Europe India Chamber of Commerce

Newsletter

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Dear Reader,

NEW YEAR – NEW OPPORTUNITIES

2013 was a very productive year for the Europe India Chamber of Commerce. As we begin the New Year 2014, the EICC is prepared to assist you and all businesses throughout our domain. The EICC is pleased to work with our current members and welcome new businesses to our vibrant chamber. 2014 marks the chamber's 10th anniversary and we look forward to celebrating with you and our members. Our board will be developing new strategic plan over the next few months to ensure we maintain the chamber's momentum in our key areas. As always, advocacy work in EU-India trade and economic relations is high on our agenda and our strength in this area is in the collective power of our chamber network. Our chamber, along with other chambers, like EUROCHAMBRES/EBTC will look to submit policy resolutions to both the Indian and EU for consideration and possible presentation to the respective levels. Throughout the year we shall be reaching out to you for issues to consider.

2014 comes with new opportunities for the Chamber and you can expect to see some exciting developments. 2014 will be an exciting year for us as it embarks on new initiatives to assist businesses in India and Europe. As we shall be celebrating our 10 years of excellence and experience helping and supporting the EU-India relations, we shall be working closely with the Chambers of Commerce in India and Europe in launching new initiatives. We shall be partnering several activities with EUROCHAMBRES and EBTC on Business Focus Group, Business Leadership and our own brand TIPS. Our Study Report "European Companies in India: Reigniting Economic Growth" will be ready for launch in March. The Foundation for Excellence is all set to be registered and our Chamber is uniquely placed to collaborate with the Foundation in meeting its objectives.

As we turn the page to a new year, we would like to thank you for your support during 2013 and look forward to your participation and support in 2014. We invite you to join us at our many events and take advantage of the benefits and networking opportunities available to you as a member of the EICC.

New Year comes with glows of hopes in our mind. May this brings you immense happiness in all we do, it gives you a new confidence and courage for a fresh start. New Year comes to give us a fresh hope for a better future and success and we will face challenges with courage and confidence; together with you.

With Regards,

Secretary General

India elated as WTO ministerial conference adopts Bali Package

The Bali ministerial conference of the World Trade Organisation (WTO) concluded a day later than scheduled on 7 December 2013 with agreement on a package of issues designed to streamline trade, allow developing countries more options for providing food security, boost least developed countries' trade and help development more generally.

"For the first time in our history: the WTO has truly delivered," said WTO Director-General Roberto Azevedo. "I challenged you all, here in Bali, to show the political will we needed to take us across the finish line. You did that. And I thank you for it."

The Bali Package is a selection of issues from the broader Doha Round negotiations. Azevedo said members' attention should now turn the rest of the round, known semi-officially as the Doha Development Agenda.

''With the Bali package you have reaffirmed not just your commitment to the WTO - but also to the delivery of the Doha Development Agenda,'' Azevedo said. ''The decisions we have taken here are an important stepping stone towards the completion of the Doha round.

''And it is very welcome that you have instructed us to prepare, within the next 12 months, a clearly defined work programme to this end.''

The deal on the Bali Package was struck after intensive consultations almost round the clock from 4 December until the early hours of 6 December, followed by overnight meetings of heads of all delegations the following night.

Ministers and other delegates greeted the revised draft that Azevêdo and a handful of ministers worked out by ironing out a few sticking points individually and in small groups, which was finally agreed by consensus on 7 December after meetings were scheduled and rescheduled.

''In the WTO, the concept of time is a flexible one,'' WTO spokesman Keith Rockwell said when asked by journalists on 6 December about the meeting extending beyond its original schedule. ''I think it will be a long day.''

During those final critical hours, almost all members said the package should be adopted in full, even if they were not completely happy with some parts of it. They said the package was needed because of the benefits it would give directly, but also because it would reinvigorate the WTO and its trading system, and provide the momentum to conclude the Doha Round, which was launched in 2001 and has seen little progress since 2008 until work intensified on the Bali Package in 2013.

However a small group of countries - Cuba, Bolivia, Nicaragua, Venezuela - recorded serious reservations about what they considered to be imbalances in the package in favour of richer countries, and the absence of provisions barring discrimination in the form of trade embargoes on goods in transit.

Their concern about embargoes delayed consensus on the package until a compromise was struck in the form of a sentence upholding the principle of non-discrimination in goods in transit was added to the final declaration. The Bali Package is perhaps the first major agreement among WTO members since it was formed in 1995 under agreements from the 1986-94 Uruguay Round negotiations. The most significant for global commerce is the trade facilitation part of the package, which is about cutting red tape and speeding up port clearances.

Much of the rest of the package focuses on various issues related to development, including food security in developing countries and cotton and a number of other provisions for least developed countries.

The package also includes a political commitment to reduce export subsidies in agriculture and keep them at low levels, and to reduce obstacles to trade when agricultural products are imported through quotas.

The agreement on trade facilitation is a multilateral deal and would be legally binding and one of the biggest reforms of the WTO since its establishment in 1995 - other agreements struck since then are on financial services and telecommunications, and among a subset of WTO members, and agreement on free trade in information technology products.

The objectives are: to speed up customs procedures; make trade easier, faster and cheaper; provide clarity, efficiency and transparency; reduce bureaucracy and corruption, and use technological advances. It also has provisions on goods in transit, an issue particularly of interest to landlocked countries seeking to trade through ports in neighboring countries.

Part of the deal involves assistance for developing and least developed countries to update their infrastructure, train customs officials, or for any other cost associated with implementing the agreement.

The benefits to the world economy are calculated to be between $400 billion and $1 trillion by reducing costs of trade by between 10 per cent and 15 per cent, increasing trade flows and revenue collection, creating a stable business environment and attracting foreign investment.

Agreement on the agriculture part of the Bali Package required sorting out two issues. Much of the focus was on shielding public stockholding programmes for food security in developing countries, so that they would not be challenged legally even if a country's agreed limits for trade-distorting domestic support were breached.

The proposed solution will be interim, and much of the discussion was about what would happen at the end of the interim period. The outcome of consultations was for the interim solution to exist until a permanent one is agreed, with a work programme set up aiming to produce a permanent solution in four years.

The other issue was about ''tariff quota administration'', how a specific type of import quota (a ''tariff quota'' where volumes inside the quota have a lower duty) is to be handled when the quota is persistently under-filled. Members have agreed on a combination of consultation and providing information when quotas are under-filled. The one remaining issue to be settled was which countries would reserve the right not to apply the system after six years: they will be Barbados, Dominican Republic, El Salvador, Guatemala and the US.

Meanwhile, three texts remained unchanged from the versions negotiated in Geneva. One is on adding some development and land-use programmes to the list of general services that are candidates for being allowed without limit because they cause little trade distortion.

Another is a strong political statement to ensure export subsidies and other measures with similar effect are low. A third deals with improving market access for cotton products from least developed countries, and with development assistance for production in those countries.

Development issues include:

•Duty-free, quota-free access for least developed countries to export to richer countries' markets. Many countries have already implemented this, and the decision says countries that have not done so for at least 97 per cent of products ''shall seek to'' improve the number of products covered;

•Simplified preferential rules of origin for least developed countries, making it easier for these countries to identify products as their own goods, and qualify for preferential treatment in importing countries;

•A ''services waiver'', allowing least developed countries preferential access to richer countries' services markets; and

•A ''monitoring mechanism'' consisting of meetings and other methods for monitoring special treatment given to developing countries.

The ministerial conference adopted five decisions on the WTO's regular work. These include:

In intellectual property, members agreed not to bring ''non-violation'' cases to the WTO dispute settlement process - ''non-violation'' is shorthand for the technical question of whether there can be legal grounds for complaint about loss of an expected right under the WTO's intellectual property agreement, even when the agreement has not been violated.

A similar extension was agreed in electronic commerce, members agreed not to charge import duties on electronic transmissions. The work programme also encourages continued discussions on electronic commerce in relation to commercial issues, development and new technology.

Ministers decided to give special consideration to issues of small economies. They instructed the Committee on Trade and Development to consider proposals on small economies and make recommendations to the General Council.

They reaffirmed their commitment to Aid for Trade, an initiative that assists developing countries, and in particular least developed countries, trade. They welcomed progress on Aid for Trade since its launch in 2005 and mandated the Director-General to continue support of the programme.

Ministers also directed their Geneva delegations to continue examining the link between trade and transfer of technology and make possible recommendations on steps that might be taken to increase flows of technology to developing countries. The mandate was given at the 2001 Doha declaration.

Despite economic slowdown, India's exports to US, Europe rise

Despite global economic slowdown, India's exports to the US and Europe have grown in the first seven months of the current fiscal year, government data showed.

"In the first seven months of current fiscal year, 2013-14 exports to Europe and the US have increased in comparison to the corresponding period last year," said Minister of State for Commerce and Industry E.M. Sudarsana Natchiappan in the Indian Parliament on 18 December 2013.

"Exports to the USA have not declined in the previous three years. However, exports to Europe had shown slight decline. But exports to European countries in 2013-14 have shown improvement."

According to Natchiappan, who was quoting the figures given out by the directorate general of commercial intelligence and statistics (DGCI&S), India's exports to Europe grew by 5.99 percent in the period between April-October 2013 and stood at $33.15 billion from $31.28 billion shipped-out during the corresponding period of 2012-13.

For the US, India's exports grew by 8.64% at $23.35 billion in the period under review from $21.49 billion shipped-out during the corresponding period of last fiscal year.

Natchiappan addded that it has been the government's endeavour to encourage both product diversification and market diversification of its export, so that downturn in one geography does not effects the complete export scenario. "Government has identified certain markets under the focus market scheme (FMS) in the foreign trade policy. Such identified markets include countries from Africa, Latin America, Commonwealth of Independent States (CIS) and Association of Southeast Asian Nations (ASEANs)," Natchiappan added.

FDI flows into India strong despite low GDP numbers

India continues to be the most attractive investment destination for global businesses despite its recent slowdown and changing policy perceptions, a report by broking major Credit Suisse has pointed out.

The finding dispels arguments that given the slowing GDP growth and widening gaps in trade and domestic finances, India will not be able to attract enough foreign direct investment (FDI), the report said citing recent data.

India's recent macroeconomic performance has left much to be desired, with GDP growth slumping to a 10-year low of 4.4 per cent in the June quarter of 2013, as the current account deficit climbed to nearly 5 per cent of GDP in 2012-13, the report pointed out.

"Many have argued that an associated de-rating of the country's long-term growth prospects will discourage inward FDI and encourage outward investment at a time when India needs it most - both to build infrastructure and fund the external shortfall," the report said.

The hard numbers don't support this hypothesis. On the contrary, data suggests the growth in inward FDI (as a share of GDP) has stabilised recently.

However, outward investments have also been growing, leaving net FDI ratio close to its highest ever level. This has somewhat levelled off in recent times suggesting that India has actually witnessed a modest improvement in its net FDI position during the first three quarters of 2013.

"These developments could of course just reflect time lags. Alternatively, domestic and foreign companies may be taking the view that the Indian economy, although structurally challenged, still offers better long-term opportunities than much of the rest of the world," the report noted.

Net profit of private companies in India having FDI declines by 22 pct in FY12, says RBI

Profits of private companies in India having foreign direct investment (FDI) declined by about 22 per cent during 2011-12 to Rs 444.24 billion on higher outgo for interest payment, according to RBI data. "Steep rise in interest payments in 2011-12 resulted in decline in net profit (PAT)," RBI said in a release last month.
In its data on finances of non-government non-financial foreign direct investment (FDI) companies, RBI audited annual accounts of select 766 firms which closed their accounts during April 2011 and March 2012. The data pertains to the companies engaged in manufacturing, services and others.

The sales of these companies increased by 18.1 per cent to Rs 8,762.99 million during 2011-12, the data showed.

The sales growth of FDI companies belonging to services sector improved in 2011-12 over that in the previous year, while it declined for those in the manufacturing sector, RBI said.

Sales of manufacturing companies rose by 16.9 per cent in 2011-12, versus a growth of 19.4 per cent in 2010-11. While, for services sector, the sales were higher in 2011-12 with a growth of 18.7 per cent from a growth of 16.8 per cent in the previous year.

Also, earnigns before interest, tax, deprecation and amortisation (EBITDA) for the manufacturing sector declined in 2011-12, whereas for the services sector, EBITDA growth registered an increase.

For manufacturing sector, EBITDA declined by 22.4 per cent in 2011-12 from a rise of 7.5 per cent in the previous year. While for services sector the EBITDA was at 11 per cent in 2011-12 from 4.8 per cent in 2010-11.

"EBITDA growth was low or negative in most of the industries in the manufacturing sector. In the services sector computer and related activities and transport and storage service industries led to higher growth in EBITDA," RBI added.

RBI also said that the external sources (other than companies' own funds) continued to play a major role in business expansion of the select FDI companies in 2011-12.

The US, UK, Germany, Switzerland, Japan, France, The Netherlands and Mauritius were among the countries bringing in investment these companies.

India to overtake Japan as world's third-largest economy

Britain could overtake Germany by 2030 to become Europe's largest economy; but on a global scale, it could fall behind developing economies India and Brazil, says research by an independent economic think-tank.

The study by the UK-based Centre for Economics and Business Research (CEBR), released recently, should be music to Indian planners – it shows India overtaking Japan by 2028 to become the world's third largest economy. Chief executive of CEBR Douglas McWilliams said in London, "The Indians have lost to us at cricket this winter but they are on track to beat us at economics. "By 2017 we predict that the Indian economy will be the largest economy in the Commonwealth, overtaking the UK economy.'' China meanwhile remains on track to become the world's largest economy – it will overtake the US by 2028, according to the research.

It says the UK's GDP will move ahead of France by 2018, and surpass Germany by 2030. Brazil will overtake Britain in 2023, when it will become the world's fifth-largest economy. But Britain's performance is seen by London commentators as stand-out in the annual world economic league table. It does second-best of all advanced economies, behind the US. It is the only major Western economy to move up the league table. But after that it slips back to seventh place in 2023 - as India and Brazil overtake. The CBER annually gives an end-of-year forecast on the output of the 30 biggest countries over the next five, 10 and 15 years. In its 2013 report, it says that slow growth, a weakening euro and for some countries a growing elderly population will hit many European economies.

According to the study, Germany drops from the fourth largest economy in 2013 to the sixth largest in 2023. France drops even more sharply - from fifth in 2013 to eighth in 2018 to 10th in 2023 and eventually 13th in 2028. Italy drops from eighth in 2013 to 15th in 2028, while Spain goes from 13th in 2013 to 18th in 2028. And in a further sign of the fast-changing global economic scenario, Nigeria, Egypt, Iraq and the Philippines are slated to break into the top 30 world economies by then. "CEBR's World Economic League Table (WELT) shows the dramatic changes now taking place in the world's economic geography with slow growing European economies falling back and Asian economies, even though their growth is slowing, catching up," McWilliams said.

India eyes top spot in apparel exports with $60 billion shipments by 2016-17

India's apparel exports are projected to more than quadruple over the next three years to around $60 billion by 2016-17, from levels around $15 billion at present, according to the Apparel Export Promotion Council of India (AEPC).

With rising exports to western markets like the US and Europe and with active government support, AEPC, the apex body for apparel and garment exports, expects the country to emerge the world's top exporter of apparels.

In fact, India's apparel exports grew 31 per cent year-on-year in October 2013, on the back of a low rupee.

Apparel exports from the country increased by 15.5 per cent year-on-year to $8.2 billion in the first seven months of the current financial year, against exports of $13 billion for the full previous financial year.

Exports in April-October period of the 2013-14 financial year have increased by 15.5 per cent in dollar terms over the same period of the previous financial year and stood at $8.26 billion.

In rupee terms, however, exports increased by 26.18 per cent compared to same period of last fiscal.

Speaking at the Textile Conclave 2013 in New Delhi recently, AEPC chairman A Shaktivel said India's garment exports would be touching $60 billion in the next 3 years, with government support.

''We are getting good orders and have won the confidence of buyers. As Brand India we are recognised everywhere but the challenge is translating that leverage into the world textiles global hub,'' he said, adding that shortage of labour is a problem.

''We are looking for skilled people in large number to meet them,'' Shaktivel said.

He added that India would definitely be "number one in garment export".

The one-day Textiles Conclave 2013 was organised by the ministry of textiles.

The Union Textiles Minister inaugurated the conference in presence of Secretary Textiles Smt Zohra Chatterji and stakeholders of the Textiles Industry.

India's apparel exports grew 31 per cent year-on-year in October 2013 helped by a low rupee.

Apparel exports stood at $13 billion last fiscal. During April-October 2013, apparel exports have increased by 15.5 per cent year-on-year to $8.2 billion.

Export in dollar terms for April-Oct. of the FY 2013-14 increased by 15.5 per cent over the same period of previous FY and reached to $8259 million however, in rupee terms exports increased by 26.18 per cent compared to same period of last FY.

Shaktivel said the Textiles Conclave has helped to deliberate on various issues concerning the apparel and textile sector and share perspectives with bodies like NTC, SRTEPC, EPCH, TEXPROCIL. SIMA, CMAI, etc.

Speaking at the Textiles Conclave 2013 textiles minister K S Rao stated, ''This is the golden era of textiles in India and we have to work to make India hub of Textiles exports. I don't think it's difficult to achieve the number 1 position. We have the potential and capacity we need to just take care of skill training and power availability.''

Delivering the inaugural address, textiles secretary Zohra Chatterji stated that, the textile ministry is building a road map to move forward. ''The planned schemes are ready and we are going full way to implement it. We have a strong raw material base, skilled workforce and stringent compliant standards.

"Top brands and retails are eyeing India as a sourcing destination. We have a large skill base to meet the growing burgeoning demand the women need s to work for the longer hours and our role is to make this possible,'' Chatterji said.

The participants of AEPC also spoke of DISHA, which is the programme for ensuring compliance with standards in the garment factories across India.

Anand Sharma for curbs on MNCs' royalty fee

Worried over "excessive" outflow of foreign exchange as royalty and fees for technology transfer and use of brand names, the government is considering to re-introduce restrictions on such payments by foreign companies to their parent entities.

"The excessive outgo should not be there. We are not saying that royalty will not go but we are looking at this issue as to how to address the sudden outgo of these funds. This needs a little bit of tampering," commerce and industry minister Anand Sharma told PTI in an interview.

Regarding this, he has written a letter to finance minister P Chidambram. "There has to be a foolproof reporting" of such funds, he added.

The increase in outflow of these payments started after the government liberalised the FDI policy in 2009. It had removed the cap and permitted Indian companies to pay royalty to their technical collaborators without seeking prior government approval.

The outflows on account of royalty and fee for technical services, taken together, are as high as about 16% to 33% of the foreign direct investment (FDI) inflows over the period 2009-10 and 2012-13. In the last fiscal, India had attracted FDI worth $22.42 billion.

Royalty is paid to a foreign collaborator for transfer of technology or the usage of brand.

In his letter to Chidambaram, Sharma said given the current economic situation and a high quantum of outflows on this account, there is a need to take a view on whether the ceiling on royalty payments and fee for technical services should be re-introduced in the FDI policy to check the large outflows and also to prevent possible misuse of this window.

FDI, which is essential to bridge the widening CAD, declined by about 15% to $12.6 billion (R74,971 crore) during the April-October period in the current fiscal.

The commerce and industry ministry also wants a proper post-reporting mechanism for technology transfer or collaborations and use of brand name.

The ministry has already sent a draft press note to the department of economic affairs and are awaiting the response.

Due to absence of such a mechanism, the exact payments made by Indian entities towards such payments are not ascertained from RBI.

As per media reports, car maker Maruti's royalty payment to its Japanese parent Suzuki has increased to R2,454 crore in 2012-13 from R495.2 crore in 2007-08.

Before 2009, royalty payments were regulated by the government and was capped at 8% of exports and 5% domestic sales in case of technology transfer and fixed at 2% of exports and 1% of domestic sales for use of trademark or brand name.

To discourage higher royalty payments, the government had in the last budget hiked the rate of tax on royalty and fee for technical services paid to overseas entities by 15% to 25%.

No no-compete clause in pharma sector takeovers

The government has clarified that the cabinet decision to allow 100-per cent foreign direct investment in existing pharmaceutical units is subject to the condition that there will be no `no-compete' clause in such takeovers.

This means that the promoters of the company would be free to invest in a similar pharma unit after the sale of the existing unit.

The cabinet on Thursday decided not to alter the current policy of allowing 100 per cent foreign investment in the pharmaceutical sector (See: Cabinet refuses to peg pharma sector FDI at 49%).

''It has been decided that the current policy on brownfield and greenfield projects in the pharmaceutical sector will continue, subject to the additional condition that in all cases of FDI in brownfield pharma, there will not be any non-compete clause in any of the inter se agreements,'' an official release said today.

The cabinet on Thursday considered the proposal of the Department of Policy and Promotion (DIPP) of the ministry of commerce and industry, for a review of the policy on foreign direct investment in the pharmaceutical sector, but declined to reduce FDI limit in the sector to 49 per cent from 100 per cent allowed at present.

DIPP sought changes in FDI norms in pharmaceutical sector following the closure of a number of Indian manufacturing facilities and R&D centres in cancer and oncology injectables and APIs by their foreign acquirers.

This, the DIPP feels, can render the country vulnerable in the critical area of healthcare.

The DIPP, which is under the commerce ministry, had proposed allowing 100 per cent FDI in only new or greenfield pharma units through the automatic route and limiting FDI in brownfield projects or takeovers to select drugs, under FIPB scrutiny.

It has strongly recommended to the cabinet that foreign investments in projects manufacturing critical or rare drugs should be limited to 49 per cent (FDI and FII together).

Europe to drive growth for Indian IT firms in 2014: Nasscom

North America may account for the lion's share of India's IT exports but growing demand for outsourcing services from Europe is expected to drive the $108-billion IT sector in 2014, according to industry body Nasscom.

"Europe is growing faster than the US. That is something we saw this year and this will only gain momentum. There is a lot of latent demand in the region, which will drive growth for the sector," Nasscom president Som Mittal told PTI.

North America accounts for over 60 per cent of revenues of Indian IT exporters, while the European region contributes about 20 per cent with the UK making up for the bulk of that share.

"The share of the European region has been growing... The market is now more open to outsourcing and in the coming year, we will see a lot of new projects coming up, which is a huge opportunity for our domestic companies," he said.

Indian IT companies are also ramping up presence in Europe as they face uncertainty in the US market, where new immigration laws could drive up costs of sending workers on short-term visas.

"The companies are bullish on the European market, which is evident from the acquisitions that some of them have made in the recent past," he said.

Indian companies have also been acquiring local firms to address labour issues and increase pace of growth in Europe.

These include Tata Consultancy Services' (TCS) acquisition of French IT services firm Alti for Rs. 530 crore, Geometric acquiring 3Cap Technologies for 11 million euros and Infosys buying Swiss consulting company Lodestone for $350 million last year.

US-based Cognizant, which has 75 per cent of its workforce based in India, acquired six small IT services companies (part of Germany's C1 Group) for an undisclosed sum.

"For European companies, many of them which have seen prolonged economic slowdown, Indian IT firms not only offers cost advantage but also high quality of work," Mr Mittal said.

Nasscom expects the domestic IT sector to grow by 12-14 per cent, while IT exports are likely to reach $86 billion in the current fiscal year ending in March, 2014 on the back of adoption of

RBI may allow up to 74 pct FDI in credit info companies

The Reserve Bank of India may allow up to 74 per cent foreign direct investment in credit information companies.

"The Reserve Bank may consider allowing higher FDI (foreign direct investment) limits to entities which have an established track record of running a credit information bureau in a well-regulated environment," RBI said in a notification.

The limit can be allowed to be increased up to 49 per cent if their ownership is not well-diversified, which means if one or more shareholders each hold more than 10 per cent voting rights in the company.

And the limit can be raised to 74 per cent if the ownership is well-diversified, RBI said.

If the ownership is not well-diversified, at least half of directors of the investee credit information company (CIC) in India should be Indian nationals or non-resident Indians or persons of Indian origin, subject to the condition that one-third of the directors are Indian nationals resident in India, it added.

"The investor company should preferably be a listed company on a recognised stock exchange," RBI said.

In case investor in a CIC is a wholly-owned subsidiary (directly or indirectly) of an investment holding company, these conditions will be applied to the operating group company that is engaged in credit information business and has undertaken to provide technical know-how to the CIC in India, the regulator said.

A credit information company collects and maintains records of an individual's payments pertaining to loans and credit cards. These records are submitted to the CIC by banks and other credit institutions, on a monthly basis.

This information is then used to create credit information reports (or credit report) which are provided to credit institutions in order to help evaluate and approve loan applications or any other credit applications.

EU's withdrawal of concession tariff to hit Indian auto exports

It's just not a sluggish domestic market that Indian car makers have to battle, but their overseas sales also appear to be in danger with import duty to the key European region set to go up substantially from 2014, making overseas shipments costlier.

The hike in duty due to withdrawal of a concessional tariff regime for India and some other developing nations, is being seen as a measure to pressurize the Indian government to expedite the signing of a free-trade agreement (FTA) with the EU with specific concessions for car imports from the region.

EU will withdraw the concessions granted under the Generalized System of Preferences (GSP) from January 1, leading to a hike in duty from 6.5% to 10%.

The proposed move has already rung alarm bells for engineering export body EEPC India and leading carmakers, who fear that overseas sales may come under pressure. "The EU seems to have taken this step as it would like India to take a flexible position in the India-EU FTA negotiation with specific reference to the auto sector," said EEPC India chairman Anupam Shah.

The move has the potential to adversely impact the export of motor vehicles to EU, which amounts to $1 billion, the EEPC said. "The increase in duty will put a pressure on prices. In these times when the global economy is under pressure, this will create additional pressures for sales overseas," said Rakesh Srivastava, Sr VP (sales & marketing) at Hyundai India. Of the estimated 2.5-lakh units that Hyundai plans to export this year, 40% is directed to the European region.

"Europe, while not being a very large portion of our exports, is still critical. Higher prices may impact demand," said a Maruti official, requesting anonymity.

Exports have so far provided succor to car companies, which are battling a slowdown in the domestic market. Domestic car sales are down by around 5% in April-October, 2013-14. However, exports in the same period are up 9%.

"Export volumes are crucial and form a very important part of the business strategy of any manufacturer. They bring in economies of scale, earn foreign exchange," Hyundai's Srivastava said.

Technopark, Brussels join hands

Technopark's Technology Business Incubator (TBI) has joined hands with the Incubation Centre Arsenaal Brussels (ICAB) to provide better exposure and collaboration opportunities for start-up companies in the ICT sector.

A memorandum of understanding was signed by P.H. Kurien, Principal Secretary, IT; K.C. Chandrasekharan Nair, Chief Financial Officer, Technopark-TBI; and Julien Meganck, president, ICAB; in the presence of Belgium's Princess Astrid of Belgium and Celine Fremault, Minister of Economy Brussels, in Chennai on Thursday. A 300-member trade delegation from Belgium led by Princess Astrid was in India last week to boost trade and investment ties between the two countries.

The MoU will facilitate exchanges and cooperation between Belgium and Indian SMEs, enabling them to establish businesses in both regions. It will also promote business development and technical collaboration. The Technopark TBI has offered free office space from three to six months to the Brussels companies that wish to do business with India on a reciprocal basis. They will guide these companies with practical cooperation plans and priority will be given to companies that are directly recommended by ICAB.

The co-incubation tie up was announced at a press conference by Mr. Nair and Jean Vereecken, Managing Director, ICAB.

Mr. Nair said the co-incubation pact would help SMEs from Kerala to expand at a faster pace. “This is a win-win situation for start-up companies here, especially those interested in the European market. Apart from free office space provided by the ICAB, they can also reach out to countries across Europe,” he said. “T-TBI and ICAB will also arrange for networking meetings and promote each other’s activities in their respective regions,” he said.

With deal, EU erects final pillar for banking union

After more than a year of hard bargaining, European finance ministers reached a political agreement on a final piece of the bloc’s planned banking union, which is the most ambitious step in integrating Europe’s economy since the adoption of the common currency.

The ministers said late on Wednesday that they agreed on the guidelines for a new joint European institution in charge of closing down or propping up ailing banks, the so-called single resolution mechanism, complete with an arrangement to finance its operations.

“With the agreement... on the resolution mechanism we have created the banking union’s final legal pillar,” German finance minister Wolfgang Schaeuble said.

Failure would have cast doubt on Europe’s key project to stabilise its battered financial sector and protect national governments from being dragged down again by failing banks.

The daylong talks in Brussels were the ministers’ second attempt in as many weeks to strike a deal before year’s end. They were under pressure to reach an agreement before a summit of the EU’s 28 leaders in Brussels.

The deal reached shortly before midnight Wednesday also ensures the legislation can be sent to the European Parliament on time to secure its passage before the end of the current legislature’s term in May, thus avoiding a delay of at least several months.

“If we continue ... on the path toward banking union then we will be able to continue the stabilisation of the European currency as the basis for a return to stable growth in Europe,” Schaeuble said.

One of the reasons why Europe got into such financial trouble was that countries like Ireland had to step in to save their banks when the financial crisis first exploded in 2007-8, eventually forcing the governments into seeking a bailout themselves.

In a first major step, the finance ministers agreed earlier this year to create a common supervisory authority for eurozone’s biggest banks.

For months, the 28 EU countries have been trading ideas over how to deal with sick or insolvent banks and the powers of the proposed agency tasked with executing the banking supervisor’s decisions.

A preparatory meeting of the eurozone’s 17 finance ministers in December reached an initial agreement on how to finance the bank rescue agency. It foresees that banks will have to provide 55 billion euros ($76 billion) over 10 years to pay for shutting down or spinning off ailing financial institutions.

The operating principle is that banks themselves and their creditors should foot the bill, and not governments and taxpayers.

Nearly 40% of persons employed by non-financial enterprises in the EU worked for SMEs in 2011

Small and medium sized enterprises (SMEs), with between 10 to 249 persons employed, are a driver of the European economy, creating jobs and contributing to economic growth. In 2011, of the 22 million enterprises in the EU28’s non-financial business economy 7% were SMEs, accounting for 38% of persons employed and creating 38% of total turnover. The majority of EU28 enterprises were micro enterprises

(93%), accounting for 30% of persons employed and 17% of turnover, while 0.2% were large enterprises with 33% of persons employed and 44% of turnover.

On the occasion of the European SME week, which takes place from 25 to 30 November 2013, Eurostat, the statistical office of the European Union, publishes data on enterprises broken down by size classes, which provide information on the situation of SMEs within the EU's non-financial business economy.

Highest shares of SMEs in Germany, Romania, Luxembourg and Austria

In all Member States in 2011, the vast majority of enterprises in the non-financial business economy were micro enterprises. The share of SMEs was highest in Germany (18% of enterprises), Romania and Luxembourg (both 13%) and Austria (12%), and lowest in the Czech Republic and Slovakia (both 4%). In all Member States, the share of large enterprises was 0.5% or lower.

Highest shares of persons employed by SMEs in the Baltic Member States and Luxembourg

Regarding employment in enterprises in the non-financial business economy, Member States can be grouped depending on which of the three enterprise size classes accounted for the highest share of persons employed in 2011.

In the majority of Member States, SMEs accounted for the highest shares of persons employed with proportions around 50% in Latvia and Lithuania (both 51% of persons employed), Estonia and Luxembourg (both 49%). In six Member States, the highest shares were recorded for micro enterprises, with the highest proportions found in Italy (46%) and Portugal (42%). In two Member States, the United Kingdom (46%) and France (37%), large enterprises recorded the highest share of persons employed.

Highest shares of turnover generated by SMEs in Luxembourg, Latvia and Austria

With regards to turnover, the largest shares generated by SMEs in 2011 were recorded in Luxembourg (60% of total turnover), Latvia (52%) and Austria (49%), while in the United Kingdom (56%), Germany (52%) and Finland (50%) half or more of turnover was generated by large enterprises. For micro enterprises, the share of turnover generated was highest in Estonia (31%), Cyprus (27%) and Italy (25%).

EU Chief Negotiator says EU-US trade deal not about deregulation

The EU and US on 20 December concluded the third round of week-long negotiations for the Transatlantic Trade and Investment Partnership (TTIP), with the EU's Chief Negotiator Ignacio Garcia Bercero again stressing that any deal would uphold "the highest standards of consumer, environment, health and labour protection."

Commenting on the talks, Mr Garcia Bercero added: "I think we can be very satisfied by the end of this third round of talks. We remain on track to deliver an ambitious trade and investment deal which will boost our economies, deliver growth and, more importantly, create jobs for both Europeans and Americans at a time when they're most needed."

Both sides discussed all the topics they wanted to see covered in what is intended to be a comprehensive trade agreement. They brought together teams with expertise in a wide range of trade-related areas, as well as regulators from both sides. The EU and US teams also spent one of their five days together talking to over 50 stakeholders and answering questions from them. This followed unprecedented efforts by the EU to negotiate as openly as possible and reach out to the widest possible range of interests.

Areas of negotiation: Negotiators made progress on the three core parts of the TTIP – market access, regulatory aspects and rules – and these will be the focus for the round of talks expected in March 2014.

On market access, the EU repeated its determination to stay ambitious on all three aspects. It wants to slash customs tariffs on imported goods; allow firms from either side to bid for government procurement contracts; and open up services markets and make it easier to invest.

Negotiators also had substantive discussions on regulations which protect people from risks to their health, safety, environment, financial and data security. Studies suggest up to 80% of the gains from any future EU-US trade deal would come from improvements in this area.

EU negotiators now expect to start working with their US counterparts by March 2014 on the wording of provisions designed to make it easier to comply with each other's existing rules, and to enable regulators to work together more closely in future when drafting new rules. Such provisions would include rules on food safety and animal and plant health (sanitary and phytosanitary issues). They would also cover technical regulations and product standards, and testing and certification procedures - so-called technical barriers to trade or 'TBTs'.

Negotiators also expect to be able to identify a roadmap of areas where the TTIP could bring real savings to consumers and businesses by avoiding having to pay twice over to meet two sets of regulations.

However, Mr Garcia Bercero was at pains to point out that: "TTIP is not and will not be a deregulation agenda." He said neither side intended to lower its high standards of consumer, environment, health, labour or data protection, or limit its autonomy in setting regulations.

The third area negotiators discussed was trade-related rules in several areas, which could provide a real boost to EU-US trade. These include measures to ensure: free and fair competition between firms; access to energy and raw materials; the protection of people's rights at work, and the environment; and less red tape when importing or exporting (trade facilitation) – for example, easier access to information on customs regulations, and simpler customs procedures.

In a majority of these areas, the EU now expects to start discussing the wording of proposals by March 2014. The EU hopes such rules will deliver real and improved benefits for small- and medium-sized enterprises (SMEs) in particular, and envisages a specific chapter in the agreement focusing on SMEs.

The end of this third round marks the conclusion of the initial phase of negotiations and paves the way for EU Trade Commissioner Karel De Gucht and US Trade Representative Ambassador Michael Froman to hold a political stocktaking meeting early in 2014.

The EU Chief Negotiator also confirmed that the fourth round of negotiations would take place in Brussels, with dates to be announced soon.

The EU-US Transatlantic Trade and Investment Partnership (TTIP) aims to open up trade and investment between the EU and the US, which together make up 40% of global economic output. The TTIP is expected to result in more jobs and more growth, and to help lift Europe out of the economic crisis.

According to an EU-commissioned study by the independent Centre for Economic Policy Research in London, an ambitious, comprehensive TTIP could bring the EU economic gains of €120 bn a year once fully implemented. It could see EU exports to the US rise by over 25%, earning its exporters of goods and services an extra €190 bn every year. Consumers will benefit too: on average, the agreement will bring an extra €545 in disposable income each year for a family of four living in the EU (MEMO/13/211).

The EU and the US have their eyes on more than just removing the remaining low tariffs, which currently stand on average at around just 4%. The main hurdles to trade comprise so-called 'behind the border' regulations, 'non-tariff barriers' and red tape. Up to 80% of the gains from a trade deal are expected to come from the lower costs of bureaucracy and regulations arising from a deal, as well as from opening up trade in services and public procurement (purchases of goods and services by governments and local authorities).

The key phrase is regulatory cooperation - creating similar regulations from the outset, rather than having to try to adapt them later. A more integrated transatlantic marketplace would respect each side's right to regulate the protection of health, safety and the environment at a level it considers appropriate. But by

aligning their domestic standards, both sides could set the benchmark for developing global rules – benefiting EU and US exporters, and the wider global trading system.

EU membership may have led to allergy increase in rural Poland

Poland's entry into the EU may have had the surprising consequence of increasing allergies in rural villages, according to a new study. Surveys show that the prevalence of atopy, a predisposition towards allergic reactions, jumped from seven per cent to 20 per cent in villages in southwest Poland between 2003 and 2012.

The Common Agricultural Policy made it uneconomical for small farmers to keep animals

Scientists believe the rise is linked to changes in farming practices that occurred when Poland adopted of the EU Common Agricultural Policy. In 2003, many villagers kept cows or pigs on their land, but after joining the EU it became uneconomical to do so.

Exposure to farm animals, especially at a young age, is thought to protect against developing allergies. The findings add to evidence that westernised lifestyles increase the risk of allergic diseases.

Previous research has suggested that farm dwellers, especially children who grow up on farms, have lower rates of hayfever and atopy than people living in towns.

Study author Professor Paul Cullinan, from the National Heart and Lung Institute at Imperial College London, says, "Asthma, hayfever, and other allergic diseases are becoming more common in many countries and there's growing evidence that they're linked to modern, clean lifestyles.

"We found that rapid changes in farming practices after Poland joined the EU were accompanied by a sharp increase in allergies over a very short period of time. It's likely that similar changes are occurring in other places in Europe, and we can expect that elsewhere in the world, we may see major increases in allergies, asthma and hayfever over the coming decades as countries become more westernised and less rural."

Researchers from Wroclaw Medical University and Imperial College London conducted surveys in villages and a small town in southwest Poland in 2003, one year before Poland joined the EU, and 2012, to study the prevalence of asthma, hayfever, and atopy, which is diagnosed with a skin prick test.

In 2003, 7.3 per cent of villagers tested positive for atopy, compared with 20 per cent of townspeople. In 2012, the prevalence of atopy in villages had risen to 19.6 per cent. Hayfever also rose, from 3.0 per cent to 7.7 per cent, but the prevalence of asthma did not change significantly. In towns, there were no changes in the prevalence of allergies.

Twenty-four per cent of village dwellers had regular or occasional contact with cows in 2003, but this fell to four per cent in 2012. Thirty-three per cent had contact with pigs in 2003 but only 14 per cent in 2012.

The study appears in the Journal of Allergy and Clinical Immunology and was funded by the National Science Centre, Poland.