Europe India Chamber of Commerce

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Free Trade Pacts hold promise and peril for India

India would be six times better off under a multilateral trade agreement in the WTO's Doha Round than from individual free trade agreements with the European Union, United States or China, contends a new report from the Carnegie Endowment. The report *India's Trade Policy Choices* simulates the potential outcomes for India's economy of a Doha agreement and free trade agreements with the EU, United States and China. An agreement with the EU, India's largest trading partner, would have a slightly negative overall impact on India's economy. The EU, the United States, and China would each gain more from free trade agreements with India than would India itself, but in all cases, gains would be modest and would represent a very small percentage of the affected economies. All of the proposed trade agreements would reduce India's tariff revenue, which accounts for about 11 percent of the government's total revenue. However, according to a study carried out by FICCI, India's trade with the EU has the potential to reach a whopping $572 billion by 2015 once the FTA with the 27-nation bloc is implemented. The study mentions that India-EU trade would account for more than 25 per cent of the country's GDP which may grow up to over $2 trillion if 10 per cent economic growth is achieved and maintained. The study focuses that some of the barriers to trade and investment faced by Indian businesses in EU are lack of harmonisation of micro-biological standards, costly certificates required for exporting fruits, conformity procedures for CE mark, delay in approvals by EC for Indian milk product units, visa issues, lack of recognition of qualifications and VAT. The EICC feels that the Free Trade Agreement must not be empty on content and India should ask to be ensured that non-tariff barriers prevalent in the EU do not bother Indian exporters after the FTA is inked. The EICC in its working papers has on several occasions raised these issues.

EICC and UKIBC decide to work together

EICC and UK India Business council have decided to draw up strategies to work together and cooperate in their activities. The meeting on 11 February in London between EICC and UKIBC sets a new beginning for both organizations. Greater cooperation will help increase better understanding, maximize resources, improve the business potentials of the two organizations, create better opportunities for Indian investors in Europe and also strengthen the EU-India strategic partnership through business to business contacts. Since UK continues to be India's "Capital" in the EU countries, it is important to forge partnership with the most active business council in UK. Both organizations have decided to jointly identify the areas of cooperation and initiate exchanges including organizing a major Conference in London this year.

EICC Roundtable on Pharmaceutical industry in Brussels

The EICC is planning to organize a High Level Roundtable on Pharmaceutical Industry to promote better understanding between European and Indian drug manufacturers. The Roundtable to be held in Brussels will bring together leading European and Indian Drug manufacturers and various stakeholders including European Commission to discuss the issues seen important for joint cooperation. The Roundtable will enable the European and Indian Drug manufacturers to establish a channel of communication in order to develop strategic partnership and discuss cooperation in the area of research and development to face future challenges in this era of globalization. Although Indian Pharmaceutical Industry has come a long way from waiting for imports of bulk drugs from global majors for reprocessing to becoming an industry which is driving product development and breaking new grounds in medicine research worldwide, there are "barriers" (the tag of being *"Copy Cats"* – majority of the Indian companies are dependent on replicating drugs developed by MNCs, hence Indian companies are viewed in not so good light) that deprive Indian drug companies to aggressively enter into the European market. The EICC recognizes that because of such factors, it has not been easy to establish a coherent relationship between European and Indian Pharma sector in general but believes that with little effort the process can be smoothened thus creating a framework for effective and meaningful cooperation including opening up investment opportunities.

On way to realising billion dollar dream: *Business India* profiles Sanjay Dalmia

Business India**,** the business magazine of the corporate world in India in its issue of 10 February 2007 under "Corporate Reports" has profiled the EICC Co-Chairman Mr. Sanjay Dalmia's empire. The report speaks of Mr. Dalmia's billion dollar dreams and his ability to navigate changes in the choppy waters. It also speaks how Mr. Dalmia transformed his flagship company, the Gujarat Heavy Chemicals Limited from a pure soda ash manufacturer to a transnational textile player, and how the company is re-structuring to unlock value. Mr. Dalmia is the Chairman of the Dalmia Group of Companies. The report "Into a new growth orbit" describes Dalmia as an aggressive M&A player who has determination to become a global player in the soda ash arena within three years.

India Calling Conference in Toronto

The Indian Merchants' Chamber is organizing the "India Calling" Conference in Toronto from 16-19 June 2008. The Conference will be attended by several dignitaries from India, US and Canada. The main objective of the India Calling conference is to project India as a country of varied opportunities, a country with huge investment potentials including exploring the areas for boosting bilateral trade and economic relations. In the past India Calling Conferences have also been held in Singapore, UAE, UK and South Africa. The EICC which signed a MOU with IMC in January will be represented in the Conference.

Europe calls for new India-EU climate co-operation

Europe has invited India to collaborate in its Euro project on environment and climate change. A delegation of the European Parliament which visited India during the first week of February lobbied with the Indian leaders for a new bilateral cooperation in energy and environment, following the recent global climate change conference in Bali in Indonesia. In view of the crucial role India can play in the context of future international climate agreement, the EP is keen to learn about climate change challenges it faces on and to better understand its position and plans – both at the domestic and international level. The European Union has set up a 54 billion Euro project to meet the challenges of climate change and want the cooperation of India and China, particularly for the project.

Indians may soon get a taste of Spanish wine

For years, wine was as foreign an idea in India as snow. Wine was thought to be wimpy because it did not pack the punch of whiskey and could never stand up to spicy Indian cuisine. But such views are changing, as a rapidly growing number of Indians embrace wines made not only in foreign countries, but in India. Since 1998, wine consumption has increased by as much as 30 percent a year. With the wine market in India poised for heady growth, many liquor companies have ready uncorked their best wines and now the Spanish wine producers don't want to be left behind. They are seriously considering introducing their premier brand wines to Indian market. The EICC in association with ASSOCHAM is facilitating the CVNE to take necessary steps in this direction. Wine market in India is growing at 25-30 percent a year, nearly three times as fast as beer, whisky or rum, which together makes up 45 percent of the total. India's wine market is estimated at 5 million bottles a year. In view of the fact that Indian market for wines and spirits is one the largest in the world worth millions of euros every year for EU exporters, the European Commission in July 2007 used a WTO panel to ask India to reform its discriminatory tariff regime for imported wines and spirits. The European Union had challenged combined duties and taxes that ranged from 252 to 550 percent on spirits imported into one of the world's fastest growing markets, and from 177 to 264 percent on wine imported into India.

Are Indian firms ready to meet EU's 8th Directive?

The countdown for the implementation of the 8th Company Law Directive (EU's Statutory Audit Directive) by all EU member states has begun. The Council of the European Union adopted at the end of April 2006 new rules on the audit of company accounts aimed at enhancing investor confidence in audit quality across the European Union. The 8th Company Law Directive establishes minimum requirements for statutory audit of annual accounts and consolidated accounts. The member states are required to adopt legislation to comply with it by June 2008. The 8th Directive could mean that the Indian firms which audit non-EU companies listed on the stock exchange in any of the 27 member EU states may have to face local EU regulatory. All audit firms outside the EU, whose clients are listed on regulated exchanges in the

EU shall be required to register with the local audit regulator in the EU member states where the clients' shares are listed.

India cautiously welcomes new world trade text, but sees problems

India has cautiously welcomed the new trade text of the World Trade Organisation (WTO) in which the mediators have sought to advance long-running trade talks by issuing revised drafts for agriculture and industry. The new texts does not make any changes to existing proposals for headline cuts in tariffs and subsidies but narrows the gaps on a slew of technical issues. Strong economic growth has given India clout on the global economic stage and it has emerged as a powerful voice for developing countries at the WTO. Much of the work in the trade talks has turned on how both rich and poor countries can shield sensitive farm products from excessive imports, and how developing countries can protect fledgling industries from the full force of competition. Developing countries such as India want the United States to cut its trade-distorting farm subsidies and the European Union and other rich economies to open farm markets by cutting tariffs. In return rich countries want developing countries to open markets by cutting industrial tariffs and liberalising services.

Dredging Corp in likely venture with a Belgian company

Dredging Corp of India (DCI) is in talks with a Belgium-based Dredging Company for a joint venture. This joint venture, according to company sources, will be used initially to source vessels for the dredging work at Paradip Port, as that has an immediate requirement. Visakhapatnam based Dredging International is fourth largest in the world with a fleet of 27 dredgers with a capacity to dredge about 2,00,000 cubic meters in totality. The need for DCI to opt for a joint venture also stems from the fact that even new dredgers are difficult to acquire as no Indian shipyard builds dredgers and all shipyards globally are booked till 2010-2011. Traditionally diamonds have dominated Indo-Belgium trade, but aided by the Indian business community in Belgium, there is a good scope for trade in other sectors such as logistics, seaport and airport services, and environment technology and power generation. Bilateral trade between India and Belgium has crossed Euros 6 billion while Indian investment into Belgium is estimated at about Euro 1 billion. Belgium has become "a magnet" for international companies trying to establish a foothold in the European market because of its liberalized tax and labour laws. The signing of a social security agreement with India, which will benefit Indians working in Belgium, is also bolstering investment of Indian companies in Belgium.

After London, Indian investors prefer Birmingham

Birmingham, with a large minority of Asian origin, is fast emerging as the most preferred destination of Indian investment after London. Trade got a boost with direct flights between India and Birmingham, an industrial city 160 kms northwest of London. During the past two years, Indian investment into the West Midlands has more than doubled in terms of the numbers of companies setting up in the region. Over 1,000 jobs have been created since 2006 by 14 companies, which means that there are now nearly 30 Indian-owned businesses in the region, including State Bank of India, ICICI Bank, Tata Steel, Mahindra and Mahindra and the Aditya Birla Group. The trend will continue with the expected acquisition of Jaguar and Land Rover by Tata Motors soon. Boosting trade is one of the keys to new jobs in the Midlands and India is becoming one of the biggest players in town. However, London remains the most favoured capital for Indian investment. Foreign direct investment in London has jumped to £52bn from £38bn two years ago, with India now the second biggest source, according to an investment agency, *Think London*.

IISSM seeks EICC's help in setting up EU-India Security Trade Council in Brussels

The International Institute of Security and Safety Management has approached the EICC to work together in forming the EU-India Security Trade Council in Brussels with the principal objective to forge closer trade ties between security companies in EU and India. The Council will also assist in identifying new inventions and technologies in Homeland Security. The global Homeland Security market is estimated at US$500 billion per annum, of which the USA accounts for nearly 55%. This sector covers opportunities in biometrics, IT security, fire and bomb protection, aviation security, CBNR counter threats etc., to name a few. Indian companies are getting only a small fraction of this global business, and so, the objective of this new forum will be to increase both the Homeland Security trade between India and the EU as also to foster closer ties between the two regions to jointly bid for global tenders. The Council will encourage joint exhibitions, seminars, export market research, consulting support and database of business opportunities. The EICC has assured all cooperation to the IISSM and in the coming weeks will contact the concerned Department of the European Commission in this regard.

EU-India FTA Negotiations and EC key messages / argumentaire, January- February 2008

Substantial progress is seen in the negotiations on the bilateral trade and investment agreement (BTIA) between EU and India but the EU seems to have some concerns on the scope and ambition of negotiations. Firstly, the inclusion of procurement in the negotiations is essential for the balance of the agreement as EC cannot envisage a deal that did not include market access commitments on procurement. According to EU sources, for the EU, a FTA without procurement is not on the negotiating table. Secondly, both EU and India are aiming for a substantial result on services and investment but the issue is whether India will be in a position to deliver on some additional access to the EU's services market, such as raising the equity caps on key areas or on other regulatory restrictions. Thirdly, the EU is committed to eliminate tariffs bilaterally as far as possible and is waiting to India's revised offer.

EC key messages/argumentaire on services:

Is the EU really interested in an ambitious services agreement?

- Services and investment are a priority area for the EU in this negotiation. The EU is interested in an ambitious, far-reaching and comprehensive agreement on services and investment.
- The EU would like to improve access to the Indian market for EU companies and investors and create real, new opportunities for businesses.
- While the EU seeks a broad and ambitious services and investment deal with India, both India and the EU will fully keep their right to organise and regulate public services as they see fit under the terms of a broad-based trade and investment agreement.

Will the EU open its market to Indian professionals?

- The EU understands India's interest in the temporary movement of professionals. The negotiations will cover the supply of services through the temporary movement of natural persons (mode 4). It is clear that any EU commitment on "mode 4" or the supply of services through the temporary movement of natural persons will create new opportunities for India, over and above those that exist today or that exist at multilateral level. The EU is ready to consider in the negotiations the temporary movement of natural persons not only for the services sectors, but also for non-services sectors.

What is the added-value that an EU-India FTA would bring?

- New market access opportunities available only to each other. Securing that these market access opportunities will not disappear in the future. Having such legal certainty and predictability is critical for creating an environment conducive to investment in services and non-services sectors. Facilitating bilateral trade in services by adopting sectoral disciplines and/or accompanying measures, like for example mutual recognition agreements, transparency and cooperation arrangements, and electronic commerce rules.

Will Indian companies have proper access to the EU market when EU countries have 27 different regulations?

- Indian investors and service suppliers would benefit from commitments that give them access to a large, open and integrated internal market. The central principles governing the internal market for services are set out in the EC Treaty: These are the freedom of establishment and the free movement of services. In addition to these fundamental principles, in several areas the EU has developed specific sectoral legislation.
- Efforts to further facilitate trade in services in the internal market are continued, for example through the so-called Services Directive which was adopted in 2006 and which will further cut red tape, modernise and simplify the legal and administrative framework and make Member State administrations co-operate more systematically.
