the tax ceiling should not be above 18%. To begin with it should be between 15% to 16%. If we initiate the 28% tax ceiling, India will be known as one of the highest taxation country a label that will be a huge deterrent for the FDI in our country. This also will result in unfair practices in view of the high tax rates. This will enhance the previous practices of fudging and it will prove to be a revenue loss to the exchequer.

Besides in developing countries GST is not applicable on educational purpose like cess on schools, colleges and institutions, also on garments for children below 10 years. The Government should consider these pertinent issues added Mr. Kalantri.

Articles

Implementation of Goods & Services Tax in India – the race to finish!

The road map for implementation of Goods and Service Tax (the 'GST') regime was laid by the Indian Government in the year 2006, when it proposed to introduce GST effective April 1, 2010 vide Union Budget 2006. However, since the initial proposal, there have several revised target dates by the previous Government, which were not met.

With the New Government came the renewed vigour to implement GST and it is now proposed to be rolled out effective April 1, 2016. In terms of preparedness of the Government in implementing the GST, it is relevant to discuss two key aspects, the preparedness on the legislative front as well as on the administrative/ infrastructural front.

On the legislative front, it is relevant to note that:

- The Constitution Amendment Billon GST has been passed by the Lower House of the Parliament as recently as May 6, 2015 and is due for approval by the Upper House of the Parliament in the Monsoon Session.
- Post Parliamentary approval, obtaining of the approval of majority of the States is crucial.
- The subsequent legislative steps towards GST, include passing of Central GST law in the Parliament, passing of State GST law by each respective State and related Rules (including critical Place of Supply of Services Rules).

While the GST Bill is in public domain, for an effective implementation of GST from April 2016, it is timely for the Government to place draft legislations in public domain giving the industry sufficient time to study and analyse the draft and elicit suggestions/ recommendations and more importantly, consensus around the final rate of GST has to be arrived at the earliest.

Thus, seeking of Parliamentary approval of the Bill being just the initial step in the long-chain of approvals necessary for enactment of GST and with proposed date for GST being merely six months away, the Government has substantial ground to cover on the legislative front and the Upper House approving the Bill in this Monsoon session is thus, very crucial.

On assessment of preparedness from an administrative side, it is discerned that the GST network, which is the backbone of the regime, per se is in advanced stages of development, with some of the States test-checking the same. The Government has also formed a Steering Committee which is closing monitoring diverse aspects of GST implementation ranging from IT preparedness to training of the officers. However, different States seem to be at varied levels of preparedness for GST, owing to their inherent administrative and economic capabilities.

To surmise, given that GST is posed as the largest tax reform since independence, the momentum towards GST implementation is far from satisfaction for an April 1, 2016 roll out of GST. One can be only hopeful that the Government will gain momentum, work effectively within a short window of time to meet the ambitious roll-out date of April 2016. Alternatively, a revised date (say October 1, 2016 or April 1, 2017) should be chalked out, with the Government continuing its concerted efforts on the fronts above.

Source: By Mahesh Jaising, Partner, BMR & Associates, LLP.

Non-Performing Assets (NPAs)

A Systemic View

The latest Financial Stability Report of RBI, schedule commercial banks' show that stressed assets (gross non-performing assets plus restructured standard assets) to total assets ratio was 10.7% as at end-September 2014. There has been a large increase in the stressed assets since FY 2012. An ASSOCHAM study shows that stressed assets of PSU banks have reached disturbing proportions of approximately 112% of their equity as at end-March 2013. Extraordinary loss in industrial growth momentum (CAGR 3.3% IIP growth for the last six years ending 2014 and even lower growth during FY 2015) contributes to rise in NPAs and restructured assets. Many studies have found a very positive, causal effect of finance on industry growth. Experiences world over show that many times persistent under-performance of industry despite favourable economic fundamentals (high saving/investment rates, large external fund inflows, vast domestic consumer base in our case) is caused by systemic impairment in credit intermediation role of the financial sector.

Trade Credit and NPAs

It is felt that the present under-performance of the industry and growing NPAs are essentially triggered by trust-deficit-induced systemic weaknesses in the financial intermediation role of trade credit [TC] or inter-firm sales on credit as there is no apparent disorderly development in bank credit architecture. Inter-firm credit is often cited as transmission channel for business failure risk. In his essays on the Great Depression, Mr. Ben Bernanke, former Chairman of Federal Reserve indicated that its severity and long duration was contributed by breakdown in financial intermediation role of different participants in financial system. In terms of scale of financial intermediation, credit volume/activities, reach, inclusiveness and credit redistribution, role of TC network is truly stupendous - far bigger than banking network. It provides last mile sequential links in credit creation and its distribution along the credit chain. It is akin to water carrying field channels in an irrigation system. Frail channels lead to uneven distribution. Total production and productivity suffer even when water supply is sufficient. Current credit scenario is characterized by excess liquidity with a set of firms as against credit-constraints faced by vast majority of businesses. National output and productivity (high ICOR) are sub-optimal.

Further, intensity/pattern of intermediation of bank credit, private savings and suppliers' credit by firms through TC chain determine volume of credit supply, level of demand for bank credit, credit multiplier and micro-liquidity. As such, TC is too interconnected to financial networks and real sector to ignore. Systemic weaknesses in TC expose the financial system to contagion risk. Understanding complex and dynamic interconnections and interdependence in TC and banking networks and propagation of credit market shocks through these networks are essential. This is necessary to identify fault lines in credit architecture which impact saving-investment-growth nexus and thereby financial health of businesses.

What Caused Disruptions in TC Network?

Trust is the basic ingredient for efficient and smooth working of TC network. Impairment of trust affects confidence. Financial markets are highly susceptible to public confidence. We can trace back the growing trust deficit in TC to the notable fall in liquidity following a string of events (en masse meltdown of NBFCs, defaults in ICD and company fixed deposit markets, capital market scams and slump etc.) in late 1990s. These have impacted trust and confidence channels in private credit system. Legacy effects of these developments are now reinforced by growing reliability gap in inter-firm credit sales due to declining ethical milieu of feeling ashamed/guilty of being defaulter/ bankrupt and fast vanishing social/business stigma attached to debt default/bankruptcy. Consequently perceived credit worthiness in TC has in general declined. There is reassessment of credit risk and tightening of TC for vast majority of businesses. This is more so for MSMEs, new and upcoming firms. These are aggravated during slowdown, growth uncertainty and liquidity crisis.

Impact of Weaknesses in TC

The trust-gap induced disorderly developments in TC results in credit deleveraging, liquidity holdback by businesses, imbalanced credit flows across firms and weary funding credit conditions. With the decline in reliability in B2B credit-based transactions, the underlying quality of TC is on a decline in terms of amount, tenure and general availability. This has cascading effects along the TC chain as volume, tenure and terms of trade receivables of a firm are directly related to its trade payables. When credit cannot circulate freely, it inhibits business activities in general. More than the direct impact of circulatory credit slowdown on economic activities, the invisible economic cost of growing trust gap in TC is very high in terms of business deal not effected, goods not produced, investment not undertaken, firms not started as businesses anticipate in advance that they cannot fully rely on commitments of a trade debtor/counterparty. Credit constraint affects liquidity, production, sales and earnings of a firm. If a sufficient number of firms suffer from liquidity constraints, liquidity shocks are transmitted along the supply chain financing network. These may cascade into solvency problem for many firms. In a systemic credit crisis, TC network can propagate and amplify liquidity shocks through TC chain instead of working as credit multiplier. Further, the situation is exacerbated with liquidity erosion getting transmitted to other interconnected different segments of financial system, esp.; banking network.

The disorderly developments in TC impact the pattern and volume of credit flows, risk perceptions, relative credit pricing and credit distribution and capex across sectors/firms. It systemically affects asset structure of firms and pattern and profile of investment. These have bearings on the performance efficiency of firms.

Imbalances in Corporate Assets Structure: Unusual Trend in 2000s

Analysis of RBI's annual study of corporate financials over the last 4 decades show an exceptional trend in their asset composition [declining fixed assets and growing financial assets share in total assets] during the decade of 2000s as compared to 1970s, 1980s and 1990s. These ratios are radically out of line in 2000s compared to the previous 3 decades trend [Table 1].

Table 1 : Annual Average share [%] in total assets of Public Limited Companies

Item	1970s	1980s	1990s	2000s
Gross Fixed Assets of which	72.20	69.29	66.86	59.01
Plant & Machinery	52.12	50.19	47.01	40.89
Loans & advances	20.45	13.83	24.92	24.07
Sundry Debtors	13.32	15.07	13.69	11.45
Investment	2.27	2.68	8.02	15.33
Cash & Bank balances	4.25	3.79	3.50	6.41

Source: RBI's annual study of financials of the non-Govt. non-financial public ltd. companies.

Significant changes in the asset composition of RBI's sample companies during 2000s vis-à-vis previous 3 decades by way of abnormal spurt in share of cash & bank balances and financial investment in total assets and corresponding decline in share of productive assets in total assets of these companies point to systemic changes in their asset structure. Decline in ratio of capital accumulation to total assets reduces competitiveness and value addition capacity of industry. This reduces innate strength and make firms vulnerable. It is abnormal and strange to find that cash and bank balances ratio to total assets after declining steadily since 1970s had suddenly surged in 2000s. Decline in this ratio over the previous 3 decades is consistent with the progress of banking. Further, with rapid progress of digital banking and payment system during 2000s, this ratio should have been declined appreciably instead of increasing. The main reason for such a surge in cash & bank balances lies in the fact that with the decline in general availability of TC, firms need to keep higher level of cash & bank balances to meet transaction and precautionary demand. Steady increase in liquidity holding is also very much reflected in the decline of income velocity of money at macro-economic level during 2000s as compared to 1990s. Higher liquidity-holding behavior and spurt in corporates' financial investments have a significant and detrimental impact on credit creation capacity of firms and overall functioning of the credit-based payment system. Corporates generally have better access to credit and are expected to redistribute credit to MSMEs through TC. However, decline in sundry debtors during 2000s compared to earlier decades indicates lower TC flows to MSMEs from corporates. It is felt that economic downturn in terms of poor performance of industry, export and rising NPAs are contributed by these perverse changes.

Reasons for High Liquidity-holdback and its Effects

- When creditors experience/perceive low reliability in B2B credit deals, they become more short-term/cash focused and safety/security-oriented. Result is higher liquidity-holdback.
- TC provides payment flexibility and thus reduces the overall need for liquid assets. Tight trade credit conditions stretch the overall working capital cycle and impel higher cash-holding to fund working capital needs.
- Trade and industry make higher provisions for liquidity holdback to protect themselves against risks of delays/defaults by trade debtors and instability/uncertainty in future cash flows. These impact normal functioning of short-term funding market and credit-based payment and settlement system. Credit deleveraging becomes self-reinforcing.
- Tightening of TC increases risk for bank credit as its impact liquidity and efficiency of a firm's working capital management. Banks become more cautious and prefer secured and safe investment. Even low interest rates cannot spur credit growth when market liquidity conditions are poor as banks' credit multiplier depends on how well this credit is transmitted through trade credit network. All these mutually reinforcing actions impact overall functioning of credit-based payment system.
- Strong preference for cash sales results in inordinately high cash discount [CD] rates which make credit-based businesses less competitive vis-à-vis cash-based ones. It incentivises cash-based B2B transactions which increases need for higher cash holding. Survival/growth and competitiveness of cash-constrained SMEs/start-ups are impacted. Cash-based transactions limit businesses' capacity to sale and purchase which do impact their operational efficiency.
- Cash constrained firms in exchange for accelerated payment offer higher CD. Cash leveraging generates high cash scarcity rentals for cash-rich large corporates through unequal bargaining power vis-à-vis their SME vendors. Today cash speaks louder than anything else.
- In the absence of functional emergency credit windows like private finance firms coupled with tighter TC environment, the implicit cost of being out-of-cash becomes very high in terms of very survival and market reputation.

MSMEs, TC and NPAs

- Current assets constitute major part of total assets of a typical small firm. Liquidity crisis for MSMEs starts off when liquidity of TC network contracts as 95% of MSMEs are outside the bank credit. Logically bank credit could be "5% solution" to credit problems of MSMEs. TC remains the "lender of the last resort" for unbanked units and more so during liquidity crisis.
- Liquidity holdback by the high-end corporates [large cash & bank balances], their high level of financial investment, strong preference for cash sales and credit purchase and deceleration in their credit redistribution via TC to MSMEs make liquidity crisis an unremitting fact for credit constrained units.
- MSME units which avail bank credit also have TC dealings. Tightening of TC increases risk of NPA for bank credit as it affects liquidity and efficiency of a firm's own and that of its trade debtors'. Bank credit cannot work securely in isolation of TC.
- Credit sources tend to dry up more rapidly for MSMEs during the times of economic downturn /uncertainty and credit squeeze. Illiquidity saps the strength of firms to face the challenges of slowdown, mismatches in fund flows and temporary setbacks which often run into financial sickness and even ultimately to insolvency.

NPA Environment

Despite various NPA recovery mechanisms, sale of NPAs to asset reconstruction companies, write-offs and concerted recovery efforts, NPAs are steadily increasing. Financial sickness as reflected in banks' NPA data is only a small portion of the aggregate of bad loans in the economy if cases of bad loans in private credit are taken into account. Bad loans situation is worse in private credit as banks at least have some security and various legal back-ups for recovery. On the other hand, the rights of private creditors are less protected. Cases of willful defaults, strategic debtors, delayed payments and opportunistic behavior are on the rise in the TC network in the recent years. These do have demonstrably adverse effects on confidence channel in TC. However, such data is not compiled and discussed in public domain. Trade creditors generally suffer silently as legal remedies are costly and long-drawn with uncertain outcome. Further, with the general increase in payment cycle, funding of liquidity is becoming difficult. Increasing number of firms' financials are sliding. A large number of them are struggling to survive. As credit from different sources being fungible and form the financial resource base of any unit, bad-debts and credit-constraints in TC do impact the bank-debt repayment capacity of a unit. In India bank financing and restructuring of NPA proposals, particularly in MSMEs, have incomplete or very little information/idea about the quantum, cost and credit terms in respect of trade payables/ receivables and private loans. These make various financial projections in credit appraisal or restructuring proposals less real. Such projects carry higher NPA risk and lower revival chances in case these slide to stressed asset category.

The interconnectedness that exists between TC and banks exposes the system to contagion risks under stress scenarios. The stress situation for a large number of firms is worsening as fresh injection of funds in TC is on decline. Result is an unprecedented loss in growth momentum in credit-intensive manufacturing sector and spurt in NPAs. The problem of NPAs in banks cannot be solved without addressing bad credit and liquidity problems in TC. However, the real concern is that this fact is little understood as all analytics confine to bank credit and bank NPAs. Focus on a part of financial system [bank credit] can obscure vulnerabilities arising from infectious liquidity crisis in TC and eventually may prove perilous for banks and the economy.

Even lowering of interest rates may not help much in increasing credit flows as banks/trade creditors' tight lending standards make liquidity funding conditions shaky. Top down use of monetary transmission mechanism alone is inadequate to counter the problem of micro-level credit constraints. Easy monetary policy may lead to credit-push through large ticket loans which could end-up in large cash/liquid investment on the balance sheet of high-end corporate or money market instruments.

Roadmap

Any loss of faith in credit based payment system would result in more cash-based and fewer credit-based transactions, thereby reducing efficiency in payment mechanism, economic activities and flow of transactions. TC deleveraging and liquidity constraints remain a major headwind for NPAs in the coming period. Feedback from trade and industry show that liquidity problem is becoming more serious day by day and widespread. This has created an environment of pessimism in TC network. Collective feeling of pessimism has cascading effect in driving down liquidity in trade and industry. The interconnectedness that exists between TC and banks does expose the banking system to contagion risks of NPAs. As such, greater understanding of the financial networks and their relations with real sector activities are essential to identify fault-lines along which financial shocks propagate. Under these conditions, trade finance intervention is required to: i] mitigate the problems of micro liquidity problems and ii] facilitate availability of trade finance along the supply chain to absorb liquidity shocks and prevent closure of illiquid/credit constrained but solvent firms. Following the Lehman crisis, liquidity in global financial market dramatically dried up. This had immediate and huge impact on global trade. Under these circumstances, IFC, G-20 countries, development finance institutions, etc., supported/resorted to trade finance interventions on emergency basis. Additional liquidity was provided to facilitate trade transactions which did help in containing depression in world trade. Without TC intervention, even higher public expenditure, monetary easing, measures to increase bank credit and lower interest rates to stimulate economic growth may not have the desired level of outcome as ultimately the credit travels through the TC chain.

Policy intervention including legal measures are also required to strengthen quality of accounting information to ensure reliability about the value of receivables and its efficient realization. These will make receivables as attractive and effective collateral against bank credit and factoring. This will scale-up availability of working capital and factoring services. Secondly, it is essential to strengthen creditors' rights and legal system for quicker and cost-effective private credit recovery which encourage higher TC flows.

To maintain integrity/discipline and engender transactional trust in TC eco-system, self-regulation, collective action by industry bodies against willful defaulters/opportunistic behaviour, creation of credit directories for private credit, etc., are required. In these matters industry associations' role become critical.

An integrated approach based on above factors to address the problem of NPAs in both banking and non-bank financial markets can work efficiently and effectively. Partial remedial measures confining to bank NPAs may not cure the NPA malady cost-effectively, efficiently and wholesomely.

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