India: a hotspot for FDI

SAJJADUR RAHMAN, *Back From New Delhi*

INDIA has been attracting a considerable amount of foreign direct investment (FDI) in recent years -- in spite of a downturn in the global economy.

The country received over $58 billion last year, up 12 percent from the previous year's $52 billion.

The US accounted for 30 percent of the total number of FDI projects in 2011 -- the highest -- followed by Japan, United Kingdom, Germany and France.

Companies from the UAE, too, invested significantly in 2011: nearly $1 billion in 23 projects.

In terms of FDI value, India ranked third, behind only China and Brazil, according to Ernst & Young (E&Y).

Meanwhile, the country came fourth, behind the US, China and the UK, for the number of projects.

This begs the question: why are the foreign investors coming to India?

As per a survey by the E&Y, investors claim to have come to India to find growth opportunities for their business and the possibility to operate at lower cost.

According to half of the total respondents, the high potential of the domestic market, particularly the rapidly rising middle-class, to be their number one draw.

Cost competitiveness and India's young and educated workforce were the other attractions.

Of the $58 billion that came in 2011, 71 percent was for manufacturing, with the E&Y report stating India to be rapidly emerging as a manufacturing location of choice for many foreign corporations.

Efforts by the Indian government, particularly the National Manufacturing Policy, to offer solutions to problems related to labour, ease of exit, skill availability, environmental laws and infrastructure, paved the way for enhanced FDI inflows.

By 2020, 25 percent of the survey respondents see India becoming the top three destinations for manufacturing.

Furthermore, China's dramatic increase in manufacturing costs is playing into India's hands.

A recently-held conference of German businessmen in New Delhi reflected India's growing importance for foreign companies.

Nearly 500 German businessmen joined the Asia-Pacific Conference of German Business in India early this month to explore further opportunities.

STAR

A view of participants at the Asia-Pacific Conference of German Business held in New Delhi on November 1-2. About 500 German businesspeople who sought investment opportunities in India joined the event.

Germany is the largest market in Europe, constituting 20 percent of European GDP, and is home of to 16 percent of the total European population.

The German economy is both highly industrialised and diversified with equal focus placed on service and manufacturing.

E&Y's European Attractiveness Survey 2011 confirms Germany's reputation as one of the most attractive business locations in the world, with international decision makers ranking it first within Europe and fifth worldwide in the "most attractive business location" category.

Despite that, Germans are looking for business in emerging countries -- and India remains one of their top choices.

Germany has been one of the top five foreign investors in India for the past five years, with German companies bringing in nearly $2 billion to India in 2011.

"FDI from Germany to India has been doubled in the last five years," said Peter Loscher, chairman of the Asia-Pacific Committee of German Business, at the APK Conference in Delhi.

Loscher, also the chief executive officer of Siemens AG, sees German companies' business potential in India due to the country's rapid rise in urban population.

Dr Philipp Rosler, federal minister of economics and technology of Germany, also attended the conference, to help his country's business community enter into Indian market.

Though India produces 600,000 engineering graduates a year, the German minister thinks the number is inadequate given India's necessity to go for higher growth.

"We can help India in vocational training," said Rosler, adding that Germany has the best vocational training facilities in the world.

Kamal Nath, India's minister for urban development, echoed the German minister's views regarding development of manpower.

"Skill development has to be a priority for us," said Kamal, a former commerce minister, at a session in the conference.

In India, he said 12 million people enter the job market a year, stressing the need for the growth of the manufacturing sector to absorb this workforce.

"One job in manufacturing creates three jobs in the services sector," he said.

RV Kanoria, president of Federation of Indian Chambers of Commerce and Industry (FICCI), stressed the need for establishing a link between the universities and industries, to build skilled manpower in line with the demand.

Still, India has a lot of limitations.

India is aggressively focusing on minimising India's infrastructure deficit and would like to generate investor interest in the sector.

Development in the country's infrastructure is poised to accelerate thanks to the government plans to double its spending from $500 billion to $1 trillion during fiscal 2012-17.

India is also encouraging foreign investors in the sector, with the number of FDI projects in the infrastructure sector growing by 90 percent in 2011.

The sector contributed 4 percent to the total number of FDI projects and 9 percent to the total jobs created.

According to German businessmen, power shortage is a major drawback for India, followed by land acquisition and environmental clearance issues, persistently high inflation and interest rates.

What is wrong with Bangladesh?

Bangladesh received FDI of $1.13 billion in 2011 compared to $910 million in 2010.

Though this increase of about 25 percent is higher than the average 23 percent worldwide growth of FDI, the amount is very little -- in comparison to India.

According to the 2012 World Investment Report (WIR) of the UNCTAD, the garment sector attracted the highest amount of FDI, followed by the banking, energy and telecommunication sectors.

The problems facing FDI in Bangladesh are more or less similar to India -- yet Bangladesh receives less than two percent of the FDI that India.

Not least, Bangladesh's population and cheaper labour costs.

When asked Dr Vrabec, managing director of the Germany-based Asia Consulting, told The Daily Star that businessmen in his country do not know much about the Bangladeshi market.

"What we know about Bangladesh is cyclone, political unrest and poverty," said Vrabec.

According to the business community in Bangladesh, complicated bureaucracy, political unrest, corruption, high inefficiency cost, absence of autonomous regulatory bodies, erratic power supply, lack of administrative co-ordination, inefficient customs processing, are the top barriers in attracting FDI.

Saiful Islam, former president of Bangla-desh-German Chamber of Commerce and Industry, who attended the APK conference in Delhi, asked a question to the German economic minister on his country's plans to invest in Bangladesh and transfer of technology.

"Improve the quality of education." That was the German minister's answer.

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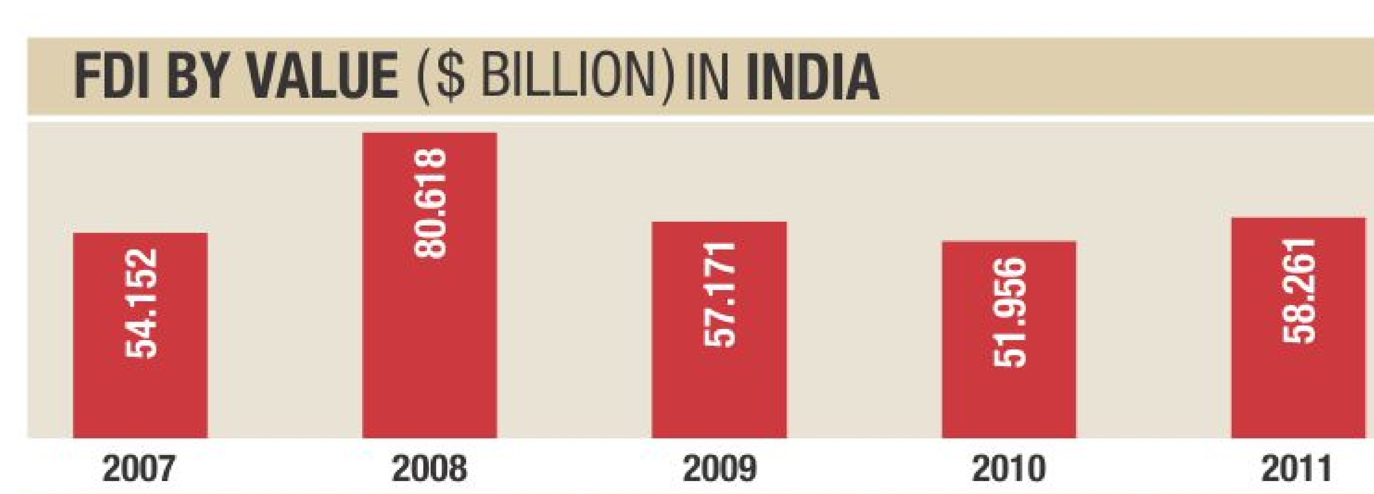


COLUMN

Climate science vs misinformation

ZEESHAN HASAN

FOR the past 15 years, a largely invisible struggle, critical to the future of the planet, is being fought between the global community of climate scientists on one hand and fossil fuel companies-funded think-tanks and politicians on the other.

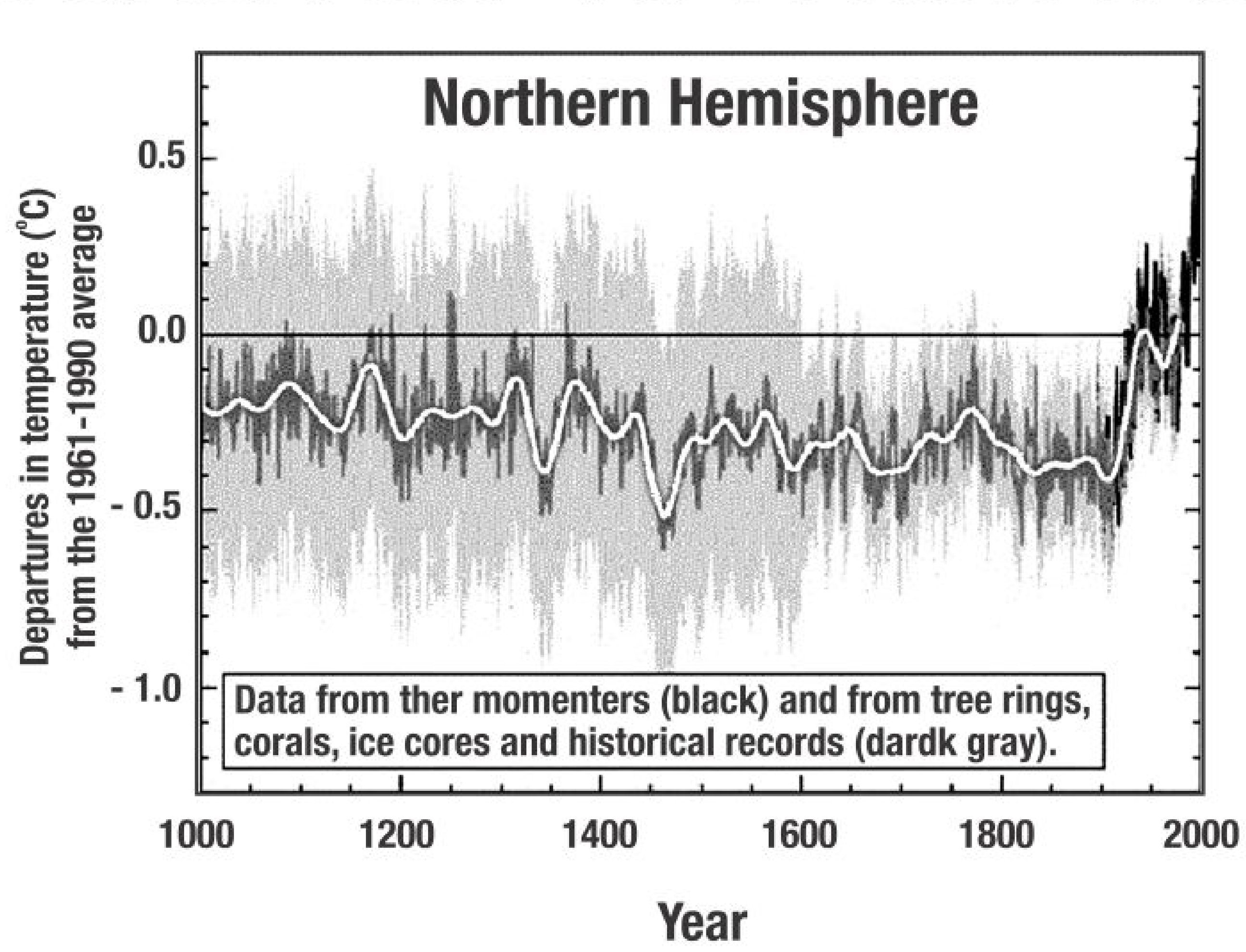
During this time, climate scientists have reached an overwhelming scientific consensus that the carbon dioxide emissions caused by our reliance on coal, oil and gas have already caused significant global warming, and will ultimately endanger our planet unless all fossil fuel usage is rapidly phased out.

Simultaneously, the fossil fuel industry has run a huge misinformation campaign to keep the public in the dark about climate change.

Ground-breaking scientist Michael Mann writes about in this struggle in his new book, "The hockey stick and the climate wars; dispatches from the front lines" (Columbia University Press, 2012).

The critical study which solidified scientific opinion about the truth of global warming was the "hockey stick graph" discovered by author Michael Mann in 1998, and highlighted in Al Gore's "An Inconvenient Truth" documentary on global warming.

Mann's graph showed global average temperatures slowly decreasing towards a distant new ice age for most of the past 1000 years, only to spike sharply upwards in the last one, like the end of a hockey stick. The hockey stick graph was strong evidence that man-made global warming was real, and was already happening. The hockey stick graph was confirmed by many subsequent scientific studies; the handful of studies, which contradicted it, were found to have critical errors. Among climate scientists, there is no longer any doubt about the reality and seriousness of global warming.



The fossil-fuel industry, composed of multinational coal and oil companies, sought to protect their business interests by sowing public doubt in global warming, and was quick to strike back at climate scientists.

They funded think-tanks and websites propagating reports by their own "experts" who cast doubts on the hockey stick. These experts were usually economists and meteorologists/TV weathermen who knew little of climate science, as well as an ever-shrinking minority of climate scientists.

The misinformation campaign took advantage of a public and media largely ignorant of science, and unable to appreciate that the real scientific debate on climate change was over.

US congressmen in the thrall of oil and coal lobbyists undertook an official witch-hunt of climate scientists in 2005. Congress was unable to find any problems with the climate scientists' views; but the damage was done. Widespread media coverage of politicians like Senator James Inhofe saying that climate change was "the single greatest hoax ever perpetrated on the American public" ensured that doubts about global warming continued in the public mind.

The anti-climate science campaign ultimately descended to criminal acts of hacking and baseless accusations of fraud directed at Mann and his fellow scientists. In the "Climate-gate" incident in 2009, unknown hackers stole thousands of e-mail messages from the Climate Research Unit of the University of East Anglia in the UK. One particular e-mail from another climate scientist to Mann was repeatedly used as evidence to claim that Mann had used a "trick" to falsify his hockey stick data and was thus able to "hide the decline" in global temperature.

Climate change deniers had a field day. In fact, the word "trick" is commonly used among mathematicians and scientists to describe a clever means of solving a difficult problem, seemingly by magic; it did not imply any wrongdoing. Likewise, the "decline" in that was being hidden was a series of temperature measurements from one particular study acknowledged by the original author to be doubtful due to pollution.

A number of subsequent inquiries were conducted, and none found any wrongdoing on the part of climate scientists. Again, the damage was already done; public belief in global warming and political will to tackle it both fell dramatically.

The fog of public doubt created over global warming had long-term consequences; firstly, Barack Obama's attempts at regulating carbon emissions were rejected by the Congress. Secondly, the Climate-gate hacking had been timed to occur just before the Copenhagen summit on global warming in December 2009. Due to doubts raised by Climate-gate as well as Obama's failure to pass any carbon dioxide emissions legislation in the US, Copenhagen failed to produce any meaningful international agreement to prevent global warming.

This failure has left the planet in continued peril of global warming and consequent sea level rise, cyclones and drought. Hurricane Sandy, US/Russian crop failures and high food prices in 2012 are the beginnings of what is in store for us unless the public and politicians start taking real action to replace fossil fuels with nuclear, solar and wind power.

The author is a graduate of Harvard and LSE, and his other global warming related articles are on his blog: www.goodbyebangladesh.blogspot.com

China's economy recovering but torrid growth over

AP, *Beijing*

ZHANG Hanzhong, who supplies locks for auto manufacturers, is part of a swath of China's economy that is lagging in a two-speed recovery.

Business for retailers, hotels, photo studios and other service industries is picking up as China limps out of its deepest slump since the 2008 global crisis. But exporters and manufacturers who drove its boom over the past decade are struggling.

Zhang's sales are down 20 percent with no rebound in sight, while labour costs are up.

"The second half of the year is even harder than the first half," said Zhang, who employs 60 people at his factory in Meizhou in Guangdong province near Hong Kong.

China is recovering but the days of double-digit growth are gone. Faced with falling returns from a three-decade-old growth model fueled by exports and investment, Beijing is trying to rebalance the economy by promoting consumer spending, service industries and technology. It is a strategy that promises smaller but more sustainable gains. That could have global repercussions by dampening voracious demand for iron ore, industrial equipment and other imports that drove growth for suppliers from Australia to Africa to Germany.

"The world has to get used to the idea that China will grow at a 7 or 8 percent pace, and growth will be far less investment-intensive over the next decade," said Mark Williams of Capital Economics. "So the projections for Chinese demand for commodities, capital goods, construction equipment and so on have to be revised down.'"

The Communist Party has committed in broad strokes to growth based on consumer spending and innovation in its five-year development plan that runs through 2015. A report in February by the World Bank and a Chinese Cabinet think tank said that to achieve that, the government will need to make politically daunting changes including curbing the dominance of state companies.

New leaders including General Secretary Xi Jinping who took power last week are under pressure to deliver on the party plans to overhaul the economy. But how far they will go to rein in politically favoured state companies and other vested interests is unclear.