



INDIA

Airline Industry Opens To International Buyers

It's been rough going for India's airline industry recently. High fuel prices, the global economic downturn and cutthroat competition for the domestic market have burdened carriers like flagship Air India and privately-owned Kingfisher and Jet Airways with huge amounts of debt (an estimated industry total of \$20 billion for the year ending in March), even in the face of ever-growing passenger traffic. Crippling fare wars have made it impossible to translate growth into profits. In an effort to prop up the aviation sector, the Indian government is giving the green light to foreign airlines interested in purchasing a stake of up to 49% in domestic carriers.

"This is a significant decision and can play a crucial role in improving the aviation landscape in India," says Amber Dubey, director of aviation for KPMG India. "Apart from the much-needed fund infusion, it would also provide access to global routes, managerial expertise and synergy benefits."

Until now, India had allowed FDI in its aviation sector by non-airline entities only. "Foreign airlines will be interested in principle because of the size of the market that they would be accessing," says Paul Sheridan, head of consultancy Asia at Ascend Worldwide.

India's airline industry is growing at between 15% and 20% a year. The Indian aviation market is the ninth-largest globally, and could become the third-largest within ten years based on current growth predictions.

Aviation minister Ajit Singh recently announced a decision (pending cabinet approval) to allow carriers to import fuel directly, bypassing government-controlled oil companies and the taxes that come with them, which make jet fuel here much more expensive than the global average.

At the time of writing, the FDI proposal is also awaiting cabinet approval. It is thought that cash-rich airlines from Southeast Asia, the Middle East and Europe, whose markets have been battling stagnation or low growth, may be tempted.

—Valentina Pasquali

UNITED STATES

Foreign Investor Visas Get New Lease On Life

Struggling with a sagging real estate market and a weak economic recovery, the US has been revamping its efforts to attract foreign investors. For example, the current administration is pumping new life into the long-moribund EB-5 program, an investor visa established in 1990.

In the past, foreigners who set up a \$1 million business in the US and created at least 10 jobs would, after a temporary two-year visa, receive a green card, or permanent residence. One could also invest \$500,000, but exclusively in high-unemployment sectors.

For many years, this program was ignored by federal agencies. But this is changing. "They have woken up to it and tried to make it do what it was supposed to do—create jobs and bring investments to the US," says Frank Ferrante, founder of the boutique Ferrante Law Firm in New York.

Now foreign investors can also invest \$500,000 in regional centers—projects vetted by local administrations and comprising a wide range of developments all over the country.

The Jay Peak Ski and Golf Resort in Vermont is an example of a successfully completed EB-5 project. Among almost 200 now in the works is the City of Dallas Regional Center, a call center in Texas, and, in New York City, the 34-story International Gem Tower.

"This is where you go from one extreme to another," says Ferrante. "Regional centers are now coming up all over, and this might lead to fraud." Additionally, delays are occurring because of growing demand. "Approval for temporary green cards has gone from two or three months to well over eight," says Kevin Jeffers, managing partner at Chinese consultancy Pinnint. "Investors may lose their chance not by a fault in the project's performance but because of delays in the processing of their applications." The administration has pledged to streamline the process and shorten waiting times.

In the meantime a bill was introduced in Congress—the Visit USA Act—that would grant a permanent tourist visa to foreigners who invest at least \$500,000 in the American real estate market. However, experts worry that this proposal falls short of investors' needs. "It may not appeal to those interested in a permanent residency in the US," says Brian Su, CEO of Artisan Business Group, a Sino-US consultancy in Illinois.

—VP

Rules ease
for foreign
investor visas

VISA