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Indian Commerce Minister Anand Sharma to address Global Business Meeting in Antwerp

Indian Trade and Commerce Minister Mr. Anand Sharma will be the chief guest at the Global India Business Meeting which will take place in Antwerp on 24-25 June 2012. The business summit will be attended by more than 300 CEOs from India, Europe, US, Gulf and ASEAN countries. The GIBM in Antwerp will be the largest gathering of CEOs in Europe and will be the first of its kind hosted by the Flemish government in Belgium.

With the arrival of the New Year the Flemish government has put in motion the preparation of the Global India Business Meeting 2012 in high gear. The formal agreement between the Flemish government, the host of the Summit and Horasis was signed on 13 December in Antwerp in presence of Managing Director of Voka Chamber and EICC Secretary General; the main collaborator and co-organiser of the GIBM. The agreement specifies the importance of the GIBM in Antwerp and assures Horasis all help in the organization of the Summit. The GIBM will bring together business leaders representing multi-nationals, large corporations, small and medium-scale enterprises and confederations, multilateral and regional institutions. The Summit will focus on industry's role notably referring to linking markets, facilitating business activity, green economy and the role of the private sector in promoting trade and business links between India and global business, with a view to providing concrete inputs for the debate amongst the CEOs and business leaders. The GIBM in Antwerp will be the largest gathering of CEOs in Europe and will be the first of its kind in Belgium. Some of the important business leaders and industrialists who have confirmed their participation are Mr. Rahul Bajaj, Chairman, Bajaj Auto; Mr. Subodh Bhargava, Chairman, Tata Communications; Mr. Ajay G. Piramal, Chairman, Piramal Healthcare; Mr. Dhruv M Sawhney, Chairman, Triveni Engineering & Industrie; Mr. Shivinder Singh, Vice Chairman and Managing Director, Fortis Healthcare; Mr. Naresh Goyal, Chairman Jet Airways; Mr. Sanjay Dalmia, Chairman Dalmia Group of Companies; Mr. Ravi Mehrotra, Chairman Foresight Group; Dr. Mohan Kaul, Director General of the Commonwealth Business Council; Mr. Sunil Godhwani, Chairman and Managing Director, Religare Enterprises; Mr. Jignesh Shah, CEO of Financial Technologies; Sheikh Saif bin Hashil Al-Maskery, Chairman, Al Mahfadha Investments, Oman; Raju V. Kanoria, Chairman, Kanoria Chemicals & Industries; Rajiv Vastupal, Chairman & Managing Director, Rajiv Petrochemicals. The venue of the Summit is hotel Hilton in Antwerp.

The Flemish government led by the dynamic and progressive Minister President Mr. Kris Peeters will play the pivotal role in the success of the Summit. High representatives of the Belgium government, European Commission and other business groups including local Chambers will attend the Summit. The Meeting will provide the highest level platform to engage with political leaders in a concrete and constructive dialogue where parties involved hold each other accountable and should be seen in the context of improving investment and business between EU countries in general and Flanders in particular.

Renault plans to invest 1.5 billion Euro for small car project in India

French car maker Renault SA is likely to invest €1.5 billion (Rs. 10,335 crore) in India for its small car project and is in talks with the Gujarat government to build a factory in that state. The French firm is in preliminary talks with the Gujarat government to acquire at least 100 acres - Renault and its partner Nissan Motor Co. are planning to build a new small car in India as part of a strategy to boost sales in the world's fast growing emerging markets, *The Wall Street Journal* (WSJ) reported recently.

"The company held a closed-door meeting with top government officials a couple of weeks back," said a Gujarat government official. "They are exploring possibilities of setting up a plant here." Although the company is yet to make a formal proposal, it has indicated a "massive" investment, the official said. "They want land near Vadodara, which has a proximity to ports there," he said. "Their focus is on exporting cars from here." In total, the company is planning to invest €1.5 billion and build a factory to produce at least 400,000 cars every year, said another person with direct knowledge of the matter. The investment

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includes setting up a new plant, the project development cost and developing a vendor base near the plant," this person said. "The car is expected to be rolled out by 2015.

The company has appointed Mr. Detourbet, head of Renault's entry level division, to oversee the new project. "Detourbet, the man behind creating the Logan, Renault's best-selling low-cost car globally, will soon move to India," said an official of the company. The small car market will soon be a global phenomenon, given the changing market dynamics, an expert said, adding that India would continue to be a focus in this segment.

The small car will be designed by Renault's design team in Mumbai. "The entire project will be worked out of India," this person said. "The idea is to make and sell the car in India, and export it to other markets where there is a demand for such cars." *WSJ* had said, citing Renault's spokeswoman, that the project has no bearing on an earlier project studied by Renault and Indian motorcycle maker Bajaj Auto Ltd to develop a car that would retail for \$2,500 (Rs. 1.3 lakh today) and compete with the Nano made by Tata Motors Ltd. The vehicle being studied by Renault and Nissan "will certainly cost more than €2,500", the newspaper quoted Renault's spokeswoman as saying.

Indian households hold over \$950 billion of gold

India's innate fascination with gold continues as Indian households hold gold worth over \$950 billion which in turn is around 50 per cent of the country's GDP in dollar terms, says a report.

Gold consumption is part of India's culture and tradition and the country is the world's largest consumer of gold, followed by China. Indian households hold 18,000 tonnes of gold which represents 11 per cent of the global stock and worth more than \$950 billion, around 50 per cent of India nominal GDP in dollar terms, says global research firm Macquarie. According to Macquarie, 7-8 per cent of India's \$329 billion in household savings was held in gold in 2009-10. With gold evolving as a store of value more than an adornment, rising gold prices have also contributed towards increasing Indian households' "perceived wealth". Macquarie used the term "perceived wealth" because most Indian households are reluctant to part with their gold jewellery and other gold holdings, even at times of crisis, as doing so is considered a stigma, it said. Notwithstanding the 64 per cent cumulative rise in gold prices, (in rupee terms) between January 2010 and September 2011, gold consumption in India in volume terms (including jewellery and net retail investment) is still holding strong.

During the first three quarters of 2011, there has been a 5 per cent year-on-year increase, on the top of 72 per cent year-on-year growth registered in 2010, Macquarie said. Although during the quarter ended September, 2011, gold demand in volume terms declined 23 per cent over last year largely owing to sharp depreciation in rupee, high gold prices and inauspicious times according to the Hindu calendar. However, in value terms "India still remains the world's largest consumer of gold as of September, 2011, in tonnage terms," Macquarie said. The report further noted that rising gold consumption is one of the reasons for a depreciating rupee. "Gold imports alone have contributed nearly 40 basis points to the 130 basis points widening in India's current account deficit between FY'08 and FY'11," Macquarie said. Gold imports are the third-largest of India's merchandise imports after crude oil and capital goods. In 2010, about 92 per cent of the supply of gold in India was met through net imports and the rest through recycled gold and other sources.

India to see highest foreign remittances in 2011: World Bank

Developing countries are expected to receive a total of USD 351 billion in foreign remittances in 2011, led by India (USD 58 billion), China (USD 57 billion), Mexico (USD 24 billion) and the Philippines (USD 23 billion), the World Bank has said in a report. In all, worldwide remittances -- including those to high-income countries -- will reach USD 406 billion in the current calendar year, according to a newly updated World Bank brief on global migration and remittances. Other large recipients include Pakistan, Bangladesh, Nigeria, Vietnam, Egypt and Lebanon, the report said.

The World Bank said though the economic slowdown is dampening employment prospects for migrant workers in some high-income countries, global remittances are expected to stay on a growth path and are forecast to reach USD 515 billion by 2014. Of this amount, USD 441 billion will flow to developing

countries, according to the latest issue of the World Bank's Migration and Development Brief, released recently at the fifth meeting of the Global Forum on Migration and Development in Geneva. "Despite the global economic crisis that has impacted private capital flows, remittance flows to developing countries have remained resilient, posting an estimated growth of 8 per cent in 2011," said Hans Timmer, the Director of the bank's Development Prospects Group. "Remittance flows to all developing regions have grown this year, for the first time since the financial crisis," he said. The bank said high oil prices have helped provide a cushion for remittances to Central Asia from Russia and to South and East Asia from the Gulf Cooperation Council (GCC) countries. Also, a depreciation of currencies of some large migrant-exporting countries (including Mexico, India and Bangladesh) created additional incentives for remittances as goods and services in these countries became cheaper in US dollar terms, it said. Remittance flows to four of the six World Bank-designated developing regions grew faster than expected -- by 11 per cent to Eastern Europe and Central Asia, 10.1 per cent to South Asia, 7.6 per cent to East Asia and the Pacific and 7.4 per cent to Sub-Saharan Africa, despite the difficult economic conditions in Europe and other destinations for African migrants, the bank said. In contrast, growth in remittance flows to Latin America and the Caribbean, at 7 per cent, was lower than expected due to continued weakness of the US economy, while the Middle East and North Africa, affected by civil conflict and unrest related to the 'Arab Spring', registered the slowest growth (2.6 per cent) among developing regions, it said.

The bank expects continued growth in remittance flows going forward, by 7.3 per cent in 2012, 7.9 per cent in 2013 and 8.4 per cent in 2014. Remittance flows would receive a further boost if the global development community achieves the agreed objective of reducing global average remittance costs by 5 percentage points in five years under the '5 by 5' objective of the G8 and G20, the bank said.

Will India become world's 5th largest economy by 2020?

Moving past the global economic powerhouses like the UK, Germany and France, the Indian economy would become the world's fifth largest by 2020, a major jump from its 10th rank currently, a report has said. "India, the world's 10th biggest economy in 2011, would become the fifth largest by 2020," economic think-tank Centre for Economics and Business Research (CEBR) has said in its latest World Economic League Table report.

According to the latest data available with the World Bank, India was the world's 9th largest economy at the end of 2010 with a size of USD 1.73 trillion (based on the GDP figures at the current US dollar rates). The World Bank data puts the US as the world's largest economy (USD 14.6 trillion) for 2010, followed by China, Japan, Germany, France, the UK, Brazil, Italy, India and Canada in the top ten. However, the 2010 figures were not available for all the countries, including Russia.

As per the CEBR projections, the US would remain the world's largest economy, followed by China, Japan, Russia and India in the top five in 2020. The CEBR report has named the US as the world's biggest for 2011, followed by China, Japan, Germany and France in the top five positions. As per a report published on the website of British media giant BBC, CEBR has said that Brazil has become the world's sixth largest economy, pushing the UK to seventh position.

The report said that the UK would lose further ground in the world rankings, but would score better than France in 2020. While Brazil would remain at 6th slot and China at second in 2020 also, Russia and India would move higher, as per the CEBR projections reported by the BBC. As per the CEBR forecast, India would be followed by Brazil (6th), Germany (7th), UK (8th), France (9th) and Italy (10th) in the top-ten league. As per the report, CEBR's chief Douglas McWilliams told BBC Radio 4 that Brazil overtaking the UK was part of a growing trend. "I think it's part of the big economic change, where not only are we seeing a shift from the west to the east, but we're also seeing that countries that produce vital commodities - food and energy and things like that - are doing very well and they're gradually climbing up the economic league table," the report quoted McWilliams as saying.

Income inequality at its widest in 30 years, says OECD

Income inequality the world over has increased and is now at a 30-year high, according to a new report published by the Organisation for Economic Development and Cooperation (OECD). This has been the

result of deliberate action, including cuts in social spending and reduction in taxes on the wealthy, according to the report.

Social security programmes and taxation policies play a major role in income distribution and over the years successive governments in almost all countries have tampered with the system of redistribution of wealth in bid to please vocal sections of the population. This has resulted in rendering the system less effective at redistributing income since the mid-1990s, the report says.

Benefit levels fell in nearly all OECD countries, eligibility rules were tightened to contain spending on social protection, and transfers to the poorest failed to keep pace with earnings growth. This has made the benefit system less effective in reducing inequalities over the past 15 years.

The reduction in top-level tax rates was another factor that affected the redistribution efforts. "There is nothing inevitable about high and growing inequalities," said OECD Secretary-General Angel Gurría. Of the 34 nations in the OECD, the US has the fourth highest level of inequality, after Chile, Mexico and Turkey. The wealthiest Americans have collected the bulk of the past three decades' income gains. The share of national income of the richest 1 per cent more than doubled between 1980 and 2008 from 8 per cent to 18 per cent.

The richest 1 per cent now makes an average of \$1.3 million in after-tax income (compared to \$17,700 for the poorest 20 per cent). During the same time, the top marginal income tax rate dropped from 70 per cent in 1981 to 35 per cent in 2010.

The rising incomes of executives and finance professionals account for much of the rising share of top income recipients. Moreover, people who achieve such a high income status tend to stay there: only 25 per cent drop out of the richest 1 per cent in the United States, compared to some 40 per cent in Australia and Norway, for instance. The gap between the richest and poorest 10 per cent of full-time workers in the US has increased by almost a third, more than in most other OECD countries.

Future VAT system: pro-business, pro-growth

"Value Added Tax (VAT) is paid for by citizens, collected by businesses and accounts for over 20% of national revenues. It therefore has a significant impact on every single EU citizen. However, it is now 40 years since the EU VAT system was first set up, and the regime no longer fits with our service-driven, technology-based economy. The time has come for an ambitious VAT reform," said Algirdas Šemeta, Commissioner for Taxation, Customs, Anti-fraud and Audit. On this basis, the Commission on 6 December adopted a Communication on the future of VAT. This sets out the fundamental characteristics that must underlie the new VAT regime, and priority actions needed to create a simpler, more efficient and more robust VAT system in the EU.

Three overriding objectives shape the vision for the new VAT system:

First, VAT must be made more workable for businesses. A simpler, more transparent VAT system would relieve businesses of considerable administrative burdens and encourage greater cross-border trade. This, in turn, will be good for growth. Among the measures envisaged for a more business-friendly VAT are expanding the one-stop-shop approach for cross border transactions; standardizing VAT declarations; and providing clear and easy access to the details of all national VAT regimes through a central web-portal.

Second, VAT must be made more efficient in supporting Member States' fiscal consolidation efforts and sustainable economic growth. Broadening tax bases and limiting the use of reduced rates could generate new revenue for Member States without the need for rate increases. The standard VAT rate could even be reduced in some Member States, without any impact on revenue, if exemptions and reductions were removed. The Communication sets out the principles that should guide the review of exemptions and reduced rates. The Commission will also be analysing Member States' use of reduced rates and exemptions when reviewing their fiscal policies in the context of the European Semester.

Third, the huge revenue losses that occur today due to uncollected VAT and fraud need to be stopped. It is estimated that around 12% of the total VAT which should be collected, is not (so-called VAT Gap). In 2012 the Commission will propose a quick reaction mechanism to ensure Member States can respond better to suspected fraud schemes. Furthermore, the Commission will see whether current anti-fraud mechanisms, such as Eurofisc, need to be strengthened and will explore the possibility of a cross-border audit team to facilitate multilateral controls.

Finally, the Commission has concluded that the long-standing question of changing to a VAT system based on taxation at origin is no longer relevant. Therefore, VAT will continue to be collected in the country of destination (i.e. where the customer is located), and the Commission will work on creating a modern EU VAT system based on this principle.

On 1st December 2010, the Commission had adopted a Green Paper on "The future of VAT – Towards a simpler, more robust and efficient VAT system". This Green Paper was followed by a six month public consultation in which the Commission received 1700 contributions from businesses, academics, citizens and tax authorities. The European Parliament, the European Economic and Social Committee and the Tax Policy Group consisting of the personal representatives of the finance ministers had welcomed the Green Paper and confirmed the need to reform the EU VAT system. In parallel, the Commission carried out an economic evaluation of the VAT system.

Common rights and single work and residence permit for non-EU workers

Third country migrants working legally within the EU will enjoy common rights, similar to those of EU nationals, as regards working conditions, pensions, social security and access to public services, under a new "single permit" law passed by Parliament on 13 December. The directive will also enable foreign workers to obtain work and residence permits via a single procedure. Member States will have two years to adapt their national laws to the new rules. The "single permit" directive complements other measures on legal migration, such as the blue card, and is designed to facilitate such migration where it meets the needs of the EU labour market. In a debate, rapporteur Véronique Mathieu (EPP, FR) commented: "The single permit directive will allow us to deal to a degree with the shortage of European labour. It will also facilitate the checks and balances involved in migratory flows. It is much better to have legal migration and remove any kind of incentive to illegal or clandestine measures. The new rules will simplify the permits for both residence and work and will allow third country nationals to enjoy the same rights as workers in the EU. Workers' rights are at the heart of this directive."

These rules do not affect EU countries' power to decide whether or not to admit non-EU workers or how many to admit, but they will have to decide within four months on whether to grant single permit applications. The proposed directive will reduce red tape for third-country nationals, by enabling them to obtain both work and residence permits in a Member State via a single procedure. It will allow a single permit application to be filed by the third-country national or by his or her employer in the EU.

The agreed rules will apply to non-EU nationals who wish to live and work in a Member State, or who already legally reside or work there. The new law will not cover long-term residents, refugees and posted workers (who are already subject to other EU rules), seasonal workers or intra-company transferees (who will be covered by other EU directives). Au pairs and seafarers sailing under the flag of a Member State are also excluded. Single permit holders will enjoy a common set of rights comparable to those of EU workers, such as decent basic working conditions, recognition of qualifications, the right to join trade unions, tax benefits and access to pensions, social security, employment office services and public housing. However, EU countries will be able to apply some specific restrictions to these rights.

As a general rule, non-EU workers will have access to social security on the same terms as EU nationals. However, Member States could apply restrictions to workers with contracts of less than 6 months' duration. For non-EU citizens admitted to follow a course of study, family benefits could also be further restricted. Member States will also be able to restrict access to public services, such as public housing, to those foreign workers who have jobs.

At the request of MEPs, the directive ensures that non-EU workers will be able to receive their pensions when moving back to their home country under the same conditions and at the same rates as the nationals of the Member State concerned.

Also at the request of MEPs, vocational training and education will be provided for non-EU workers who have a job or are registered as unemployed. During the negotiations, MEPs rejected a proposal by Member States to limit these services to foreign workers in employment. With respect to access to university or vocational training not linked directly to employment, EU countries could set specific conditions, such as language proficiency.

As the law passed by Parliament on Tuesday had already been approved by Member States, Parliament's vote is the end of the legislative procedure. Once the directive is published in the EU Official Journal, Member States will have two years to transpose it into their national laws.

WTO's government procurement negotiation: EU succeeds in gaining more market access

The World Trade Organisation's negotiations on government procurement concluded successfully on 15 December after the Parties of the Government Procurement Agreement (GPA) reached an agreement on an updated set of tender rules and additional market access commitments. The GPA covers trade in the domain of public procurement worth 500 billion Euros globally annually. According to WTO estimates, the revision of the GPA will bring extra procurement opportunities worth around 100 billion Euros.

In total, 15 Parties, with the European Union counting as one Party, made commitments to expand market access that they offer to foreign companies. This means the Parties open up their domestic public procurement markets to foreign bidders. With the world currently facing economic turbulence, and temptations to increase barriers not reduce them, the GPA Parties showed their commitment to international trade. Having open and transparent rules on procurement is the best way to achieve value for money for government expenditure as it optimises competition. Internal Market Commissioner Michel Barnier, who was conducting these negotiations, declared today in Geneva:

"Today, we have agreed on a significant opening of public procurement markets. Despite the temptations of protectionism during these times of global crisis, we have broken down barriers, not increased them. This will lead to more trade and benefit all economies, including Europe's.

We've won through on an important point. During the negotiations, the EU rightly insisted on a fairer global level playing field – keeping its markets open and ready to open them further, but only if other Parties did the same. In this spirit of mutual benefit and reciprocity, we have achieved good results for Europe's businesses and citizens. The new public procurement opportunities on offer for companies will be worth 100 billion Euros

On behalf of the European Union, I express my thanks and would like to acknowledge the excellent cooperation with all GPA members." EU Trade Commissioner Karel De Gucht said:

"Securing an international procurement deal during the WTO Ministerial meeting shows that the global trading family can and does deliver results to help boost our economies at this critical time. Today's deal is hard evidence of the relevance of the WTO and the global framework for trade. We wrapped up a decade of discussions and constructive engagement with all our GPA partners. Moreover, today's positive talks with our Japanese partners bode well for future specific trade discussions with us."

The main gains of the negotiation:

- More transparent rules for international public procurement: The international procurement of GPA Parties will be now be subject to more transparent rules. These rules are broadly similar to the EU's procurement rules, known for their fairness and clarity.
- New market access opportunities: The EU and U.S. expanded access to their central level entities, including important US Federal agencies. Canada offered access to procurement of its Provinces and

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Territories. Korea provides access to railway and urban transport procurement and Japan offered access to Public private partnerships and construction projects. Israel committed to phase out its offsets schedules and to lower its construction thresholds.

- Accessions and benefits for developing countries: The new text facilitates future accessions of other WTO members, including China and developing countries.
- Future work: The Parties agreed on work programmes that address issues such as sustainable procurement, support for small and medium enterprises and monitoring of exclusions and restrictions.

The Agreement on Government Procurement (GPA) governs the procurement activities of its parties and is the only legally binding agreement in the WTO on the subject of government procurement. It is a plurilateral treaty with 15 parties: Armenia, Canada, EU, Hong Kong, Iceland, Israel, Japan, Korea, Liechtenstein, the Netherlands with respect to Aruba, Norway, Singapore, Switzerland, Chinese Taipei, United States.

Denmark to take on diminished rotating presidency

In the first half of 2012, Denmark will hold the Presidency of the Council of the European Union. It is the seventh time Denmark holds the EU Presidency since joining the European Community in 1973.

The Presidency rotates between all EU member states and in the first six months of 2012, Denmark will organize and lead the work of the Council of Ministers. The Presidency will be a major task for the Danish government and for Denmark in general.

Since Denmark last held the Presidency the Lisbon Treaty has come into force and the institutional landscape in the EU has changed.

Firstly, the Treaty has established new institutional actors, namely the permanent President of the European Council (Herman Van Rompuy from Belgium) and the High Representative of the European Union for Foreign Affairs and Security Policy (Catherine Ashton from the UK). While Van Rompuy leads the work in the European Council and Ashton organizes the work of EU foreign policy in the Foreign Affairs Council, Denmark will be in charge of all other policy areas and will work closely with Van Rompuy and Ashton.

Secondly, Denmark is now a part of the so-called trio presidency where three presidencies work together to ensure a higher degree of coordination and consistency. Denmark joins a trio with Poland (who has the Presidency before Denmark) and Cyprus (who has the Presidency after Denmark). The three member states will agree on a common trio program for the 18 month period from 1st of July 2011 to 31st of December 2012. The trio program does not replace the national programs. Each Presidency will still set its own priorities for the six months it holds the presidency. Hence the trio-programme should rather be seen as an overarching common framework for work of the three Presidencies.

Thirdly, the Lisbon Treaty has given the European Parliament a more influential role as co-legislator on almost all new legislation. This means that cooperation with the Parliament and other institutions will be an important task during the Danish Presidency in 2012.

The programme for the Danish presidency will be presented in the beginning of January 2012 when the Danish Presidency is already underway. In the programme it will be possible to read more about the most important issues during the Danish Presidency. The four fundamental priorities for the Danish Presidency will be to contribute to: A responsible Europe; A dynamic Europe; A green Europe; A safe Europe.
