

# Corporates look past India's cash crisis, praise Modi reforms

REUTERS, Gandhinagar, India

**B**USINESS leaders from around the world attending an investment summit in the Gujarat this week cheered Prime Minister Narendra Modi's reforms, and said the disruption caused by his radical demonetisation move should be temporary.

Executives at the week-long, biennial Vibrant Gujarat Summit held in Modi's home state said the tide was turning on investments into India, although some complained the approval process remained prohibitively slow.

Modi has promoted a business-friendly agenda since coming to power in 2014, and his reforms have helped turn India into the world's fastest growing major economy, albeit with the help of hefty government spending to fund projects.

"We are making a real bet on the country. What we are seeing with Prime Minister Modi is really some substantive change, it's more than lip service," said Peter Huntsman, Chief Executive of US chemical maker Huntsman Corp.

Huntsman said his company, which sells products ranging from adhesives to industrial inputs, is doing "preliminary analysis on what may end up being several hundred million dollars worth of investments in India."

As someone who first came to India in the late 1980s and has seen the promises made over decades, he described the pace of change under Modi as "near light-speed", and said that an overhaul of India's unwieldy tax code would be a game changer.

After lengthy delays and political horse trading among lawmakers, Modi finally won parliamentary approval last year to implement the Goods and Services Tax (GST), although it is likely to go only some way to unifying rates.

The prime minister also stunned Indians on Nov. 8 when he abolished old 500 and 1,000 rupee notes in a bid to root out corruption and drag the nation into the age of digital payments.

The World Bank said in its report this week that the move would slow India's economic growth to 7 percent this fiscal year, down from an earlier estimate of 7.6 percent.



Anil Ambani, right, chairman of the Reliance Anil Dhirubhai Ambani Group, greets India's Prime Minister Narendra Modi at the Vibrant Gujarat investor summit in Gandhinagar, India on January 10.

Other economists have also pared growth forecasts, as money shortages over the last two months have caused frustration for millions of people in an economy largely driven by cash.

Industrialists like BK Goenka, chairman of Indian conglomerate Welspun Group, believe the economic hit from so-called demonetisation is in the past.

"Demonetisation is over. It was a bold decision and in the long run it will benefit. It will also help the implementation of GST," said Goenka, adding moves to cleanse the system prior to implementing GST later this year made sense.

Welspun outlined proposed investments of 40 billion rupees (\$588 million) in Gujarat during the summit, which ended Friday. Canadian billionaire investor Prem Watsa said his India-focused investment vehicle Fairfax India is raising

a further \$500 million, as its initial \$1 billion raise from 2015 has already been largely earmarked for deployment.

"I'm saying India is the single best country to invest in worldwide for the long-term," said Watsa, adding that all the companies Fairfax India has invested in so far are registering double digit growth rates. "I see huge opportunities."

"You're going to see a transformation take place before your eyes in India," said Watsa, comparing Modi's reform agenda in India to the transformation Lee Kuan Yew brought to Singapore.

Even for optimists, though, challenges remain. Fairfax India warned last week that a \$323 million deal it had struck in March 2016 to acquire a 33 percent stake in the Bengaluru airport was still in limbo, awaiting some government and regulatory approvals.

That deal had initially been expected to close in mid-2016.

The head of Dubai's DP World, which operates several ports along India's coastline, said he was "very bullish" on India but that more work was needed to speed up approvals.

Others pointed to the unpredictability of Indian politics as a wild card factor.

That challenge was illustrated this week when Amazon.com was forced to remove doormats resembling the Indian flag from its Canadian website, after an Indian government threat to rescind visas of the company's employees if they did not stop selling them.

"Investors will just have to accept a higher level of risk to get the returns they want from big markets like India," said Amitabh Dubey, a political analyst at emerging markets advisory firm Trusted Sources.

# Diesel emissions inquiries widen to Renault and Fiat

REUTERS

European carmakers were drawn into a widening probe of diesel emissions testing on Friday, with French prosecutors examining Renault and British authorities seeking answers from Fiat Chrysler Automobiles NV.

Volkswagen's admission that some of its diesel vehicles were fitted with software designed to hide their true level of emissions has highlighted that most cars spew out far higher levels of health-threatening nitrogen oxide (NOx) in everyday driving conditions than in laboratory tests.

Shares in Renault fell more than 4 percent to their lowest level in around a month after a source at the Paris prosecutor's office said it had launched a judicial investigation into possible cheating on exhaust emissions at the French carmaker.

Renault said it respected all laws concerning exhaust emissions, adding that its vehicles did not have software enabling them to cheat on emissions standards.

The French clampdown follows allegations by the U.S. Environmental Protection Agency (EPA) on Thursday that Fiat Chrysler, like Volkswagen, was potentially using illegal software to hide excess diesel emissions.

No manufacturer other than VW has been found to have installed software designed solely for the purpose of circumventing emissions tests, but regulators in Britain and Germany say that carmakers have made extensive use of a "thermal window" which allows manufacturers to turn down pollution-control systems for the sake of protecting an engine.

German investigators said they had found that some carmakers defined the "thermal window" in such a way that exhaust treatment systems were switched off most of the time. Switching off or throttling back emissions treatment systems in cold weather reduces the risk of condensation building up in catalytic converters, which may otherwise cause rust and reduce exhaust-filtering effectiveness in the long run.

It also improves engine performance and stretches the intervals between refilling vehicles with urea, an expensive substance needed to extract NOx from exhaust fumes.

Regulators across the globe are now seeking to determine when a "thermal window" engine management system becomes an illegal "defeat device."

Under U.S. law, there is an obligation for manufacturers to declare their emission control strategy. This has been the basis for EPA action against Volkswagen and now against Fiat Chrysler. The European Commission said it had been informed about the "worrying" EPA allegations and would look at what implications they might have for the European Union.

"We will now work with the EPA, national member state authorities and of course Fiat in order to establish potential implications for vehicles sold in the EU," it said.

The European Commission has limited powers to force polluting cars off European roads, since vehicle licensing in the EU is still conducted on a national level.

# Japan's Abe pushes Pacific trade deal in Australia



Japan's Prime Minister Shinzo Abe speaks at Japan and Australia business dialogue in Sydney yesterday.

AFP, Sydney

**J**APAN and Australia will work together to ensure the Trans-Pacific Partnership free trade deal comes into force, Prime Minister Shinzo Abe said Saturday, making no mention of strong US opposition.

After talks with Australian Prime Minister Malcolm Turnbull, Abe took the lead on the trade pact covering 12 Pacific Rim nations that was ratified by Japan's parliament last month.

"We agreed that we should demonstrate anew to the world the importance of free trade," Abe told reporters.

"We confirmed that we would coordinate for the early entry into force of the TPP."

The two men later released a joint statement which "stressed that implementing the TPP remains an indispensable priority because of the significant economic and strategic benefits it offers."

Turnbull noted, "For both of our nations the United States remains the cornerstone of our strategic and

security arrangements. "We will work closely with the incoming administration, as we have been (doing), to advance the region's interest and our shared goals."

He had earlier told NHK television in an interview that Australia would "commend" the TPP to the new administration.

US President Barack Obama championed the deal saying it would enable Washington to set the global trade agenda in the face of China's increasing economic might.

But President-elect Donald Trump has repeatedly shot it down as bad for America and particularly for jobs, casting a dark shadow over its future.

The TPP encompasses some 40 percent of the global economy and also includes Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

Unveiled in 2016 and years in the making, the TPP cannot be implemented in its current form without US ratification.

Abe has made it a pillar of his growth platform to revive exports and the world's number three economy. Trump says he supports free trade

but that existing deals, such as the North American Free Trade Agreement between the US, Canada and Mexico, have not been fairly negotiated and do not serve US interests.

Close allies Canberra and Tokyo announced Saturday a new defence deal to facilitate closer logistics support and cooperation during combined exercises, training and peace-keeping operations.

And they called on their defence ministers "to pursue deeper defence cooperation in 2017, including joint training, exercises, operations and capacity building."

They also unveiled an agreement to exchange sporting expertise with Japan due to host the 2019 Rugby World Cup followed by the summer Olympics in 2020.

The prime ministers "condemned in the strongest terms North Korea's continued nuclear tests and multiple ballistic missile launchers as destabilising and provocative and urged North Korea to desist".

They also voiced "serious concern" at the South China Sea situation, urging restraint by all parties.

# Major US banks post strong 2016 earnings

AFP, New York

**W**ELLS Fargo reported lower fourth-quarter earnings Friday, underperforming two large rivals, following its bogus accounts scandal, but the firms were upbeat about the outlook.

The banks said they were hopeful higher interest rates and a potentially more favorable regulatory climate under President-elect Donald Trump could boost the industry.

Wells Fargo, which has been under pressure following revelations last fall that it opened some two million accounts without their customers' knowledge, said it refunded \$3.2 million in fees resulting from the fake accounts, up from the prior \$2.6 million.

Research also showed more than 175,000 customers who had unauthorized credit cards opened received a lower credit rating from a credit bureau, the bank said.

However, some of the data released by the bank suggested clients are beginning to move past the debacle. Total branch interactions in December rose 11 percent from November, although they were still down six percent from the year-ago period.

Wells chief executive Tim Sloan said on an analyst conference call the bank welcomed signs of a possible "inflection point," although it was too soon to know.

Net profit fell 4.2 percent to \$21.94 billion last year, including a drop of 5.4 percent in the fourth quarter alone due to a series of costly measures the bank implemented to regain consumer confidence.

Despite the woes over Wells Fargo accounts, the banking sector is viewed as having strong prospects, boosted by the recovering economy and booming financial market that followed the Trump's election.

And with expected economic stimulus and tax cuts likely to bring interest rate increases from the Federal Reserve, banks are likely to see continued profitability this year. The Dow Jones US Banks Index has risen about 25 percent



A Wells Fargo logo is seen in New York City, US.

since November 8.

Investors cheered the earnings reports, lifting shares of Wells Fargo 2.4 percent to \$55.80, Bank of America 1.0 percent to \$23.17 and JPMorgan Chase 1.2 percent to \$87.28 in midday trading.

JPMorgan Chase, the biggest US bank by assets, announced record profits for 2016, boosted by a "dynamic" US economy and a surge in brokerage activities. Annual net profit rose 1.2 percent to \$27.7 billion, including \$6.73 billion in the fourth quarter alone.

Executives with JPMorgan described US consumer activity as resilient and the US economy as generally solid. Total loans were \$894.8 billion, up seven percent from the year-ago period.

Chief executive Jamie Dimon said he was encouraged by Trump's selection of Rex Tillerson as secretary of state and Steven Mnuchin as secretary of treasury.

He also said he was hopeful the president-elect's broadsides against free trade were political rhetoric and would be followed up with more reasonable policies.

"I have some confidence he'll do the right thing for America," Dimon said on a conference call with reporters. "Give him some time."

Bank of America said higher interest rates and an increase in consumer loans boosted earnings, but its business grew less than expected.

Net profit in 2016 jumped 13 percent year-on-year to \$16.2 billion, marked by a 46.8 jump in the fourth quarter. This resulted in adjusted earnings per share of \$1.50 for the year.

While revenues from consumer loans increased as expected following the Federal Reserve interest rate hike in December, revenues from market activities were not as strong as hoped. "If the recent rate hike occurred too late to boost fourth quarter results, we anticipate a higher profit growth in the first quarter of 2017," chief financial officer Paul Donofrio said in a press release.

The Fed has suggested it could raise rates three times this year, given the Trump administration promises of massive tax cuts and large investments in infrastructure, which could fuel inflation.