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India seen 2nd-most competitive economy

India is likely to emerge as the second most competitive economy in the world after China in terms of manufacturing in the next five years, says a report. According to the 2013 Global Manufacturing Competitiveness Index compiled by Deloitte Touche Tohmatsu and the US Council on Competitiveness, five years from now, emerging economies would surge to occupy the top three spots.

China would retain the top spot, while, India and Brazil moving up to claim second and third rankings respectively, the report said.

"India's focused and comprehensive national manufacturing strategy, democratic governance and infrastructure development over the next five years may unlock the potential for CEOs around the world to see this rising star," the report said.

The five developed economy nations that were ranked in the top 10 today include -- Germany (2nd), the US (3rd), South Korea (fifth), Canada (seventh) and Japan (tenth), while five emerging economy nations were also ranked in the top 10 today: China (first), India (fourth), Taiwan (sixth), Brazil (eighth), and Singapore (ninth).

Meanwhile, in the next five years developed economy nations are likely to slip lower in the executive rankings with Germany moving from second to fourth, the US from third to fifth, South Korea from fifth to sixth, Canada from seventh to eighth and Japan falls out of the top 10 moving from tenth to twelfth.
Brazil's jump from eighth to third is the largest jump expected over the next five years. And, Vietnam moves into the top 10 as the tenth most competitive nation.

According to the report talent-driven innovation is deemed the most critical driver of a nation's competitiveness, while, second most important driver position is the economic, trade, financial and tax system of a nation.

This study gathers data from more than 550 CEOs and senior manufacturing leaders and rank the 38 countries in terms of their manufacturing competitiveness at present and in the next five years.

India to overtake China, receives $70 billion remittance in 2012

India will receive record $70 billion remittances in the year 2012, topping the list of developing countries which are expected to receive a total of $406 billion this year, the World Bank has said.

After India, China will stand second with $66 billion, followed by Mexico and the Philippines with $24 billion each, a latest report by the bank said yesterday.

In all, worldwide remittances — including those to high-income countries — will reach $534 billion in 2012, according to a newly updated World Bank brief on global migration and remittances.

Other large recipients are Nigeria ($21 billion), Egypt ($18 billion), $14 billion each for Pakistan and Bangladesh, followed by Vietnam ($9 billion) and Lebanon ($7 billion).

Officially recorded remittance flows to developing countries are estimated to grow by 6.5 per cent over $351 billion in 2011, with India again topping the chart with $58 billion, followed by China ($57 billion), Mexico ($24 billion) and the Philippines ($23 billion).

Worldwide remittances, including those to high-income countries, are projected to grow to $685 billion in 2015.

According to the World Bank, remittances to developing countries are expected to rise eight per cent in 2013 and 10 per cent in 2014 to reach $534 billion in 2015.

In its report, the World Bank notes that the true size of remittance flows, including unrecorded flows through formal and informal channels, is believed to be significantly larger.

"Compared to private capital flows, remittance flows have shown remarkable resilience since the global financial crisis, registering only a modest fall in 2009, followed by a rapid recovery. The size of remittance flows to developing countries is now more than three times that of official development assistance," the Bank said.

Indian government clears Pavers England's FDI proposal in single brand

UK-based Pavers England is the first single brand retailer to enter India after the Government eased norms for 100 per cent foreign direct investment (FDI) in the sector in September this year. The government has approved the footwear company's Rs 98.26 crore proposal, an official statement said recently. Footwear firm Pavers England thus became the first company to get the Foreign Investment Promotion Board's nod for 100-percent FDI in single-brand retail. At present, Pavers sells products through its Chennai-based master franchisee Triton Retail in 28 exclusive stores across India and also through retail outlets of Reliance Footprint, Lifestyle, Shoppers Stop and Westside.

The government of India had revamped its single-brand retail policy in September making it easier for foreign retailers to comply with domestic sourcing norms. Pavers was the first foreign retailer to apply after the government in January notified its decision to raise FDI limit in single-brand retail from 51% to 100%. But, the proposal was delayed as the earlier norms allowed only the brand owner to set up shop in India. Pavers England Footprints Limited (PEFL) is a joint venture between Pavers ltd and Foresight Group owned by Chamber's Co-Chairman Mr. Ravi mehrotra. During the Global India Business Meeting in Antwerp on 24-25 June, Indian Industry Minister Mr. Anand Sharma has assured Mr. Mehrotra that the government will soon take a decision on allowing single brand in India.

Under the new rules, the brand owner can licence out the brand to one single entity for opening stores in India. Pavers' application was made by Pavers Foresight Smart Ventures, a $60-million equal JV between Pavers and the Foresight Group, owned by the Co-Chairman of the EICC Mr. Ravi Mehrotra.

The government approved 12 FDI proposals worth about Rs. 706.6 crore on the recommendations of the Foreign Investment Promotion Promotion Board (FIPB), the statement said.

Another foreign brand, furniture maker, IKEA, may be considered by FIPB later this month. The Swedish company proposes to invest Rs 10,500 crore in India.

The government had already hiked FDI in single brand retail to 100 per cent from 51 per cent last year, but foreign companies had issues regarding sourcing requirement from medium and small scale sector.

As such, the government had eased norms making sourcing requirement preferable instead of mandatory.

Spanish firm Zara's proposal single brand retail FDI was rejected on ownership issue. Finally, the government decided in September that the company that is entering India need not own the brand.

Get ready for the IKEA life as FIPB clears proposal to invest in single-brand retail

Government's single-window body to clear foreign investment proposals, FIPB, on 20 November cleared Swedish furniture major IKEA's Rs 10,500-crore project, the largest FDI in single-brand retail so far.

The Foreign Investment Promotion Board (FIPB) has approved the proposal of IKEA, Economic Affairs Secretary Arvind Mayaram said after the board meeting in New Delhi.

IKEA Group, which manufactures and sells home and office furnishing products, proposes to invest in single--brand retail trading in India through a 100 per cent subsidiary.

IKEA's proposal to set up 25 stores in India has already been scrutinised by the Department of Industrial Policy and Promotion (DIPP) in the Commerce and Industry Ministry.

The proposal will now have to be cleared by the Cabinet Committee on Economic Affairs (CCEA) as the FIPB can clear investment applications worth up to Rs 1,200 crore only.

IKEA's would be the largest investment in the single- brand retailing ever since the government has allowed foreign investment in this sector in January.

With the government relaxing the mandatory 30 per cent sourcing clause in September, IKEA which had earlier expressed concerns over the issues had put in its final application earlier this month.

The FIPB in its last meeting had cleared three single brand FDI proposals. They were of British footwear retailer Pavers England to open fully-owned stores, a 51 per cent joint venture of American luxury clothing retailer Brooks Brothers and Italian jewellery maker Damiani's plan to form a venture with Mehta's Pvt Ltd.

Last month, the Government had tweaked sourcing norms for FDI exceeding 51 per cent in single-brand retail and diluted the previous condition to source 30 per cent of requirements. As a part of the modifications, the Government had said foreign firms, which want a relaxation of the 30 per cent procurement norms, would have to set up manufacturing facility in India.

The company had earlier raised concerns regarding the mandatory 30 per cent sourcing clause from small and medium industries, leading to delay in its applications.

In a statement, Mikael Ohlsson, President and CEO of the IKEA group, had said, “IKEA Group views the recent developments related to FDI in single-brand retail positively. We believe the current policy guidelines support the business needs of many single-brand retailers and will benefit consumers as well as the development of many suppliers and producers in India.”

Stating that India is an important market for IKEA both from a retail and a sourcing perspective, he said, “After 25 years of sourcing many IKEA products in the country, IKEA Group has, as of end June this year, submitted its application to start retail operations in India and has filed the final document this week in accordance with the amended policy”. IKEA is currently working with 70 suppliers and 1,450 sub-suppliers.

TCS rated top ICT employer in Netherlands

Tata Consultancy Services (TCS), India’s largest IT services, consulting and business solutions provider, has been rated by the CRF Institute as the Top ICT Employer of the year in the Netherlands.

The award underlines the high quality of TCS’ Human Resource practices, focus on personal growth and development of its employees worldwide.

Founded in 1991, The CRF Institute is a specialist in the field of international research into HR management and working conditions, conducting research into employee offerings in 30 countries on five continents. The IT co has over 2,500 employees catering to a strong client base in the country

After a rigorous evaluation of HR policies and practices among 19 IT companies in the Netherlands, TCS secured the highest score in the industry. The company has been rated the highest (5 stars) in the industry for the categories related to training and development, career possibilities, organisation culture, and innovation. TCS was also recognised with high scores in primary benefits, secondary benefits and work environment.

Ruud van Es, Country Manager Benelux for the CRF Institute said, “TCS has the overall highest score and is especially the best in class for career development, and organisational culture. TCS believes that their people are their most valuable asset and our research indicates that it is one of the finest and best companies to work for.”

TCS has been operating in the Netherlands since 1992 and has over 2,500 employees catering to a strong client base in the country, comprising of leading Dutch corporations such as ABN AMRO, Royal Haskoning, ING Group, KLM Royal Dutch Airlines and NXP Semi-conductors.

The company has been stepping up its presence across Europe and in the Netherlands, through an expansion in both its business and community engagement.

China, India economies set to dwarf G7 before long: OECD

China's economy is likely to overtake the euro zone's this year, India is leapfrogging Japan and by 2030 the Asian pair will be bigger than the United States, euro area and Japan combined, the OECD said on recently.

In a crystal-ball exercise to tease out long-term trends in the global economy, the Organisation for Economic Cooperation and Development said the combined gross domestic product of China and India was likely to exceed that of all the current Group of Seven rich economies by around 2025. Their output in 2010 was less than half the G7's GDP.

The projections of the Paris-based OECD, a club of indutrial democracies, are based on 2005 purchasing power parities (PPP). At market exchange rates, it will take emerging markets a bit longer to seize the crown - for example, Goldman Sachs reckons the BRICs quartet of Brazil, Russia, India and China will overtake the G7 by 2037.

Asa Johansson, one of the authors of 'Looking to 2060: long-term global growth prospects', said the report presented a hypothetical scenario rather than a firm projection.

Nevertheless, she said the extent of the expected shift in economic power away from developed countries was striking.

Measured in 2005 PPPs, China and India will account for 28 percent and 11 percent respectively of the output of 42 major economies by 2030, compared with 18 percent for the United States, 12 percent for the euro zone and 4 percent for Japan.

The OECD pencils in global growth of 3 percent a year over the next half-century, mainly driven - as in the past - by productivity improvements and a build-up in human capital.

Until 2020, China will have the highest growth rate among the countries studied, but it will then be surpassed by India and Indonesia as its working-age population rapidly declines.

However, China has a big start over India thanks to strong productivity growth and intensive investment in the past decade.

As a result, even though both economies will grow seven-fold in the next 50 years, China's per capita income will be 25 percent higher than current US income by 2060, but India will languish at half the present American level.

Looking at it differently, China's GDP per capita is now just one-sixth that of the United States. But by 2060 it will have reached 60 percent of America's income level, putting China just behind Spain and France but ahead of Italy.

The OECD's exercise underlines the importance of demographics as a long-term driver of savings, investment and growth.

China's savings rate, which now exceeds 50 percent of GDP, is expected to plunge by no less than 40 percentage points by 2060, with about half of the drop due to ageing.

Italy, Greece and Portugal are likely to eventually run current account deficits in the order of 10-15 percent of GDP.

China, by contrast, is expected to see its current account surplus widen until the late 2020s as investment falls even faster than savings due to slowing potential growth.

Globally, current account imbalances will be back to pre-crisis levels by 2025-2030, potentially undermining growth in the absence of ambitious policy changes, the OECD said.

In keeping with the long-term focus of its report, the OECD assumes that the global financial crisis will have no permanent effect on trend growth rates.

Diageo to buy 53% stake in Mallya's United Spirits Ltd for $2bn

Drinks giant Diageo Plc has agreed to buy up to 53.4% stake in United Spirits Ltd (USL) for $2 billion (over Rs 11,000 crore) in a deal combining the world's most valued liquor company with the largest volume player.

This one swig makes Diageo the new master of India's booming liquor market with more than 50% share. India, one of the fastest growing geographies for alcoholic beverages, also becomes Diageo's second largest market after the US.

The British behemoth, however, nuanced the acquisition as a partnership with Vijay Mallya to make the latter's "incredibly strong" liquor empire more successful.

Mallya, who will remain chairman despite an almost halved stake, continued his aggressive talk with Indian media, saying, "I am not selling my family silver or jewels. I am just embellishing it. I am not here to correct perceptions. But facts will be facts."

Mallya's United Breweries Holdings Ltd will own a 14.9% stake at the end of the transaction.

Industry observers said Diageo's unlikely to tinker with USL top brass as it recognizes the complexity of the buyout in a tightly regulated industry, where politics often dictates tax regimes and trading regulations in many states.

The alcobev tycoon also rejected speculation that he would plough cash from Diageo to restart the grounded Kingfisher Airlines. "I have always run businesses separately without cross-contamination. I have done my best for beer business in the past and I am doing the same for liquor now. I will do it for airline company too, fairly and squarely," Mallya said.

Diageo Plc chief operating officer Ivan Menezes, who spearheaded deal talks with Mallya for almost six years, said it was "a win-win situation" for the two partners in one of the most exciting markets growing at 15% annually. Menezes indicated that Diageo would leave USL management structure undisturbed for a while but refused to detail the new board composition and the rights the London-listed company would carry as part of the acquisition.

"I will continue what I have been doing so far," Mallya quipped to a query on whether he would continue to be a chairman with executive duties. Diageo and Mallya also entered into a separate agreement to float an equal South African JV, after the former decided to take a 50% stake in the privately held United National Breweries of the Indian liquor czar. This could become a broader vehicle to expand Mallya's interests into other emerging markets. TOI first reported on Diageo's plans to strike an African JV with Mallya on September 27.

The long-rumoured deal was unveiled on Friday afternoon with Mallya and Menezes addressing the media from London. Diageo will pay Rs 1,440 per share to buy an initial 27.4% stake (purchased from Mallya and through fresh allotments) for a total consideration of Rs 5,724 crore, or about $1.1 billion. This will trigger mandatory open offer for another 26%, giving Diageo a controlling interest of 53.4% in the company, which also owns Scottish distiller Whyte & Mackay. The total consideration, including the open offer, could cross $2 billion when completed.

Menezes said Diageo will keep its fully-owned India unit separate with no immediate plans to merge it with USL. This Diageo subsidiary currently imports brands like Johnnie Walker scotch whiskey and sells locally bottled brands such as Smirnoff vodka, Vat 69 and Black & White.

While the sensex ended down on Friday, USL's share price closed 1.22% higher at Rs 1,359.70. On the London Stock Exchange, Diageo's share price was marginally up.

Gujarat top state with economic freedom

Gujarat is India's top state in terms of economic freedom, concluded a report titled 'Economic Freedom Rankings of the States of India 2012', which was released recently.

The report has been prepared by known policy expert Bibek Debroy of the Centre for Policy Research, Laveesh Bhandari, Indicus Alaytics, Swaminathan S Anklesaria Aiyar, the Cato Institute and Ashok Gulati, Commission for Agricultural Costs and Prices, Government of India.

"Delighted! Gujarat emerges as top state in the Economic Freedom Rankings for the States of India 2012," Gujarat Chief Minister Narendra Modi said on Twitter. The report was released by the Center for Global Liberty and Prosperity, Cato Institute in collaboration with Friedrich-Naumann Stiftung, in Hong Kong.

The study established a strong empirical relationship between economic freedom, prosperity, growth, improvements in the whole range of indicators of human well being

The aim of this report is to measure the level of economic freedom within India. Twenty states of India were included in the study for which data was available. It has been able to establish a strong empirical relationship between economic freedom and prosperity, growth, and improvements in the whole range of indicators of human well being.

The economic freedom Index is based on the three parameters -- size of the government, legal structure and security of property rights, and regulation of business and labour. The Index shows the direct correlation between economic freedom and the well-being of citizens.

States in India which are economically more free are also doing better in terms of a higher per capita growth for its citizens, unemployment levels are lower in these states, sanitary conditions are better and the states also attract more investments.

"Gujarat has shown a remarkable increase... has moved up from 5th position in 2005 to become India's top state in economic freedom today. However some other states have slipped back, the worst performer being Jharkhand. Bihar has improved significantly but remains last in the table," the report stated.

"The ratings reflect that as Gujarat leaves behind its sordid past of communal violence and destruction, other states are unable to improve security of life and property in the manner required," the report further stated, adding that Gujarat has seen significant improvement in its regulation of labour, and business index values and has retained its pre-eminent position.

"The overall ratings are a simple equal weighted average of the three ratings and the top three states are Gujarat, Tamil Nadu and Madhya Pradesh. Gujarat has significantly improved in its rating mainly driven by better legal and regulatory performance," the report said.

India to be among top 10 pharma markets globally by 2020

India's pharmaceutical industry is on good growth trajectory and is likely to be among the top 10 global markets in value terms by 2020, according to a CII-PwC report released said.

Experts believe that the industry has the potential to grow at an accelerated 15-20% CAGR for the next 10 years to reach between $49 billion to $74 billion in 2020.

Experts believe that the industry has the potential to grow at an accelerated 15-20% CAGR for the next 10 years.

"The industry has seen many regulatory interventions over the last one year which will require careful consideration by pharma companies as they plan their future strategies," said Sujay Shetty, Executive Director, India Pharmaceutical and Life Sciences Industry Leader, PwC.

"The challenge for us is to make sure that we get lot of innovative medicines to our country for untreated clinical needs, as we have enough producers for molecules in the most competitive market," he said, adding industry needs to climb up on innovation graph.

This year, the New Drug Advisory Committee (NDAC) has approved only nine drugs for clinical trials.

According to PwC, emerging markets will be the next major growth drivers for the global Pharma Industry with more than 40% of incremental growth coming from emerging economies in the next decade.

As per PwC estimates, the total expenditure on healthcare in these markets is likely to grow from $205 billion to $499 billion by 2020, with most markets expected to grow at double digit rates.

By 2020, the BRIC countries alone are going to account for 33% of world's GDP that is up 25% from 2009, said PwC.

India inks protocol with U.K. to amend tax pact

In its continuing drive to check tax evasion and proliferation of black money, India has signed a protocol with the U.K. for amending the convention between the two countries for avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income and capital gains.

The protocol — signed in London on October 30 by India's High Commissioner to the U.K., Jaimini Bhagwati, and U.K.'s Exchequer Secretary to the Treasury, David Gauke, on behalf of the two countries — amends the earlier Double Taxation Avoidance Convention (DTAC) that was inked here on January 25, 1993.

According to an official statement here, the protocol streamlines the provisions relating to partnership and taxation of dividends in both countries. "Now, benefits of the Convention would also be available to partners of the U.K. partnerships to the extent income of U.K. partnership are taxed in their hands.

Further, the withholding taxes on the dividends would be 10 per cent or 15 per cent and would be equally applicable in the U.K. and in India," it said.

More importantly, the protocol incorporates in the DTAC provisions for effective exchange of information between the tax authorities of India and the U.K. in line with the latest international standards, including exchange of banking information and supplying of information irrespective of domestic interest. "It now also provides for sharing of information to other agencies with the consent of the supplying state,'' the statement said.

In the amended DTAC, there would now be a new article on assistance in collection of taxes. The article also includes provision for taking measures of conservancy. The protocol also incorporates into the convention anti-abuse (limitation of benefits) provisions. Further, both countries are to enter into MoUs to expedite exchange of information and assistance in collection of taxes.

Following the amendment, the DTAC will provide tax stability to residents of India and the U.K.

A visa policy to spur economic growth in the EU

In a strategic Communication adopted on 7 November, the Commission examined how the implementation and development of the common visa policy could help growth in the EU by facilitating travel opportunities for third country nationals willing to visit the EU.

With a total of 18.8 million jobs in 2011, tourism has become one of the biggest generators of employment in the European Union and a key driver for economic growth and development. In 2011 foreign visitor spending amounted to €330.44 billion. According to recent estimations these figures are likely to increase up to 20.4 million jobs and €427.31 billion in 2022.

If fully exploited, the current visa rules could ensure that the EU remains an attractive destination for more tourists/third country nationals, while at the same time boosting EU's economic activity and job creation. Indeed, tourism has a considerable impact on the economy as a whole, through spending in accommodation, food and drink, transport, entertainment, shopping, etc.

"Given the current economic downturn we should strive to increase tourist flows to Europe while continuing to ensure the security of our borders" said the Commissioner for Home Affairs Cecilia Malmström. "Facilitating opportunities for legitimate travellers, who do not pose a security risk, to visit Europe can only reinforce our position as the world's number one tourist destination, a most welcome achievement for our economy", she added.

"Tourism and travel facilitation have always been high on my agenda. I am very pleased that the excellent cooperation between Commissioner Malmström's services and mine are bearing fruit. I consider this Communication a milestone, in that the Commission officially recognises the importance of taking economic considerations into account when adopting decisions on visa policy", said European Commission Vice President Antonio Tajani.

Figures show that the number of visas issued has increased significantly in recent years and that visa refusals remain low. Around 460 000 Schengen visas were issued in India in 2011; the number was 340 000 in 2007. Also the number of visas issued in China significantly increased: 560 000 visas in 2008, compared to 1 026 000 in 2011. In Russia around 5 152 000 visas were issued in 2011, compared to 3 500 000 in 2007.

Yet more could be done to increase tourism flows from those countries presenting a high tourist generating potential as well as a growing purchasing power.

A lot can be achieved already under existing visa rules and many obstacles can be removed by a correct implementation of the Visa Code by Member States' consulates. In particular, consulates should enforce the 15 days deadline for granting an appointment, the 15 days deadline for a decision on the visa application, the availability of application forms in the language of the host country and they should also assess the possibility to issue multiple entry visas.

In a long term perspective, possible changes of the current visa rules could also be explored, including: Streamlining and shortening the procedures (reconsidering all steps of the procedure including lodging of the visa application by intermediaries/travel agencies, and prior consultation); Clarifying the definition of the competent consulate for processing the visa application; Simplifying the application form; Simplifying/clarifying the requirements for supporting documents; Clarifying the rules on visa fee waivers; Clarifying the rules on the issuing of multiple entry visas; Improving consular organisation and cooperation, e.g. by redefining the legal framework for Common Application Centres, facilitating the establishment of such centres and their functioning; and Enhancing Local Schengen Cooperation (harmonising visa practices in the Schengen countries), in order to make it more efficient.

Moreover, technological developments should also be taken into account. For instance, the Commission will soon put forward legislative proposals on 'Smart Borders' meant to ensure smoother travel flows at EU's external borders.

EU High Representative Catherine Ashton selects new Director for South and South East Asia

Ms. Catherine Ashton, EU High Representative for Foreign Affairs and Security Policy/Vice President of the Commission, on 23 November announced her intention to make a further senior appointment in the EEAS Headquarters. Ugo Astuto will become the new Director for South and South East Asia. Catherine Ashton said: "I am delighted to appoint Mr Astuto to this important post in the External Action Service, which deals with a region of strategic importance to the Union. His experience and expertise will be a great asset to our work in South and South East Asia, and I look forward to working with him in this new role."

Mr Astuto was most recently Deputy Italian Ambassador to India. His diplomatic career spans experience in the Italian Embassies in Nairobi and London (including as alternate Director for Italy in the European Bank for Reconstruction and Development), and in the Italian Permanent Representation in Brussels.

European Commission presents options to reform the European carbon market

The European Commission is taking two important steps to address the growing supply-demand imbalance of emission allowances in the EU emissions trading system (EU ETS). As an immediate first step to address the rapid build-up of the surplus of emissions allowances, the Commission made a formal proposal to revise the auction time profile and delay ("back-load") the auctioning of 900 million allowances in the third phase of the EU ETS starting next year. The Commission also adopted today a report on the state of the European carbon market which sets out a range of possible structural measures that can be taken to tackle the surplus.

Connie Hedegaard, European Commissioner for Climate Action, said: "The Commission wants an even more robust European carbon market that provides a stronger driving force for carbon markets elsewhere. Our carbon market is delivering emissions reductions. But because of the oversupply in the market, the ETS is not driving energy efficiency and green technologies strongly enough. This is bad for Europe's innovation and competitiveness. This is why as a first immediate step, we propose to delay the auctioning of 900 million allowances in the next three years. We must not flood a market that is already oversupplied. Market operators must have clarity before year-end on this. At the same time, the Commission presents options for possible structural measures that can provide a sustainable solution to the surplus in the longer term. "

The surplus of emission allowances has primarily built up because the economic crisis has reduced industrial emissions of greenhouse gases by more than anticipated, leading in turn to lower demand for allowances from businesses. The surplus is expected to continue in the third phase of the system, which will run from 2013 to 2020.

From 1 January 2013, when the third phase of the EU ETS begins, auctioning will become the main method for allocating emission allowances to businesses. Last July the Commission published the draft of a future amendment to the EU ETS's Auctioning Regulation which would delay the auctioning of a certain amount of allowances (see IP/12/850). Following initial discussions with the Member States in the EU Climate Change Committee and a public consultation, the Commission proposes to reduce the number of allowances to be auctioned in the years 2013 to 2015 by 900 million and to increase the number auctioned late in phase 3 by the same amount.

Through this 'back-loading' approach, fewer allowances will be ffered in auctions in the short term, while demand remains very low, and more later, when demand is likely to have recovered. Further information on the impacts is provided in an impact assessment (see below).

Launching a broad debate on potential structural measures the carbon market report outlines a shortlist of six options and invites stakeholders to express their views. Both the European Parliament and the Council asked the Commission to examine options for structural action that could be adopted as soon as possible, including a permanent withholding of the amount of allowances necessary to eradicate the surplus.

Any legal proposal for structural measures put forward by the Commission in the light of the public debate will be subject to a public consultation and full assessment of its impacts.

The EU ETS currently covers about 11,000 industrial installations and some 40% of the EU's emissions. From this year the aviation sector is also covered.

In the third phase, emissions from industrial and power installations have to be cut to 21% below 2005 levels by 2020. The main changes in the third phase are: Introduction of a single, EU-wide cap on emissions, in place of the current system of 27 national caps; Auctioning becomes the main method for allocating allowances, replacing free allocation. In 2013 more than half of all allowances will be auctioned, and this share will rise progressively each year; and For allowances still given away for free, introduction of harmonised allocation rules based on ambitious EU-wide benchmarks of emissions performance.

European Commission presents new Rethinking Education strategy

The youth unemployment rate is close to 23% across the European Union – yet at the same time there are more than 2 million vacancies that cannot be filled. Europe needs a radical rethink on how education and training systems can deliver the skills needed by the labour market. The challenge could not be tougher in the context of widespread austerity measures and cuts in education budgets. On 20 November, the European Commission launched a new strategy called Rethinking Education to encourage Member States to take immediate action to ensure that young people develop the skills and competences needed by the labour market and to achieve their targets for growth and jobs.

Androulla Vassiliou, Commissioner for Education, Culture, Multilingualism and Youth, said: "Rethinking education is not just of question of money: whilst it is true that we need to invest more in education and training, it is clear that education systems also need to modernise and be more flexible in how they operate to respond to the real needs of today's society. Europe will only resume sustained growth by producing highly skilled and versatile people who can contribute to innovation and entrepreneurship. Efficient and well-targeted investment is fundamental to this, but we will not achieve our objectives by reducing education budgets."

Rethinking Education calls for a fundamental shift in education, with more focus on 'learning outcomes' - the knowledge, skills and competences that students acquire. Merely having spent time in education is no longer sufficient. In addition, basic literacy and numeracy still needs to be significantly improved, and entrepreneurial skills and a sense of initiative need to be developed or strengthened (see IP/12/1224 on call for stronger focus on new skills in schools).

To ensure that education is more relevant to the needs of students and the labour market, assessment methods need to be adapted and modernised. The use of ICT and open educational resources (OER) should be scaled-up in all learning contexts. Teachers need to update their own skills through regular training. The strategy also calls on Member States to strengthen links between education and employers, to bring enterprise into the classroom and to give young people a taste of employment through increased work-based learning. EU Education Ministers are also encouraged to step-up their cooperation on work-based learning at national and European level.

Other proposed measures include a new benchmark on language learning, guidelines on the assessment and development of entrepreneurship education, and an EU-level impact analysis on the use of ICT and OER in education to pave the way for a new initiative in 2013 on Opening-up Education, aiming to maximise the potential of ICT for learning.

Skills are key to productivity and Europe needs to respond to the worldwide increase in the quality of education and supply of skills. Forecasts show that more than a third of jobs in the EU will require tertiary level qualifications in 2020 and that only 18% of jobs are expected to be low-skilled.

Currently, 73 million Europeans, around 25% of adults, have a low level of education. Nearly 20% of 15 year olds lack sufficient literacy skills, and in five countries more than 25% are low achievers in reading (Bulgaria, 41%, Romania, 40%, Malta, 36%, Austria, 27.5%, and Luxembourg, 26%). Early school leaving remains at unacceptably high levels in several Member States: in Spain it is 26.5% and in Portugal 23.2% (EU target is under 10%). Less than 9% of adults participate in lifelong learning (EU target is 15%).

The recommendations outlined in Rethinking Education are based on the findings of the 2012 'Education and Training Monitor', a new annual Commission survey which outlines skills supply in the Member States. Rethinking Education in brief:

•There needs to be a much stronger focus on developing transversal skills and basic skills at all levels. This applies especially to entrepreneurial and IT skills.

•A new benchmark on foreign language learning: by 2020, at least 50% of 15 year olds should have knowledge of a first foreign language (up from 42% today) and at least 75% should study a second foreign language (61% today).

•Investment is needed to build world-class vocational education and training systems and increase levels of work-based learning.

•Member States need to improve the recognition of qualifications and skills, including those gained outside of the formal education and training system.

•Technology, in particular the internet, must be fully exploited. Schools, universities and vocational and training institutions must increase access to education via open educational resources.

•These reforms must be supported by well-trained, motivated and entrepreneurial teachers.

•Funding needs to be targeted to maximise the return on investment. Debate at both national and EU level is needed on funding for education - especially in vocational education and higher education.

•A partnership approach is critical. Both public and private funding is necessary to boost innovation and increase cross-fertilisation between academia and business.

Erasmus for All, the Commission's proposed €19 billion programme for education, training, youth and sport, would aim to double the number of individuals receiving grants for skills-enhancing opportunities for study, training and volunteering abroad, to 5 million people in 2014-2020. More than two-thirds of the programme's budget would support individual learning mobility of this kind, with the remainder allocated to projects focused on cooperation for innovation, policy reform and sharing good practices.

On 5 December, the Commission is due to present a Youth Employment Package including a proposal for a youth guarantee. This would request Member States to ensure that every young person received a quality offer of employment or training or further education within four months of leaving school or becoming unemployed. The proposal would foresee full use of EU funding and in particular the European Social Fund.
