Europe India Chamber of Commerce

Newsletter

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EICC "Roundtable on Pharmaceutical Industry" on 22 September in Brussels

The EICC Roundtable on Pharmaceutical industry will be held in Brussels on 22 September 2008. This one day high level meeting, to be held in the European Parliament, will be the first of its kind being organized by any Chamber and will bring together major Drug manufacturers from India and Europe to discuss avenues for closer cooperation. The main objective of the Roundtable, in addition to exploring cooperation in research and development, is to address specific issues and factors that hinder market access opportunities of the pharma and pharma related products of Indian drug manufactures into Europe and vice-versa. The Roundtable will also provide the Drug manufacturers an opportunity to discuss implementation strategies on a range of compliance issues which still afflict the industry. Given the attention focused on rising potential for pharma sector investment in India, it is hoped that the Roundtable will provide pharma players in Europe and in India, an opportunity to break the "invisible wall" that divides them from aggressive business cooperation. The Roundtable also assumes importance in the wake of increase in the worldwide M&A activity in this sector including unprecedented overseas acquisitions by Indian Pharma companies particularly in Europe, and also in view of the fact that drugs worth more than Euro 45 billion in sales will go "off patent" next year. Indian companies are strongly positioned to grab new opportunities in the generic drug market as they have the benefit of low-cost manufacturing, world-class production skills and availability of quality manpower, and indeed European Drug manufacturers can definitely benefit by developing closer cooperation with Indian companies.

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India is on course to reach Free Trade Agreement with EFTA

A free trade agreement with European Free Trade Association (EFTA) is likely to be reached by early 2009. Founded in 1960, the EFTA countries include Iceland, Liechtenstein, Norway and Switzerland. The EICC has learnt that apart from trade in industrial and agricultural goods and services, implementation of intellectual property rights regime will be strongly advocated in the agreement. Based on the positive recommendations of the joint study report set up by India and EFTA countries, negotiation for a free trade agreement with EFTA countries was initiated. When signed, this agreement will be the first such deal for India outside the Asian region. It also comes in the middle of EU-India trade negotiation whose 27 member-states do not include these four countries. The present membership and structure of EFTA can only be understood in the light of the wider quest for European economic integration and the development of the global multilateral trading system. It should be noted that while the EFTA countries pursue a policy of concluding free trade agreements with individual countries, this does not detract them from giving priority to a well-functioning multilateral trade system under the auspices of WTO.

With the aim of promoting a comprehensive trade and investment agreement between EFTA States and India and exchanging views with Indian law makers on the merits of free trade and the current state of play in world trade, an EFTA Parliamentary Committee delegation recently visited India. In April too, Switzerland's Minister of Economy, accompanied by representatives of 25 Swiss firms, led a business delegation to India for better engagement in areas such as information technology. Trade volume between the two countries totaled SFr3.3 billion ($3.2 billion) in 2007 and at present there are around 150 Swiss companies in India employing 41,000 people.

EU and India see some progress in FTA negotiation, but a lot more remains to be done

Both European Union and Indian negotiators are hopeful of making progress on the current FTA negotiations. New Delhi has given its negotiators an ambitious year-end target to strike a free trade deal with the 27-nation European Union but has been frustrated by what it says are European technical barriers to trade. The EU-India FTA negotiation is being keenly watched by governments around the world because it is a potentially significant bilateral deal that is running in parallel with the Doha Round.

Trade analysts hold that New Delhi launched the separate talks with the EU last summer because it was frustrated by the reluctance of US and the EU at the Doha talks to make further substantial cuts in the billions of dollars of government subsidies that they dole out to their agriculture sector, from ordinary farmers to wealthy exporters.

Trade between the EU and India has witnessed a sharp increase from 47 billion Euros ($73 billion) in 2006 to 55.6 billion Euros ($86 billion) in 2007. Exports from the 27-member bloc to India grew by 21 percent last year to reach 29.4 billion Euros as compared to 24.4 billion Euros in 2006. An FTA agreement could open door to address the European tariffs in areas of interest to India: in automobiles, pharmaceuticals and textiles. In the past, New Delhi has complained about an EU law, known as Reach, acronym for Registration, Evaluation and Authorization of Chemicals that it considers a technical barrier to Indian chemical exports. However, in a move that may help negotiators to move ahead with the proposed FTA negotiation, it is learnt that the Indian government has sent some ‘significant’ proposals to the EU to help give the ‘stalled’ negotiations some useful momentum. The EU’s reluctance to make safety and health measures of farm products more amenable to Indian exports and avoiding discussions on a mutual recognition pact on laboratory testing standards seems as major hurdles in the talks. India has called for lifting of the EU’s Rapid Alert System for Food and Feed (RASFF) and a similar system called RAPEX for non-food consumer products. In India’s view, such measures by EU are acting as non-tariff barriers (NTB) and are meant to protect EU’s domestic industry - India also sees this as a non-transparent and protectionist measure, rather than a genuine safety concern. India has pitched for a joint appeal system, whereby affected exporters can file an appeal against a laboratory report given by either EU or India, on the basis of which the consignments are rejected. It has demanded incorporate the two new proposals in the final draft of the FTA.

European investment into Indian firms surged more than fourfold in 2007

The flow of European investment into Indian firms surged more than fourfold in 2007, thus surpassing its investments into Chinese companies. According to Eurostat, the Foreign Direct Investment from the 27-nation European Union into India jumped to 10.9 billion euros during 2007, up from 2.5 billion in 2006, The flow of EU foreign direct investment into China -- excluding Hong Kong -- slumped last year to 1.8 billion euros from 6.0 billion euros in 2006 despite intense media interest in the country as an emerging Asian economic power. The drop meant that China was the least popular destination for EU FDI last year among the four major emerging economies, with oil-rich Russia taking in 17.1 billion euros in European investment and Brazil 7.1 billion euros. Eurostat estimate revealed that the United States remained by far the biggest destination for EU investors' cash, taking in 112.6 billion euros, up from 79.0 billion euros. Overall, EU FDI into the rest of the world rose 53 percent last year to 419.9 billion euros, up from 275.0 billion euros in 2006. Meanwhile, non-European investors ratcheted up investments in the EU by 89 percent last year to 319.2 billion euros from the 168.9 billion euros recorded in 2006. Britain took in the lion's share of FDI into Europe last year, with 87.0 billion euros or 27 percent of the total. Despite its diminutive size, financial services hub Luxembourg was the second biggest recipient of FDI in Europe last year with 50.2 billion euros or 16 percent of the total. The Grand Duchy was followed by France which attracted 23.4 billion euros of FDI last year or seven percent of the total.

India’s relations with Europe have expanded over the years, particularly after the Strategic Partnership Agreement, to cover many areas of mutual interest, including trade, investment and development cooperation. The relations have diversified from a purely trade and economic driven relationship to one covering a wider cross-section of interaction. The EU is an important trade, technology and investment partner for India with bilateral trade crossing 55.6 billion Euros in 2007 accounting for one-fifth of New Delhi's total external trade. European investment in India has mostly been in the power, telecommunications and transport sectors. Meanwhile, FDI into India has surged to over $25 billion in 2007-08 and the country's Foreign Exchange Reserve crossed $341 billion.

EU-India aviation pact likely to “take off” by September

A horizontal aviation agreement between India and the European Union is likely to be signed in September at the EU-India summit to be held at Marseilles in France. The EU has already signed such horizontal agreements with China and the US. At present, there are 26 bilateral air services agreements between the EU members and India. The open skies policy would envisage that the carriers from EU member states would be allowed to operate flights to India from any of the 27 EU nations regardless of the carrier's country of origin. This pact will definitely help improving air connectivity between India and EU nations, besides increasing competition, beneficial for travelers. It is learnt that the arrangement would be allowed only on reciprocal basis, with designated Indian carriers being permitted similar unlimited access to EU member nations. It is learnt that India is keen on having an 'Open Sky' policy with the United Kingdom to keep pace with the burgeoning air travel between the two countries. India is expected to spend an estimated USD 110 billion for acquisition of new aircraft and upgrading of facilities. The historic EU-US Air Transport Agreement which took effect on 30 March 2008 allows airlines to fly without any restrictions between any point in Europe to any point in the US.

New code of conduct requiring more transparency comes into force for lobbyists in Brussels

In an effort to stamp out unethical lobbying and reduce the influence on the lawmakers in the European Parliament, the EP on 8 May agreed to enforce a new code of conduct for the interest groups. Earlier the EP's Constitutional Affairs Committee had voted in favour of a shared mandatory registration system for lobbyists at the Parliament, Council and Commission. However, given the complex decision-making structures of the EU it is difficult to predict if these measures would be helpful in addressing the issue effectively. Brussels has become a growing hub for public affairs consultancies that work for individual companies and industry groups, corporate lobbyists, non-governmental organizations, charities and think-tanks, rivaling those in Washington.

Corporate lobbyists first started migrating to Brussels after the signing of the Single European Act in 1986, sensing the rich pickings to be had from Europe's neoliberal slide. Now more than two decades later there are over 15,000 lobbyists, 70 per cent representing corporate interests, operating in hundreds of lobbying consultancies, PR agencies and EU affairs offices in an industry which generates an estimated €90m every year. Unlike in the United States, there are no binding requirements for EU lobbyists to disclose their 'nomenclature'. Early in 2007 the European Commission decided to set up a voluntary register where lobbyists declare who they are and how they are funded. In a Green paper that preceded the register, the Commission said it saw lobbyists as an important part of the democratic process. However, it warned that "it must be clear to the general public what input they provide". Armies of corporate lobbyists fill the corridors of power frequently managing to alter or water down or block legislation they find unfavourable. The main dish is campaign contributions, followed by a rich dessert of revolving-door corporate jobs for many bureaucrats and "rejected" or retiring politicians who played ball by accepting shoddy data, quashing investigations, or undermining legislation and regulation.

British lawmakers want 'US-style relationship' with India

Recognizing that "trade" and "takeovers" have become the buzzwords in UK-India relations, the Business and Enterprise Committee Report of the House of Commons in UK has recommended that Britain should forge a special relationship with India. "We need to establish a relationship as special with India as the one we have enjoyed with the United States," the Business and Enterprise Committee said in a report titled 'Waking up to India: Developments in UK-India Economic Relations'. The report notes that there has been a "significant improvement" in economic relations between Indian and Britain since 2006, and mentions recent takeovers of British companies by Indian companies such as Tata and United Breweries. The committee comprising MPs across party lines is chaired by the Conservative MP Mr. Peter Luff. "Even if India grows more slowly than other emerging markets, in a country of over a billion people the opportunities created would still be huge. The United Kingdom is uniquely well placed to take advantage of them, to the benefit of both partners," the report added.

The committee has urged the government to keep under review the possible improvements in visa and other related arrangements that could be made to the mutual benefit of the economies of India and Britain. "We urge the Government to explore with Schengen countries how the visa regime for Indians resident in the UK and needing to travel to other EU countries could be eased, or periods of EU visa validity extended considerably," the report said. "The United Kingdom has woken up to India, but progress must not now be slowed in response to global concerns or expressions of doubt about India's future," the committee's report said.

EICC is of the opinion that Indo-British strategic partnership can be built around many areas of convergence of interest, both political and strategic. With geo-economics supplanting geo strategic and geo political considerations in international relations and partnerships, potential for such a relationship becomes inevitable. India's huge and increasingly prosperous middle class remains an attraction for UK investors, but now, in a remarkable reversal of that trend, Indian companies investing in the UK consider market potential in UK as the main attraction. Indian emigrant community in its third generation have been remarkably successful in UK and are the largest community outside of Asia percentage wise, and the second largest population wise, only surpassed by the US.

A silent revolution in the Indian Retail sector

During the last few months, the attention in India seems to be largely focused on issues such as soaring energy and food prices, rising inflation, talks of political realignments and posturing of political parties in the backdrop of impending state and general elections, US Presidential race, meltdown in equity and real estate markets, and of course the Cricket's Indian Premier League T20. In this din, the media, the politicians, and a motley group of rabble rousers have almost overlooked a silent revolution that is taking place in the Indian retail sector in which European companies are becoming active players.

In April Marks & Spencer (M&S), known for high quality clothes, home products and food, entered into a joint venture with Reliance Retail, the retail arm of Mukesh Ambani owned Reliance Industries Limited, in the hope of establishing the British food-to-clothes retailer as a "major retail brand" in South Asia. The M&S, despite restrictions on FDI for retail in the country, has been able to strike partnerships with Indian companies as most of its products are internationally sold under single brand. M&S is known as the biggest retailer in the world which derives most of its business from its own private label. In India while, up to 51% financial stake is allowed to single brand retailers, like Nike, and Adidas, and McDonald, no financial stake is allowed to multi-brand retailers like Wal-Mart, Carrefour or Tesco.

Again in April, the UK based $150 million Pavers England Footprints Ltd. announced its foray in India through a tie-up with Reliance Retail under the retail entity Reliance Footprint. The Reliance Footprint is looking at sales of Euro 500 million from footwear business by 2010 though their planned 150 stores. They are aiming at a market share of 15 per cent of Indian market in the next three years, which is growing at around 20 per cent annually. Pavers England Footprints Limited is a subsidiary of Pavers Foresight Smart Ventures Limited in which Foresight holds 50 percent stake.

The research report by CB Richard Ellis Group has identified India as the most sought-after market by retailers who are looking to the world's emerging markets to drive the success of their businesses in the future. The country is considered particularly attractive because of the size of its market compared to the low presence of international retailers. With foreign ownership rules being gradually relaxed, there is a beeline from global retailers to make foray into India. With retail sector set to grow big time in India, the role of retail and product design is also becoming important. However, shortage of design talent in the country is forcing Indian retailers and design firms to look at talent from Europe. While the number of designers in India is woefully inadequate, the scene is the reverse in Europe with a huge supply surplus. India has about 3,000 practicing designers, compared to 100,000 designers in the EU countries. It involves the entire gamut of services from packaging, branding and product designing to visual merchandising. With heightened awareness and sensitivity to good design, adequate skilled manpower is the need of the hour.

India's organized retail is growing faster than expected and this segment could account for a quarter of the total retail revenues by 2011 from the current 8 per cent share and would form 15 per cent of the retail sales by March 2011 from 4.1 per cent now. India's retail industry, both organized and unorganized, is worth $295 billion at present. A study by Deloitte says that organized retail grew at a scorching pace in 2007, going to 8 per cent of total retail sales from 5 per cent in 2006. There are about 300 new malls, 1,500 supermarkets and 325 departmental being built which will have excellent infrastructure facilities for a 24x7x365 working environment. Organized retail in India is expected to grow at 35 per cent for the next few years and it is estimated that this market will be 20 per cent of the total retailing by the end of 2008.
