Europe India Chamber of Commerce

Newsletter

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Skill shortage, aging population and dwindling Pension Fund force EU to plan Blue Card

In an effort to meet the growing demand for professionals like doctors, engineers and IT experts, the 27-member bloc of the European Union is likely to introduce EU Blue Card (US Green Card style - a special residence and work permit) to attract highly qualified immigrant workers. If the visa plan which is still at the consultation level materializes, it will open new avenues for Indian professionals in European countries besides the United Kingdom; a popular destination for Indian job seekers. The scheme will also help the EU combat the problems associated with declining birth rates and an aging population. It is estimated that by 2050, one-third of the EU's population will be over 65 years of age and the working age population will decrease by 50 million, causing shortages in critical sectors. The areas worst affected by skills shortages are engineering, information technology, pharmaceuticals, healthcare, and education. The EU is expected to require 20 million skilled workers over the next two decades. Having sufficient people of working age is vital not only for the economy but also for tax revenue which is needed to fund the pension and health needs of the growing numbers of elderly people. Apart from making the procedure easier, the Blue Card will provide immigrant workers better conditions for family reunification and right to equal treatment with EU nationals on availing a host of social and economic rights. The proposal needs unanimous approval by all member states of the EU. Also, the member states will need to harmonize their national laws during a two-year period. Blue Card scheme is not likely to be introduced before 2011.

EICC is likely to participate in the EBTC tender

EICC plans to take part in the establishment of a European Business and Technology Centre. If accepted, the Tender called by the European Commission Office in New Delhi would bring into the consortium; the EICC and TNO, a leading technology/business consultancy group in The Netherlands which has vast knowledge of India covering the scope of the Tender. The EICC may also be able to invite UK Government body *Business Link* to participate in this project. The TNO has agreed to provide a minimum of 20 per cent of the cost as required by the Tender rules. The EICC believes that the three will make an excellent team with vast experience to work together. *Business Link* being a UK govt funded body manages a budget of many millions of EU funded projects as does the TNO. The overall objective of the establishment of a European Business and Technology Centre is to improve links between European and Indian businesses with a view to promote the EU interests in India and tap the opportunities the Indian economy offers. The new EU-India science and technology cooperation was envisaged for strengthening cooperation for combating climate change and ensuring energy security.

European Parliament welcomes tougher EU's approach to export barriers

The European Parliament has recently in its Session in Strasbourg adopted the reinforced market access strategy launched by the European Commission in 2007. The Parliament adopted a report by the European Parliament's International Trade Committee, which endorsed the Commission's new approach, and called on the Commission to continue to reinforce efforts to tackle trade barriers in Europe's markets. The newly-proposed Market Access Partnership will aim to benefit the interests of both larger and smaller EU businesses and Member States. It is estimated that EU rules on mutual recognition apply to 75% of the internal market and trade worth €1500 billion. This "mutual recognition" principle means that EU members may not refuse entry of goods from another member if they are already legally sold there.

Tata goes global with "Jaguar" speed!!

Last week Mr. Ratan Tata celebrated his Holi with style, imagination and determination. After months of negotiations with Ford Motor Company (FMC), India's largest auto maker the Tata Motors on 26 March signed an agreement to buy out the luxury marquees Jaguar and Land Rover. The US automaker Ford sold its luxury brands to Tata Motors for more than $2.3 billion. The acquisition will help Tata gain a substantial foothold outside India and help it enter global car garage chain with its product and services. Through this acquisition Tata is also looking to learn from them to help launch its own global expansion ambition in autos, using the brands' own management team and a full roster of employees. Eventually Tata may bring the above brands to India. An acquisition particularly a brand acquisition is always less expensive than creating a global brand from scratch, and this a common approach for Indian companies. The deal has taken almost 9 months to fructify as both the parties were engaged in talks pertaining to engines and parts supply from Ford, pension liability of Unite workers and retrenchment among other issues. The deal will see Ford pay about 300 million pounds ($600 million) into Jaguar and Land Rovers' pension funds. Ford is selling both the brands at less than half its purchase cost, which was $5.2 billion. While the brands would give the Tata Motors access to technology, there is an immediate need to work and innovate on it and not rely on Ford for continued support.

The deal was inked amid attempts by Jaguar dealers in the US, to rebuff Tata's attempts to buy and invest in their companies on the basis of Tata's "Indianness" and on the plea that an Indian buyer would adversely impact the value of the brand as the world's cheapest car, *Nano*, made by Tata Motors came at one-twentieth of the cost for the least expensive Jaguar model. This shows the ignorance of many brand product makers about the capacity of Indian companies to maintain brand. Racism aside, invisible trade barriers like this created by the "country of origin" problem have hampered global ambitions of several Indian companies in the past. Some of the major overseas acquisitions by Tata Group in Europe include Tata Tea's acquisition of UK's Tetley for $432 million to become the world's No. 2 packaged tea company (Feb 2004), Tata Steel acquired Anglo-Dutch steelmaker Corus Group for $13 billion, India's biggest overseas takeover yet - March 2007.

Indian MNCs acquire two European Companies

During last few years, India Inc. has been displaying its appetite for overseas acquisitions. In the first three months of the new calendar year India Inc. has announced 92 merger and acquisition deals, valued at nearly $6 billion, March saw two important acquisitions by Indian companies in Europe; one in the Information technology sector and another in the Shipping. In a breakthrough European deal and for a strategic partnership with T-Systems; Deutsche Telekom's IT outsourcing services division, the ***Cognizant Technology Solutions***, (US-based but for all practical purposes an Indian company), struck a major entry into a huge, largely untapped European information technology market. No revenue size has been disclosed for the deal, which some industry observers estimate at $700 million over five years. India's ***Siva Ventures Limited (SVL)***, the flagship company of the USD 2 Billion Sterling Infotech Group announced the acquisition of the Norwegian shipping firm J.B. Ugland Shipping AS (JBUS) from J.B. Ugland Holding for a total consideration of approximately US$ 300 million. This acquisition will propel the Sterling Group's business plans within the shipping and logistics industry. The bulk shipping tonnage demand from India is likely to see explosive growth on the back of increased raw material demand for the new power and oil refining projects coming up in India, a large number of which are based on imported raw materials. This transaction brings two of the most critical success factors for exploiting this opportunity - the Sterling Group's presence and relationships with the businesses in India and the reputation of the JB Ugland name in the global shipping industry combined with the management's acclaimed skills in the sector.

India-EU Free Trade Negotiations lose pace

It looks that India and the European Union (EU) will have to give the December deadline for their free trade agreement a miss if differences persist over the negative list and non-tariff barriers to trade. India and the EU have been trying to resolve nagging differences over tariff and services which have considerably slowed down negotiations and as such the possibility of concluding a Free Trade Agreement (FTA) between them this year seems weak as sharp differences have arisen over various issues, including Intellectual Property Rights (IPR), competition, government procurement, opening of the service sector, transparency, agriculture, and market access. Although both sides have completed several rounds of negotiations and have covered many areas, officials of the 27-member EU feel that signing an FTA by the end of 2008 will be near impossible. The European Commission has sought to address issues such as competition policy, open government purchasing practices, the rights of foreign investors, and environmental, social and human rights clauses.

The EU seems to have drawn up an initial negative list of 416 tradeable items on which it does not intend to provide duty cuts as part of the proposed free trade agreement (FTA) with India. The items on the list are mainly goods from sectors like chemicals and plastics, rubber, textiles and related items, raw hides, precious stones and metals, computers and electrical machinery, and some classes of vehicles. Significantly, 226 items on the list come under the category of chemicals, pharmaceuticals, and plastics and allied products. The EU is India's largest trading partner, with overall trade estimated at $68 billion during 2007-08. According to FICCI, India's share in EU's imports is only 1.8 per cent, while its exports account for 21 per cent of the entire merchandise export basket and it has projected that merchandise trade between India and the EU will reach $251 billion by 2015. It is learnt that the commerce ministry has already started the process of consultation with the domestic industry to identify the items on which India would demand tariff concessions. Indian Commerce Minister had recently said that India intended to offer 90 per cent of its tariff lines (products) for duty free imports from the EU. In return, India expects the EU to eliminate duties on 95 per cent tariff lines. According to an India-EU High-Level Trade Group report, tariff is to be reduced on 90 per cent tariff lines by both the sides, with an option to increase the share further. India has been negotiating FTAs with several countries; few of these have actually been completed with. Of the 21 FTAs that are being currently negotiated, only four – Singapore, Sri Lanka, Bhutan and Nepal - have been formally agreed upon. Of all the current FTA negotiations, the FTA with EU is proving to be most tricky and complicated. Turkey has also offered to have a free trade agreement (FTA) with India. The bilateral trade between the two countries has surpassed the target limit of $ one billion in 2004 and reached $ 2.6 billion in 2007.

Money tsunami destined to hit India this year

There are many things happening in positive note in India and amongst all those, the one trillion dollar economy seems to be doing pretty well, and is squarely in the investors' radar screen. The overseas investment in India is also likely to double in 2008 for a second time straight year to reach $30 billion as the world's second fastest growing economy arrives at what Lehman Brothers calls it "take off" point from where the consumer demand and business spending start feeding off one another. Added to this, India's foreign exchange reserves have crossed the US$300-billion mark for the first time, taking just 11 months to swell by US$100 billion to the new level. India is now faced with the same decisions that many other forex reserve hogs have been forced to reckon with, namely how to allocate its reserves. With the explosion of purchasing power, India's economy is poised to continue to expand between 8.5-9 percent. PriceWaterhouseCoopers reports that in what could be a tectonic shift in the global economic centre of gravity, the size of India's economy would grow to 90 per cent of the US by 2050, with China becoming even bigger than the world's current largest economy. It says that the global centre of economic gravity is already shifting to China, India and other large emerging economies and our analysis suggests that this process has a lot further to run. Our latest projections suggest that China could overtake the US in around 2025 to become the world's largest economy and will continue to grow to around 130 per cent of the size of the US by 2050.

Chicken tikka masala may soon become a distant dream in UK

The *Chicken-tikka-masala*, adjudged Britain's national dish (British claim to have invented it), may soon be out of reach for many Britons due to skill shortage and UK's immigration rules. There is not a British town or village that does not have an Indian restaurant, but thousands of such eateries are struggling to staff kitchens because young British Asians are not interested in the job and UK's immigration rules makes hiring chefs from South Asia difficult. There are suggestions that Indian restaurants should recruit from the large number of East Europeans who migrated to Britain following their accession to the European Union and who do not need work permits, but Indian restaurant owners believe that cooking Indian dishes is a cultural thing which cannot be carried out by people of East European origin. *The Immigration Advisory Service recently made representations to the Home Office to relax rules for chefs from the Indian sub-continent. In 2005, the government ended a short-term visa scheme for people working in Indian restaurants and this is having a major negative impact on Indian food business.*

The Indian food industry in the UK is currently valued at £3.2 billion and forms almost three quarters of the fraction of all the dining out in the country. Owned by any nationality anywhere in the world, the name ***"Indian Restaurants"*** have become a brand name *par excellence*. The relationship with Indian food that began with the hunt for spices of 16th century European merchants setting up trade connections with India has at this time culminated in the piquant chicken-tikka-masala becoming one of the most popular 'national' dishes of UK. No wonder, in Britain Indian cuisine reigns and there being as many as 10,000

Indian restaurants in business, and some of these have lately been recognized by the Michelin Guide, which is an inventory of outstanding European restaurants.

An Indian revolution on the cheap; shakes Geneva

Venue: **Geneva** Occasion: **78th Geneva Auto Show.** More than 5000 journalists, 75000 visitors and 300 odd exhibitors have descended to 114,000 sq. meters Exhibition Ground Palexpo. As usual for Geneva Motor Show, there are plenty of glazing cars - luxury, super luxury, hybrid, new concept cars - on display with charming professionals Models with sparkly jewelry and fashion designed boutique each luring visitors to their stand to justify their status as "product representative" of some 80 world and European vehicle premieres. But strange things are happening – the visitors are more interested to get a glimpse of the world's least expensive car with a sticker of Euro 2000 that was unveiled in the Auto Show on 4 March. The manufacturer of this car is not a Japanese company, nor a German, French or Korean. Yes, it is Tata Motors, (the Indian conglomerate who created history last month by acquiring luxury auto brands – Jaguar and Land Rover – from Ford Motor for 2.3 billion dollars, and the car is called ***Tata Nano***, first unveiled on 11 January 2008 in New Delhi Car Show by Ratan Tata, the Henry Ford of India.

Tata Motors' small-car-making paradigm goes beyond product development as the company is developing totally a new business model in 'Automobile Innovation'. What does Nano hold for India and the world? According to the ***Times of India*****,** Nano could trigger a paradigm shift in case of technology and it is sure to rev up the automobile industry and create a new market that is estimated to have over a billion customers. "This market, spread over Asia and Africa, wants to drive a car that is affordable and low on running costs. At a price of Euros 2,000 and a mileage of 22 km to a litre, Nano satisfies both requirements". In a presentation titled 'The dozen most important cars of all time starting from 1908 to the present', ***Time*** magazine lists the Tata Nano along with legendary cars like the Ford Model T, the Volkswagen Beetle, Chevy Belair, Toyota Corolla, the Mini and the Honda Civic. Listing the 12 cars in chronological order, the *Time* magazine presentation says only these 'few automobiles have been able to fundamentally change the way we live and dream'. Nano will meet the aspirations of those who can not afford high end automobiles. Nano definitely identifies that fortune lies at the bottom of the pyramid.

Nano's debut in European market is likely to infuse competition and innovation in Europe to bring in new product into the market which might lead to an industrial revolution. History has it that automobiles have been the top cause of industrial revolution. In India, automakers are spending 5 billion Euros to increase capacity as economic growth and rising incomes make cars affordable to more people. Vehicle sales are likely to triple by 2015 in the country, where only seven in 1,000 people now own an automobile.

However, the West's mega Nano hypocrisy has already started. "India's vehicles spewed 219 million tonnes of carbon dioxide into the atmosphere in 2005," fretted The Guardian in London. "Experts say that figure will jump almost sevenfold to 1,470 million tonnes by 2035 if car travel remains unchecked." And the Washington Post wrote: "If millions of Indians and Chinese get to have their own cars, the planet is doomed. Suddenly, the cute little Nano starts to look a lot less winning." But practically every family in the US and UK already has its own car (or two). At the moment there are only eleven private cars for every 1000 Indians. There are 477 cars for every 1000 Americans. By mid-century, there will have to be the same number of cars per 1000 people for both Indians and Americans - and that number will have to be a lot lower than 477. Journalist ***Gwynne Dyer*** commenting on Europe's 'tirade' wrote, "Don't they realize how ugly it sounds? Don't they understand that everybody on the planet has an equal right to own a car, if they can afford it"?. Otherwise, everybody loses. The study by the European Federation for Transport and Environment showed that three-quarters of the 20 major car brands sold in Europe have failed to improve fuel efficiency at the rate needed to meet a key EU climate target. Nano meets the demanding "Euro IV" mission standards. Indeed, when the history of revolution in the automobile technology will be re-written, ***Nano*** will be mentioned in **CAPITAL LETTERS**.
