Europe India Chamber of Commerce

Newsletter

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EICC opens its satellite office in The Netherlands

Europe India Chamber of Commerce, the Apex Chamber of Europe, announced the opening of its office in The Netherlands with the appointment of Mr. Vikas Chaturvedi as its Resident Director. Mr. Chaturvedi, a qualified Chartered Accountant working with the PwC will be responsible for EICC activities in Holland. He will work closely with bilateral chambers and other trade and business organizations in the country. The office of the EICC will be based in Amsterdam. With Amsterdam wooing Indian firms to set up base there, the EICC presence in The Netherlands would be strategically important for the organization's growth mission to help expanding trade and investment between EU and India. Amsterdam is inviting Indian companies in sectors like chemicals, life-sciences, health, agro industries to establish their presence there. Investor friendly Holland offers an attractive tax climate for foreign firms and professionals. The corporate tax rate in Holland is lower than the European average, and the tax treaty between India and the Netherlands which safeguards against a double levy, adds attraction to many European and Indian companies to set up their operation in the country as a gateway to Europe. Expats benefit from an exemption rule; 30 per cent of their Dutch income is effectively tax-free. Moreover, they and their families can also take advantage of the new fast-track application procedure for residence permits. With over 1,900 international companies already in the Amsterdam Area, these firms form an extensive network of service providers who are focused on Europe, and EICC looks forward to assist these companies in promoting business. TCS, India's biggest IT firm which has been among the flag-bearers of the Indian IT industry, has headquartered its European operations in Amsterdam. The Resident Director can be reached on: vikas.chaturvedi@nl.pwc.com

Who's Who of Indian business world to attend Global India Business meeting in Naples

The Global India Business meeting in Naples on 26-27 June 2011 will see who's who of Indian business world sharing their vision and input into the Theme "Globalising Indian Firms". The Naples event is being organised by Horasis, a global visions community which is committed to enact visions for a sustainable future and which provides a unique platform for companies from emerging and developed markets to globalize their organizations. The meeting is co-hosted by the Government of Italy, the Region of Campania / City of Naples/Naples Chamber of Commerce and the Federation of Indian Chambers of Commerce and Industry (FICCI). Europe's Apex Chamber, the Europe India Chamber of Commerce (EICC) is a co-organizer of the meeting. The Indian Minister of Urban Development Kamal Nath and the Italian Minister of Economic Development Paolo Romani have confirmed their presence in addition to India's Trade and Commerce Minister Mr. Anand Sharma. The third Horasis Meeting on India - earlier editions were held in Munich (2009) and Madrid (2010), with Commerce Minister Mr. Anand Sharma attending - comes at a crucial time for India. Participants will discuss collaborative approaches to addressing sustainable growth and the challenges India faces in the current global environment. The Global India Business Meeting provides a unique platform for discussion as India increasingly plays a pivotal role in reviving the global economy. In addition to important stakeholders of the EICC attending the meeting, Board Members Mr. Sanjay Dalmia, Mr. Ravi Mehrotra and Dr. Mohan Kaul have been invited as speakers.

India among world's top 10 manufacturers, says UNIDO

India has emerged as one of the top ten manufacturers of the world, primarily helped by strong economic growth, according to a UN agency. The United Nations Industrial Development Organisation (UNIDO) has said that India has been listed as one of the top 10 manufacturers of the world in 2010. India along with other leading developing economies such as Brazil and China showed strong performance in economic growth in 2010 and the manufacturing value added (MVA) of all these countries grew by over 10 percent last year (at constant USD of 2,000), the agency said. As per UNIDO's just released International Yearbook of Industrial Statistics 2011, the three nations' share in world manufacturing output has reached 32 percent compared to 20 percent 10 years ago. UNIDO said that world manufacturing is showing first

signs of recovery from the recent financial crisis. "India tops developing countries (China excluded) in production of textiles, chemical products, basic metals, general machinery and equipment, and electrical machinery," the statement said. The report noted that India has overtaken Brazil in the production of motor vehicles and now ranks second among developing countries after Mexico. On the other hand, Asian competitors -- Thailand, Malaysia and the Philippines -- are ahead in the production of electronic goods such as computers and office equipment. "The MVA of industrialised countries grew by 3.4 percent in 2010. However, developing economies were the major force of world industrial growth. In 2010, MVA of developing countries grew by 9.4 percent," it added.

India sets export target of $450 billion by 2013-14

India is aiming at doubling India's exports to $450 billion by the 2013-14 fiscal from an estimated $225 billion in the current year. In order to achieve this target exports from the country will have to grow at a compounded average annual rate of 26 per cent per annum, commerce and industry minister Mr. Anand Sharma said while releasing a strategy paper on exports on 23rd February in New Delhi. Releasing the paper, the minister told presspersons that, "A major reason for this initiative is the widening of the trade deficit. We hope to close the gap (by increasing exports and simultaneously reducing imports) and narrow the trade deficit to around -9 per cent of GDP (which, according to the paper, is around the same as at present and may be regarded as just about manageable)." The report also seeks to rein in import growth through domestic policy changes aimed at reducing import dependence by increasing domestic output. The stakeholders have been requested to respond to the 'strategy paper', after which the feasible inputs could form part of the next supplement to the Foreign Trade Policy

The four-pronged strategy to boost exports include focus on sectors such as engineering, pharmaceuticals, leather, textiles, gems and jewellery, agriculture, plantation crops, marine products, iron-ore and high-value/ value-added products from these sectors; retaining market share in developed countries; diversifying into new markets in Asia, Africa, Latin America; investing more in new technologies and research and development, especially in pharmaceuticals, electronics, automobiles, computers and high-end areas; and building Brand India's image in the overseas markets by raising domestic standards, promotional campaigns and quality enforcement. The Government is also planning complementary measures to control growth in the import of products such as petroleum, coal, engineering, pharmaceuticals, electronics, fertilisers and agriculture. To reduce the reliance on petroleum imports, the Government plans to rationalise pricing to promote efficiency in use and conservation to temper the growth in demand for petroleum products. To curtail dependence on pharmaceutical imports, the Government is considering resuscitation and resurgence of domestic production of Active Pharmaceutical Ingredients (API) to, in turn, ensure greater quality assurance of India's generics and formulation exports. To bring down the imports of farm products, including pulses and edible oils, the Government is mulling over an aggressive policy reform package to increase yields and domestic production. On cutting fertiliser imports, the Government plans to rationalise pricing and production policy to encourage efficiency in use, consumption and local production. The Government is also considering measures to increase local production of electronic machinery and other goods as well as reforming policy to provide adequate domestic supplies of coal. The suggested essential support measures to realise the ambitious export target for 2013-14 include: continuation of existing incentive schemes to maintain a stable policy environment; reducing transaction costs, substantially stepping up the overall Plan support; prioritising strengthening of trade related infrastructure; and putting in place conducive trading arrangements to ensure preferential access to new markets abroad.

Tourism promotion campaign launched in Berlin

In a bid to attract holiday makers from abroad, India launched a major tourism promotion campaign at the ITB Berlin, the world's largest travel trade show. About 80 Indian travel agents, tour operators and hoteliers along with half-a-dozen state governments, the national carrier Air India, the Indian Railways and the Ministry of Tourism participated in the show which opened to showcase the country as one of the most promising holiday destinations in the coming years. Under the banner of the highly successful "incredible India" campaign, the Indian stakeholders and presented the latest tourism products from across the country to a global gathering of travel trade professionals and top decision- makers in tourism business. The main focus this time, four years after India's presentation as the "partner country" at the

ITB, was to develop niche markets for wellness, adventure, golf, medical, rural and eco-tourism, according to the country's travel trade representatives attending the ITB.

Foreign tourist arrivals in India have grown at a robust 10.4 per cent in 2010 and are projected to touch the 5.5 million mark. Despite the lackluster show during the Commonwealth Games, the Indian travel trade put up a good performance during 2010. However it is interesting to know that as in the past, this year too outbound tourists outnumbered foreign arrivals. Over 12.5 million Indians have travelled out in 2010. The annual growth in outbound is nearly 25 per cent, according to industry sources. What's more, projections for 2011 are that 15 million Indians will travel overseas. The oft-quoted Nielsen India Outbound Travel Monitor says an Indian on an average spends nearly $1,789 (Rs 80,000) on a leisure trip. Indians, apparently, have a predilection to splurge on global branded products overseas. Going by the figures put out by the Singapore Tourist Board, which said that Indian visitors spent a whopping $575 million (Rs 2,586.34 crore) in the first nine months of 2010, the Nielsen estimate seems on the ball. Singapore gets around Seven hundred thousand Indian visitors every year – this year it is expecting to cross the eight hundred thousand. Britain gets at least 30 million visitors every year, China claims to have crossed 90 million visitors and even the tiny Thailand got 14 million tourists. In contrast, India's 5.5 million looks rather small. With a lot of international hotel brands entering India and the options widening, the good news for tourists is that further rate corrections could happen across hotel categories. The outlook for Indian tourism industry looks very positive for further growth in the coming years.

India to be world's largest economy by 2050: Citi report

Through sustained growth India is expected to overhaul both the United States and China to become the world's largest economy by 2050, says a Citi report. "China should overtake the US to become the largest economy in the world by 2020, then be overtaken by India by 2050," financial services group Citi said in the report. Citi's estimates are based on purchasing power parity (PPP) instead of the prevailing exchange rate conversion. The PPP is an economic growth indicator that takes into account the purchasing power of each country's currency. Indian economy is expected to be nearly $85.97 trillion on PPP basis by 2050, up from $3.92 trillion in 2010, Citi said. The report says that India would surpass the US – currently the world's largest economy – to become the second largest by 2040. "We expect India to overtake Japan to become the third largest economy in the world by 2015," it noted. In terms of PPP, Indian economy – valued at $3.78 trillion – was at the fourth place in 2009, behind the US, China and Japan, according to the World Bank. Citi also points out that North America and Western Europe's share of world's real GDP (in terms of US dollars calculated on PPP basis) is expected to fall from 41 per cent in 2010 to just 18 per cent in 2050. In the same period, Asia's share is predicted to rise from 27 to 49 per cent by 2050. The Citi report emphasises that India would need to effect a number of major changes within a relative short time in order to meet future challenges. It needs to improve its infrastructure, and also relax its "hostile attitude towards FDI", if it is to reap the benefits of rapid cross-border technology transfer that China has benefited from so greatly. "...a further round of serious deregulation of the domestic economy and further trade liberalisation are required," it noted. The report said India's population of working age is expected to grow by 40.7 per cent between 2010 and 2050. India has successfully raised its aggregate savings rate to levels that would allow sustained high levels of domestic capital formation (the domestic saving rate averaged 34.4 per cent over 2006-2009 and the gross domestic investment rate 32.4 per cent), the report added.

New India-Europe undersea cable system rolls out

A consortium of 16 leading global telecom companies which include Tata telecommunication, Bharti Telecom announced in March the launching of Europe India Gateway (EIG) cable system that will enhance bandwidth between Europe and India. The 15,000-km cable has received investment of around $700 million and has a capacity of 3.84 terabits per second. EIG stretches from Mumbai to London, with landings en route in the UAE, Oman, Saudi Arabia, Djibouti, Egypt, Libya, Monaco & Marseilles, Gibraltar and Portugal. Apart from the segment of EIG in Egypt, the remaining cable is now available for commercial use. With the launch of EIG, Bharti Airtel added a third cable to its existing infrastructure on India-Middle East-Europe route. The deployment of EIG will also boost the connectivity requirements of the African continent by complementing the largest existing submarine cable in Africa, the EASSy cable, in which Airtel has investments. Both EIG and IMEWE land in our landing station in Mumbai. The extra

capacity and reliability provided by EIG will help us meet the surging bandwidth requirements witnessed by the Middle East and Africa." When fully activated with the Egypt link, the EIG will be the first direct high-bandwidth optical fibre system from the UK to India. Bharat Sanchar Nigam Ltd is also part of the consortium.

Royal Haskoning chooses TCS to support its international growth

Tata Consultancy Services (TCS), the leading IT services, consulting and business solutions firm announced that it will enable Royal Haskoning of the Netherlands in its plans for rapid growth across markets by providing a flexible and controlled support environment. Toward this objective, the companies have signed a multi-year, multi-million IT infrastructure deal, which will form the base for Royal Haskoning's future operating model. The scope of the project covers end-to-end IT infrastructure services, which will be provided from TCS' global delivery centers in the Netherlands, Hungary and India. The services include a multi-lingual service desk, datacenter hosting and management, end-user computing services, application support services and transformation solutions. The services will be delivered using TCS' proprietary "White Box" engagement model - the industry's most transparent framework to design, build and run IT infrastructures. This engagement will help Royal Haskoning optimize their existing assets and allow them to focus on their business performance and international growth plans in Europe and emerging markets. "Royal Haskoning, a Dutch technical consultancy firm focusing on the broad field of the interaction between people and their environment, is planning to grow, not only in our existing home countries, but also across emerging markets. We face interesting new challenges and consistent experience of service delivery is essential for us to be successful. In Tata Consultancy Services, we have found a full service partner offering us round-the-clock service, broad expertise and experience, and strong technology alliances. Their delivery model will give our company the necessary support," said Eric Overvoorde, Chief Information Officer, Royal Haskoning. This deal further strengthens TCS' position as a full services player in the Dutch market, where the firm operates a global delivery center (Eindhoven) and has over 1000 experts catering to leading companies such as KLM, ABN AMRO, Rabobank and the ING Group. It also marks another step forward in the trend of leading companies looking at growth in emerging markets and consequently looking for innovative ways of setting-up their operating model to support this expansion. "The partnership with Royal Haskoning is another example of how our full services play executed in our Global Network Delivery Model (GNDM) and supporting multiple languages, delivers real business value to our customers looking for growth," said Shankar Narayanan, Director & Head, Benelux, Mr. Abhinav Kumar and Mr. Hemakiran Gupta, TCS executives in Europe serve the Advisory Board of the EICC, the Apex Chamber of Commerce of Europe.

KBC cancels 1.35 billion Euro bank sale to Hinduja due to regulatory hurdles

Indian conglomerate Hinduja Group's planned 1.35 billion euro ($1.9-billion) acquisition of Luxembourg-based KBL European Private Bankers (KBL epb) has fallen due to regulatory hurdles. Belgian bancassurer KBC Group NV cancelled the proposed 1.35 billion euro ($1.9 billion) sale of its private banking arm to Indian group Hinduja after failing to win regulatory approval for the deal. The collapse of the deal sets back KBC's plan to free up capital to pay back state aid and means any eventual sale could be done at a lower price. "There is no denying this is a disappointment to us," the KBC statement said. The proposed deal, estimated to be worth $1.9 billion, was announced in May 2010. The sale to Indian family-owned investment firm Hinduja Group, which would have been the largest of KBC's divestments to date, was originally due for completion in the third quarter of 2010. The Hinduja Group had submitted the deal approval to CSSF and the regulators in the nine other European countries where KBL epb operates. The sale of KBL European Private Bankers (KBL epb), part of a restructuring required by the European Commission had not gained clearance from Luxembourg financial markets regulator CSSF, KBC said. It gave no specific reason for the deal being rejected. A source close to the matter said: "We think the process will start again soon, KBC won't want to wait around. The business has improved (since the deal was agreed with the Hindujas) and we think that previous and new bidders may take another look." Hinduja Luxembourg Holdings (HLH) regretted that the deal did not go through but remained hopeful of overcoming the regulatory hurdles.

Trade irritants hindering full potential of EU-India trade and economic relations

The European Commission in March published its first Trade and Investment Barriers report which singles out important barriers in the markets of six strategic economic partners and proposes specific

actions to remove the barriers. Dismantling these barriers would improve and open up new export and investment opportunities for European companies and people. This Trade and Investment Barriers Report is the first such annual report presented to the European Council. It follows a mandate from the EU 2020 strategy and has been announced in the Commission's recent trade policy Communication "Trade, Growth and World Affairs" as part of a more assertive approach to tackle trade barriers. The report calls for removing trade barriers to become a cornerstone of the EU's relations with its trading partners. The report suggests concrete action such as the launch of an initiative to open government procurement markets, possible dispute settlement action, making the best use of high level fora such as the Transatlantic Economic Council or the EU-China High Level Economic Dialogue but also raising the barriers at the highest political level in bilateral Summits with the countries concerned. The report highlights market access barriers in six of the EU's strategic economic partners: China, India, Russia, Japan, Mercosur (Brazil/Argentina) and the United States. These countries together cover 45% of the EU's trade in goods and commercial services and 41% of the EU's foreign direct investment. The 21 barriers listed cover a broad range of barriers such as China's indigenous innovation policy, India's plans to establish burdensome licensing requirements in the telecommunications sector, "Buy American" policies in the US or Russia's new investment rules. The report also lists export restrictions on raw materials which harm European companies who incorporate raw materials into their products.

“India’s trade regime and regulatory environment still remain comparatively restrictive. In addition to high tariff barriers, India also imposes a number of non-tariff barriers in the form of quantilative restrictions, import licensing, burdensome mandatory testing (such as for tyres for example) and certification of a large number of products as well as complicated and lengthy customs procedures, says the Report. The report states that in just four years, EU-India trade has increased by 31% to over 53 billion euro in 2009 and EU investment to India has more than quadrupled since 2003 to 3.1 billion euro in 2009. "With regard to intellectual property, some improvement in the IPR enforcement infrastructure has been reported, however there are still significant concerns about India's response to counterfeiting and piracy." "Furthermore, in the area of procurement, the Indian legislative framework remains incomplete. Major reforms are needed to ensure compliance with international standards and a predictable environment for bidders." The report argues that the current trade performance between the EU and India falls therefore far short of its potential. The comprehensive and ambitious free trade agreement with India currently under negotiation could constitute one of the most significant deals concluded by the EU. A trade deal of this magnitude would generate sizeable benefits to both economies which conservative estimates put in the range of 9 - 19 billion euro, underlines the EU report. The report lists four main barriers saying they "are significant trade irritants with India which need to be resolved:" 1) Burdensome licensing requirements related to new security provisions have been proposed which would affect, if fully implemented, the access of European operators to the commercial procurement of telecommunications. The provisions stipulate prior security clearance and technology transfer requirements, as well as an obligation to substitute foreign engineers with Indian ones. Such requirements are unprecedented internationally, and would damage investment in India. 2) Another topical trade issue concerns India's recent measures restricting exports of cotton. From 2004 to 2009 the EU's imports of cotton have increased by 17%. Several cotton products are facing export restrictions in India. Although EU total imports of these cotton products have experienced a decline of 48% over the five year period, recent measures on these goods are important since 23% of EU imports of these types of cotton products came from India in 2009. 3) Furthermore, India's investment policy continues to hinder foreign investments. Many important economic sectors such as multi-brand retail remain closed to foreign investment and a series of measures has been adopted to control foreign capital flows and ensure maximum benefit for local companies through technology and know-how transfers. 4) Finally, Sanitary and Phytosanitary (SPS) import requirements going beyond international standards without scientific justification hinder various EU exports, mainly poultry, pig meat, vegetables, fruits and timber. (***Added input by EUAsia News***).

Equal treatment for foreign workers under new EU single permit

Non EU-workers are set to enjoy the same rights regarding working conditions as EU nationals, under the proposed 'single permit' law directive adopted by Parliament on 24 March 2011. The draft law seeks to simplify procedures for both migrants and their employers via a combined permit for residence and work. The "single permit" directive, as amended by Parliament, would cut red tape and simplify procedures for

immigrants applying to live and work in an EU Member State. National authorities of each country will still have the power to decide whether to admit non-EU workers and how many to admit. But now they will issue residence permits that include information on permission to work. To avoid confusion, they must issue no additional documents. The new rules will apply to non-EU nationals seeking to reside and work in a Member State or who already reside legally in an EU country. The rules will not apply to long-term residents and refugees, who are already covered by other EU rules and seasonal workers and employees of multinational firms coming to work in their company's EU offices, who will be covered by other new EU directives. In addition, the directive will not apply to migrant workers covered by the 'posted workers' directive. Non-EU workers will enjoy a set of rights comparable to those of EU citizens, such as pay, health and safety at work, working time, leave and access to social security. Member States may decide to limit access to social security, except for individuals who are currently in employment or have worked for at least six months and are already registered as unemployed. Member States may also decide to grant family benefits only to those who have been authorized to work for more than six months. Non-EU workers would be able to claim tax benefits. However, their families could only receive these if they lived in the Member State of employment. Non-EU workers would be able to receive their pensions when moving back to their home country under the same conditions and at the same rates as EU nationals. Member States may decide that only workers who are in employment should have access to public services and goods, such as public housing. The right to vocational training and education may be limited to non-EU workers who are in employment or who have been employed. Individuals living in the EU to study could thus be excluded, while workers who would like to get a qualification not directly linked to their jobs may be required to demonstrate language proficiency. The UK, Ireland and Denmark have opted out of this directive.

European Court of Justice rejects EU's Single-Patent regime plan

In a setback to the decade long effort by EU nations to push for a single patent regime, the European Union's highest court has observed that that the EU proposal to create a new system to litigate patents isn't compatible with EU law. The Luxembourg-based European Court of Justice said in an opinion that that court would impinge on its own prerogative to rule on EU law, and on the obligation of national judges in the 27 member states to administer it. The agreement "would alter the essential character of the powers conferred on the institutions of the European Union and on the member states which are indispensable to the preservation of the very nature of European Union law," the Court of Justice said. The European Commission had presented last December a proposal opening the way for "enhanced cooperation" to create unitary patent protection in the EU. Such unitary patent protection would allow those Member States that so desired to agree to establish a patent, valid in all participating countries that could be obtained with a single application. Obtaining a patent in Europe currently costs ten times more than one in the US because of national validation and translation costs. This situation discourages research, development and innovation, and undermines Europe's competitiveness. Commission proposals for a single EU patent have been under discussion for over a decade. The current European Patent system, particularly in terms of translation requirements, is very expensive and complex. The European Patent Office (EPO) – a body of the intergovernmental European Patent Organisation comprised of 38 countries (EU 27 + 11 other European countries) – examines patent applications and is responsible for granting a European Patent if the relevant conditions are met. But for the granted patent to be effective in a Member State, the inventor then has to request that it be validated at national level in every individual country where patent protection is sought. This process involves considerable additional translation and administrative costs. A European Patent validated in only 13 Member States can cost up to €18 000, of which nearly €10 000 arises from translation fees alone. This has created a situation in which the cost of a European Patent is ten times greater than a US patent, which costs on average €1850. Because of the costs involved, most inventors only patent their invention in a very limited number of Member States. The Court of Justice's opinion, however, means that they will need to find a new solution for litigation. Currently, the Munich-based European Patent Office acts as a sort of clearinghouse for the 27 EU countries and nine other European nations. Patent applications are filed centrally to the EPO, but applications still must be translated into national languages and validated by national offices. That drives up costs and red tape.