Europe India Chamber of Commerce

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Belgium to host EU-India Summit 2010

The annual European Union-India summit will be held in Brussels on 21 October under the Belgian Presidency of the European Union. The Summit is likely to address major global issues such as climate change post Copenhagen, energy security and fight against terrorism, besides regional issues. The EU and India Annual Bilateral Summit, first held in 2000, provided an apt platform for political dialogue between the two global entities and paved the way for a concrete strategic partnership between them in 2004. The Commission's delegation will be led by the President of the European Commission, Mr. José Manuel Barroso, who will be accompanied by Vice-President, and High Representative of the Union for Foreign Affairs and Security Policy, and Trade Commissioner. The Indian side will be led by India's Prime Minister Dr. Manmohan Singh and his ministerial colleagues. The Summit will especially underline the joint commitment to achieve progress in the negotiations on a bilateral trade and investment agreement. Several rounds of negotiations have been held but both sides are yet to reach any agreed framework. Europe India Chamber of Commerce hopes that by the time the EU-India Summit takes place both sides will be able to narrow down the differences and ink the Free Trade Agreement during the Summit. The EU and India launched negotiations for an FTA in 2007. The one-day summit will be accompanied by an annual India-EU business Forum that will witness interaction between top business leaders, including CEOs of various companies from the two sides to discuss emerging issues and ways to scale up two-way trade and business cooperation. The EICC is coordinating with Federation of Belgian Enterprise (FEB/VBO); the counterpart of the Confederation of Indian Industry (CII) in Belgium which will take the lead in the business conclave, to organize the event. Although the Business Forum falls within the domain of CII and FEB, the EICC has been approached by the Belgian government to actively participate and assist in organizing the business conclave. The Forum will also be joined by the Federation of Indian Chamber of Commerce and Industry (FICCI), Indian Merchants' Chamber and Business Europe. This year's Forum will focus on issues such as sustainable energy, waste and water management, transport and efficient building and construction industry.

Buoyant by the success of the India Calling 2009 and also in view of the fact that the EU-India Summit and Business Forum will take place under the Belgium Presidency, the Belgian government has contacted the EICC to seek the views of the Indian Merchants' Chamber if they could once again show case their brand "India Calling" in 2010 again. The India Calling is the most magnificent manifestation of decades of the economic and business cooperation between EU and India in general and Belgium and India in particular. The India Calling also afforded an opportunity to the IMC increase its visibility in Europe. The EICC has been in contact with the IMC leadership and they have in principle agreed to show case their brand once again.

Belgium sets out key priority areas of its EU Presidency

Belgium will assume the EU Presidency as from July 2010. It is learnt that Belgium's EU Presidency in many ways will differ from the previous ones as it coincides with a crucial stage in the implementation of the Lisbon Treaty which partially changes European institutional architecture and policy framework. One clear example of this is the increased influence of the European Parliament in the European decision making process. During the past few months one must have noticed this fact in the negotiations on the European External Action Service but also in the SWIFT-case: the preparation of an agreement between the EU and the USA on the processing and transfer of financial data from the European Union. National elections in Belgium was held on 13 June but as no political party has a clear majority to govern, it is highly unlikely that a new government will be formed before the country assumes the rotating EU presidency for a period of six months. It is learnt that Belgium's EU Presidency plans to work within the framework of the Tri Presidency which covers the period from 1 January 2010 to 30 June 2011 (presidencies of Spain, Belgium and Hungary). The key issues that are likely to focus during its 6-month term presidency are: implementation of the Treaty of Lisbon, which came into force on 1 December 2010; launch of the EU 2020 strategy, which will guide EU policies in the coming decade; pursuit of international climate and energy negotiations; Implementation of the Stockholm programme in the areas of justice, asylum and immigration; continuation of enlargement negotiations; Preparation of 2011 budget, and mid-term revision of financial perspectives. The Lisbon Treaty which came into effect on the 1st of December 2009, transforms the institutional architecture of the Union. New institutions have been put in place but, so far, they have not been able to reach their full potential and won't be able to do so in the future either if the Union and its Member States do not change their strategy and attitude. The Lisbon Treaty has created two new crucial leading positions: the posts of permanent president of the European Council and of the High Representative of the Union for Foreign Affairs and Security Policy.

Geoffrey Van Orden MEP is the new Chairman of the Chamber

A veteran of the European Parliament and a close friend of India, Mr. Geoffrey Van Orden is the new Chairman of the Europe India Chamber of Commerce. Van orden brings with him more than a decade of rich and varied experience of serving as a Member of the European Parliament and promoting India's trade interest in Europe. He is destined to provide strategic guidance to EICC's future activities through effective implementation of its programme and policies. Mr. Van Orden is the unanimous choice for the Chamber board, which is impressed by the Mr. Van Orden's depth of experience, his pro-business views, experience and extensive knowledge about European Union's trade and economic relations with India. The EICC is convinced that Mr. Van Orden will bring with him new ideas through which the Chamber will benefit from his in-depth knowledge onf India and though his powerful voice in the European Parliament on issues that affect EU-India relations. Following the announcement, Mr. Van Orden in his acceptance communication to the Secretary General, said "It is with great honour and pleasure that I am happy to accept the role of Honorary Chairman of the Europe India Chamber of Commerce. You are right when you say that India is very much in my heart. It is so important that we create strong and mutually beneficial trade links between our European nations, the EU, and India. This will contribute to prosperity and also help to strengthen our relationship in many other areas. I am particularly delighted that the new Conservative-led Government in the United Kingdom has specifically singled out the importance of increasing the bonds with India". Geoffrey Charles Van Orden, born on 10 April 1945 is a British politician and former soldier. He was first elected to the European Parliament in 1999. Geoffrey is also the founder member of Friends of India Group in the European Parliament.

Indian biotech industry seen growing $10 billion-strong by 2020

After seeing a painful contraction during the global economic downturn, India's biotech industry is booming again with revenue shooting up by more than half over the past year. India's biotech industry bounced to high growth in fiscal 2009-10 to gross revenues of $4 billion, up a whopping 52 per cent on the previous fiscal). In a statement, the Karnataka Biotech Vision chairperson Kiran Mazumdar-Shaw has said that as against an 18 per cent decline in 2008-09, the biotech industry grew remarkably well in 2009-10 and it was on track to achieve $5 billion this fiscal (2010-11). The equipment and ancillary segment contributed around $1 billion while the industry covering bio-pharma and agri-biotech, grossed $3 billion. Bangalore, the country's biotech hub, accounted for 27 per cent or $810 million, with exports contributing $750 million. "New challenges such as global warming, energy, health and food security offer huge opportunities for the biotech industry," Shaw said at the inaugural session of 'Bangalore India Bio 2010' summit. As conventional and western models were not working there was a need for greater investment in research and development to create niche technologies and address new challenges, Shaw said. "India has emerged as an attractive market for the global pharma sector, as evident from increasing investment flows into the country. We offer huge cost advantages with high value of services," Shaw, chairman of India's leading biotech firm Biocon, said. In 2008-09, the sector's growth suffered due to the global financial crisis. It grew only 18 per cent, as against a year-on-year growth of 34 per cent in 2007-08. Ancillary segments saw a growth of around 40 per cent during the fiscal, while biotech segments like bio-pharma continued to drive the sector, followed by services and agri-biotech, which was expected to grow as a major contributor this year as well. Given the steady momentum building in the bio-tech sector, Mazumdar-Shaw stated that the industry was optimistic of doubling its revenues in the coming years and could emerge a $10-billion industry by the year 2020. Some of the future growth drivers in sector include bio-manufacturing, clinical development and service based offerings. Climate change and clean energy are also being seen as huge opportunities for the Indian bio-tech sector. A total of 32 new foreign firms have invested in India in this sector during the past year, of which 11 are located in Bangalore, with an investment of more than $400 million.

Europe looses investment attraction to India, China

Foreign investors see markets like India and China as their preferred route through the tough economic recovery as Western Europe struggles with meagre growth. According to global consultancy firm Ernst & Young's 2010 European Attractiveness Survey, China (39%) edged past Western Europe (38%) as the most attractive foreign direct investment destination for this year. It adds that India and China with their rapid economic growth rates have bettered their rankings as preferred investment destinations, while Europe has taken a hit. These two top FDI magnets are followed by Central and Eastern Europe (24%) at third place, while India shares fourth position with North America (22% each), the survey of 814 leading global investors showed. Going forward, E&Y sees a clear shift in the world's economic weight eastwards, as they rank China (66%), India (61%) and Central & Eastern Europe (59%) as the most attractive regions for FDI projects in the next three years. Western Europe, which currently ranks as the second-most popular destination for FDI, is expected to fall to fifth place behind Brazil in E&Y's future attractiveness rating. Even the euro zone's strongest economies face rising unemployment and weaker investment as banks stay cautious on lending, said Ernst & Young. The economic slump saw new foreign investment projects fall by 11 percent in Europe in 2009, to 3,303, though a fourth-quarter pickup could mean a better 2010, its report said. China suffered a 2.6 percent drop in FDI in 2009, to $90 billion, with cash-strapped firms outside the country undoubtedly affected by the financial crisis. China was the third-biggest foreign investor into Europe in terms of job creation in 2009 and was eighth-biggest in number of projects, according to Ernst & Young. The report stated that in the improved economic scenario, investors have resumed their hunt for higher returns, leading to global FDI competition. This has resulted in levelling of the playing field. Both East and West Europe have been hit badly by the economic crisis, which has raised doubts about the region continuing to play a leading role in a multi-polar world if it is unable to attract new investments, the report added. Europe saw a 11% decline in new FDI projects in 2009, with just 3,303 deals registered during the year. Moreover, FDI in Europe created 16% fewer jobs in 2009 than the previous year. In addition, projects of international investors continue to be scaled back, if not postponed or cancelled.

ArcelorMittal ventures into power generation in India

The world's largest steel producer, ArcelorMittal, has announced its plans to venture deeper into power generation in India making it the company's second energy project in India. The company has 49% equity in HPCL-Mittal Energy Ltd that is currently undertaking the construction of a petroleum refinery plant in Bhatinda, Punjab. The Indian born company has a small presence in the power sector through LNM India Ventures. It holds 8.79% stake, presently valued at about $125 million, in Indiabulls Power that is involved in the development of thermal power projects totaling 6,600 MW capacity. AcelorMittal is expected to commission thermal power plants as starters and may consider gas based power plants later, the sources confirmed. However, the capacity and location of the proposed investment remain a largely guarded secret by the company. Even so, AcelorMittal company spokesperson said that the company intends to create a team to build power plants that would serve its proposed steel power plants in India. The plants would be built in Jharkhand, Orissa and Karnataka, based on thermal coal linkages. Most steel companies in India are as well involved in power generation, mainly for satisfying their captive requirement. AcelorMittal's investment plans in India have not come of age due to delays in land acquisition and grant of mining leases. Mittal had planned two mega integrated steel projects worth $20 billion, in Jharkhand and Orissa back in 2005 and 2007 respectively and the two were to be its first ever since its creation. The company has also approached the Karnataka government with a proposal for the construction of a steel plant at an investment worth $6 billion.

India's Apollo Tyres has $2 billion entity dream as it enters Europe

With the launch of its flagship brand in Europe, Apollo Tyres, India's largest truck-bus tyre maker, announced in June it aims to become a $2 billion entity by the end of this fiscal, riding on the back of new markets in its portfolio. According to the company statement, they have set a target to become a $2 billion company by way of revenue by 2010-11. Today, Apollo already has a turnover of $1.7 billion. The company, which introduced its main brand 'Apollo' in Europe in early June, said it plans to sell its tyres across Germany, Netherlands, UK and Italy during the initial phase, and thereafter, by March 2011, they plan to look at entering other zones of the European market. The range of Apollo passenger car tyre brands that will be available in Europe includes Amazer 3G Maxx, Acelere, Aspire and all-terrain vehicle tyre brand Hawkz. Apollo Tyres is also planning to enhance the capacity of Vredestein to six million passenger car tyres a year. At present, the facility produces 5.1 million tyres a year. At present, Apollo Tyres has nine plants across the globe with a total production capacity of around 1,200 tonnes per day, out of which 67 per cent comes from India. Eleven Tyre Corporate companies produce in Europe are Bridgestone Europe, Continental, Cooper Tires, Goodyear Dunlop Tires Europe, Marangoni, Michelin, Mitas, Nokian Tyres, Pirelli Tyre, Trelleborg Wheel Systems and Vredestein. Seven out of the ten world leaders (which globally represent 77% of world sales) have wide production facilities in Europe. According to data released by Pirelli & C. SpA, Europe's passenger car and light commercial vehicle replacement tyre market grew 14 per cent year-on-year during April 2010, below the 20 per cent improvement observed in March yet a three point improvement on the market's 10.5 per cent year-to-date improvement. Original equipment sales of all tyre brands in Europe improved one per cent year-on-year during April, considerably lower than the 19.25 per cent improvement seen in the year-to-date. Replacement market truck tyre sales showed a 20 per cent year-on-year improvement during the month, down on the year-to-date increase of 32.75 per cent. The original equipment truck tyre market in Europe shot up 60 per cent in April, by far the largest monthly year-to-date growth so far this year. Year-to-date, growth in this sector have improved by 16 per cent over last year.

Market size of Indian education industry expected to cross $50 billion by 2015, says ASSOCHAM

The Associated Chambers of Commerce and Industry of India in a recently published report said that about 55% of the country's middle class households have started saving for their children's higher education. With education gradually being looked at as an investment as opposed to an inevitable expense, the higher education market size in India is expected to grow by over US$30 billion in the next five years. The association's report revealed that the government is planning to spend about 5% of its GDP revenues in the next five years on education. Subsequently, India's market for primary, secondary and tertiary education could be over US$50 billion by the year 2015. India's education market segment is estimated to be about US$25 billion with its higher education market being put at just less that US$15 billion. On the other hand, the primary, secondary and higher secondary education market are valued at US$10 billion according to current estimates. The report states that about 9% of middle level households saved for education a few years back but this has been replaced by a 55% rise. The association remained hopeful that in the next five years, the total market size of Indian education might go beyond US$50 billion due to higher GDP spending expectations on the sector, an increase in disposable income for urban areas and the planned increase in enrolment to higher education of 15% from its lows at 9% currently. ASSOCHAM projections pointed out that the 2009/2010 fiscal year witnessed about 15% of the country's urban per capita monthly household income spent on education. When the gross enrolment ratio is contrasted against a global average of 23%, 54.6% for developed countries and 23% for Asian countries; India has a low of 10%. Many constraints in the education sector in the country have over the time pushed students to private institutions. About 45,000 Indian students spend a total of US$30 billion on overseas education. Access to education remains an issue in India despite the government's massive investments in the sector. However, a new government law that makes education mandatory for all children and compels private schools to reserve one quarter of their admissions for students from impoverished backgrounds is expected to try bridging the inequalities.

Indian Software and IT players expected to feature in IBM's $20 billion acquisition drive

International Business Machines Corp. (IBM) is looking for viable investments in India and globally in its ambition to double its earnings in five year time period through expansion in new and emerging economies, with a focus on software and services. The company has an estimated $20 billion worth of investment funding that it intends to use in the expected Indian and global acquisitions. IBM's CEO had earlier laid out the company's strategic plan that included acquisition-led growth at its investor get together in May. The IBM is being very acquisitive and is keen on companies that might have viable investment propositions for it. He was speaking in Mumbai during the integration of employees from Sterling Commerce with IBM as it had earlier acquired the company from AT&T Inc. for $1.4 billion in cash. This acquisition was part of continued investment acquisition plan aimed at expanding IBM's portfolio of software for companies in financial services, manufacturing and retail. The IBM's main channels of revenue are computer hardware, information technology services (IT) and software products. To date, the company has only made two Indian acquisitions, acquiring Daksh Services, a business process outsourcing firm, for an estimated $170 million in April 2004, and its November 2005 acquisition of Network Solutions Pvt. Ltd, an IT infrastructure Services Company, for an undisclosed amount. Even so, the company's Software segment general manager, Mr. Hayman, did not disclose whether IBM was currently looking at any particular Indian company as a possible acquisition, but pundits believe that companies with propriety software products that target small and medium enterprises might be possible acquisition targets for IBM. According to industry pundits, IMB has traditionally been large enterprise focused, with skill sets and products that auger well with it and as such, as it grows and moves forward, the company would seek to cater more for SMEs for it to successfully turn demand into revenue channels in emerging markets such as India's. However, India has no shortage of successful software product vendors to meet its SMEs demand that IBM might consider viable acquisition targets, added the analysts.

Cadbury takeover has lawmakers review UK's takeover rules
Following US food giant Kraft Foods' takeover of iconic British brand Cadbury early this year, the UK regulator is inviting proposals on how to change the rules governing mergers and acquisitions in UK. The takeover was helplessly watched amidst widespread criticism by lawmakers and general public. According to a report, the UK Takeover Panel has said that it was breaking away from its normal practice and inviting proposals for possible amendments to the Takeover Code and other aspects of takeover laws. Some of the main issues that the regulator is looking to review are whether the "50 per cent plus one" minimum acceptance condition for a takeover offer should be raised. It is also seeking to review whether the voting rights should be withheld from shares bought by the acquiring company during the course of the proposed acquisition and whether to reduce the 1 per cent trigger threshold for the disclosure of dealings and positions in relevant securities. The panel will also examine whether safeguards should be reintroduced in relation to substantial acquisitions of shares as also restricting the fees paid to investment bankers. The takeover of Cadbury by Kraft, which lasted five months, became one of the most acrimonious in the UK's corporate history. (See: Shareholders approve Kraft's acquisition of Cadbury). In the Kraft-Cadbury deal, 8 of the largest buyers of Cadbury's stock were hedge funds or other short-term traders, who booked profits in millions in a very short span of time.

In the Ninth Report of Session 2009–10 of the UK's House of Commons Business, Innovation and Skills Committee on "Mergers, acquisitions and takeovers: the takeover of Cadbury by Kraft", the Committee recommended with the conclusion that the takeover of Cadbury by Kraft has highlighted a number of important issues in respect of the way in which foreign takeovers of UK companies are conducted. It said "It has been the catalyst for a wider debate, both in Government and in the City, about how takeovers are conducted. In highlighting the Kraft takeover of Cadbury, we have contributed to that debate which now needs to continue, and with urgency. Time does not allow us to consider the wider proposals for reform in detail but it is clear that the Companies Act 2006 has not resolved these major issues in corporate governance. We urge our successor Committee to consider this Report as a starting point from which to conduct a detailed inquiry into these important issues and into the role of shareholders and managers of companies more generally. Recent experience of the behaviour of boards and shareholders in situations ranging from the fall of RBS to the Kraft acquisition of Cadbury indicate that it is time to reconsider many aspects of corporate governance".

European Commission to sign € 324 million contract for space and security research
The European Commission has initiated negotiations to sign research contracts worth EUR 324 million with 108 successful space and security research consortia. Space and security research represent strategic domains for the EU's competitiveness and contribute to the implementation of a range of policy objectives, including the fights against terrorism and climate change, and the furthering of sustainable development, industrial renewal, economic recovery, leading to the implementation of the 2020 strategy. As a global actor and major space power, the EU relies on space and security research for strong border protection and enhanced environmental monitoring. Therefore funds also support the continued development of Europe's Global Monitoring system for Environment and Security (GMES). In cooperation with the Research Executive Agency (REA), 108 successful project proposals have been short-listed from amongst 732 proposals received in the third of six planned calls for proposals under the Space and Security themes of the Seventh Framework Programme for Research (FP7). They comprise 68 space

and 40 security research projects: EUR 114 million for the FP7 space theme, and EUR 210 million for the FP7 security theme. In the space domain, the short-listed Earth observation projects include support for the EU's efforts to fight climate change by monitoring deforestation in Africa, whilst in the area of space exploration, research is set to improve the accuracy and robustness of spacecraft when landing on other planets. International cooperation has increased in space research, in particular with the United States, with American Universities and Research Centres, and major public research institutions such as the National Aeronautics and Space Administration (NASA), and the National Oceanic and Atmospheric Administration (NOAA) participating in a total of 15 proposals. The space domain also sees a high participation rate of 20 percent of Small and Medium Sized Enterprises (SMEs), compared to the FP7 average of 16 percent SME participation. In the security domain, the short-listed projects include two large demonstration projects targeted at urban mass transportation and maritime border security, alongside projects furthering exchange of information to fight organised crime, mitigation of chemical, biological radiological and nuclear threats, and actions against money laundering, and counterfeit medicines. International cooperation is also strong in security research, with 40 project proposals bringing with them a total of 550 partners from 36 countries. Throughout FP7 (2007-2013), EUR 1.4 billion and EUR 1.35 billion have been reserved for space and security research, respectively. With the third call, the number of space research projects is set to rise to 114, and the number of security projects to reach 130. In July 2010, the European Commission foresees the publishing of the fourth FP7 space and security calls for proposals. Reflecting the political importance given to strategic R&D investment, a positive funding trend is anticipated.

US gains from India Inc power

The report "How America Benefits from Economic Engagement with India,' released in June by US Congressman Jim McDermott and India's Deputy Ambassador to the US reveals that US is tremendously benefiting from doing business with India as 372 acquisitions worth USD 21 billion and 127 greenfield investments worth USD 5.5 billion by Indian companies has created nearly 60,000 jobs between 2004 and 2009. The report investigates one specific aspect of globalisation of the American economy, namely, the United States-India business relationship. The study follows US President Barack Obama who last year ended years of tax incentives to those US companies which create jobs overseas in places like Bangalore through outsourcing. Instead, the incentives would now go to those creating jobs inside the US, in places like the Buffalo city, the report said. Greenfield investments are a form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. The top three destination states for greenfield investments were Minnesota, Virginia and Texas, in that order. It is noteworthy that the software and IT services sector received less than 15 per cent of total investment, and the bulk of investments went into mining, manufacturing, and other industries, the report said. During 2004-2009, 239 Indian companies made 372 acquisitions in the United States. The five US industrial sectors that received the most greenfield investment were Metals; Software & IT Services; Leisure & Entertainment; industrial machinery, equipment & tools; and financial services, accounting for almost 80 per cent of total greenfield investment in the US. The report has been jointly produced by University of Maryland, India-US World Affairs Institute and Federation of Indian Chambers of Commerce and Industry. "We were able to obtain the deal value for only 267 of these transactions. The total value of the 267 acquisitions was USD 21 billion, or USD 78.7 million per acquisition," the report said. Of these 267 acquisitions, we were able to obtain the numbers of jobs created/saved for only 85 transactions, which came to over 40,000 jobs, it added. However, the total number of jobs created or saved by all 372 transactions must be much higher, the report pointed out. The five leading US sectors receiving M&A investments from India were: Manufacturing; IT & IT Enabled Services; Biotech, Chemicals & Pharmaceuticals; Automotive; and Telecom - for a total of 83 percent of total deal value. The bulk of M&A investments by India Inc. in the US were in manufacturing and other industrial sectors, rather than in services for which India is well known. The report said, the value of US acquisitions by Indian companies fell in 2008 and then again in 2009 even more steeply, a result of the worldwide recession. "It is however interesting to note that greenfield investments rose through 2008, achieving their highest level that year, and then registered a decline in 2009, though the decline was not as steep as for acquisitions. This is possibly because making a greenfield investment is a longer-term decision, while acquisitions are often opportunistic and accomplished relatively more quickly," the report said.