Europe India Chamber of Commerce

Newsletter

Issue: 19 Volume: 2 September 2009

IMC-EICC all set to host India Calling 2009 in Brussels

The Europe India Chamber of Commerce and the Indian Merchants' Chamber are all set to host the India Calling 2009 in Brussels, the heart of Europe, from 30th September to 2 October 2009 with a galaxy of speakers addressing it. The India-Europe Business Partnership Summit, the theme of the Conference will be discussed for three days from 30 September to 2 October 2009. The inauguration will take place on September 30, 2009 in the Hotel Conrad and the business sessions will take place on 1 and 2 October and will be held in the Hotel Sheraton and in the Hotel Hilton. Mr. Yves Leterme, Minister of Foreign Affairs of Belgium will be the Chief Guest at the Inaugural Session and Mr. Didier Reynders, Minister of Federal Public Service Finance and Deputy Prime Minister will address on the 1st October in the Hotel Sheraton.

The Government of India will be represented by Union Minister for Highway & Surface Transport, Mr. Kamal Nath and Overseas Indian Affairs Minister Mr. Vayalar Ravi. Mr. Ravi will address the event on 30th September during the Inaugural session in the Hotel Conrad and on 1st October Mr. Kamal Nath will address the business session in the Hotel Sheraton. Some of the confirmed speakers from India are: Mr. Omar Abdullah, Chief Minister of Jammu & Kashmir, Smt. Sheila Dixit, Chief Minister of New Delhi, Mr. K Mohandas, Secretary, Ministry of Overseas Indian Affairs Mr. Shailesh V. Haribhakti, CEO & Managing Partner, Haribhakti & Co. Mr. S. S. Hussain, Chairman, Jawaharlal Nehru Port Trust, Dr. Jamshed J Irani, Director, Tata Sons, Mr. Nasser Munjee, Chairman, Development Credit Bank, Mr. Neelabh Bhattacharya, Director, Suzlon Energy Ltd. Dr. Indu Shahani, Sheriff of Mumbai, Mr. Sushil Handa, Group Founder, Abellon Clean Energy, Mr. Ranjit Shahani, Vice-chairman and MD, Novartis India, Mr. M. V Nair, Chairman, Indian Banks' Association, Mr. Rana Kapoor, Managing Director & CEO, Yes Bank Ltd. Partner States from India are: Government of Maharashtra, Government of Gujarat, Government of Jammu and Kashmir and the Government of New Delhi. High level Government officials from these states will participate in the Conference and will make presentations on "New Business and Investment opportunities in respective states".

The Conference will cover areas of economic activities like Infrastructure Development, BPO, Information Technology & Telecom, Financial Services, Pharma, Biotechnology & Healthcare, Conventional and Renewable and Nuclear energy, Ports & Logistics Management, Tourism and Hospitality. Speakers from Europe include: Ms Catherine Ashton, Trade Commissioner, European Union, Mr. Ignacio Garcia Bercero, Director, External Trade, European Commission and H.E. Dr. Jaimini Bhagwati, Ambassador of India to Belgium, Baron Dilip Mehta, CEO Rosyblue, Belgium, Baron Dr. Ajit Shetty, Chairman of the Board, Janssen Pharmaceutica, , Baron Philippe Vlerick, Chairman, Belgo-Indian Chamber of Commerce & Industry, Dr. Mohan Kaul, Director General, Commonwealth Business Council, UK, Mr. Ravi K Mehrotra, CBE, Executive Chairman, Foresight Group, UK, Mr. Marc Van Peel, President and Vice Mayor, Antwerp Port Authority, Belgium. In addition, some EU countries who will showcase their business opportunities and opportunities of business collaboration are Belgium, Spain, France, Netherlands, Italy, Luxembourg, Germany and UK. The EICC can be contacted on the mail Ids: info@eicc.be and sunil.prasad@eicc.be for more information about participation and other details.

EICC joins CBC for India Infrastructure Forum in London

The Europe India Chamber of Commerce will partner the Commonwealth Business Council for the "India Infrastructure Forum" to be held in London on 2 November 2009. The Forum will be addressed by India's Minister for Highway and Road Transport Mr. Kamal Nath. The objectives of the Forum is to address the creation of projects for tender by government agencies, the uptake of available projects by private sector developers and contractors, financial closure and completion of the projects. It will inform international Infrastructure companies and investors about the new policies and the opportunities in India, as well as to provide a platform for dialogue on the basis for engagement with international partners.

The meeting will be attended by a high level delegation from the Government of India as well as representatives of states, regulatory bodies and the Indian private sector. Mr. Kamal Nath who will lead the Indian Government delegation to the Forum has called for a “complete change of mindset” focused on results and taking a fresh look at the regulatory framework for major infrastructure. India plans to increase the gross capital formation in infrastructure from 5% of GDP to 9% by 2012, putting it on a par with the advanced Asian economies which means a target of $500 billion investment in infrastructure over the next five years, with $430 billion earmarked for the transport and utilities sector. This represents a huge business opportunity for contractors and designers, as well as financiers and investors. Highlights of the proposed infrastructure programme of the government of India include the $50 billion Delhi to Mumbai Industrial Corridor, high speed railway connecting major cities, a comprehensive road building programme - 90% of roads are currently not suitable for heavy duty trucks), as well as port upgrading and 500 operational airports within a decade.

McKinsey estimate that as a result of the financial crisis there is a deficit of between $150 billion and $190 billion in infrastructure funding in India. 25% of the infrastructure investment is expected to be funded through Public-Private-Partnerships. Some economists claim that if India improved its physical infrastructure, the country's entrepreneurial drive would comfortably propel it to double-digit economic growth to rival China's. But McKinsey estimated that poor performance in the sector would shave more than 1 percentage point off economic growth estimated at 7.5 per cent in 2017. It is estimated that inadequate infrastructure is responsible for holding back GDP growth by roughly 2% points, or an annual hit of approximately $20 billion to economic progress. In contrast, infrastructure is one of the reasons why China enjoys 10+% GDP growth. China spends five times as much on infrastructure compared to India. Ports in China handle 5.6 billion tons of cargo compared to India’s 650 million tons. Chinese industries pay less than half of what their Indian counterparts pay for power. Logistics costs in India are among the highest in the world at 13% of GDP. It is no surprise then that Indian companies find it hard to compete with China in large-scale manufacturing. Those interested can visit our website www.eicc.be for more details. For participation detail, please contact Mr. John Pemberton-Pigott in the CBC on mail ID: john.pembertonpigott@cbcglobal.org

India inks free trade pact with Asean will come into effect from 1 January

While the EU-India free Trade negotiation is yet to crystalise, India has signed the free trade agreement with Asean for eight years. India signed an agreement with the 10-member Association of Southeast Asian Nations (Asean) for duty-free import and export of 4,000 products, ranging from steel to apparel to sugar and tobacco, over a period of eight years. After six years of negotiations, the pact on trade in goods under the comprehensive economic cooperation agreement (CECA) was signed by commerce and industry minister Anand Sharma and Asean economic ministers. The pact would kick in from 1 January. While the agreement opens the 1.7-billion consumer market to each other, it also eliminates duties on 80% of goods traded between the two regions by 2016. Under the trade pact, India has included 489 items from agriculture, textiles and chemicals in the negative list, meaning these products will be kept out of the duty reduction. Addressing concerns of domestic planters, black tea, coffee, pepper and rubber have been included in the sensitive list, which could mean duties will be cut by 2019 only. However, duty on these items at no time will be eliminated. Farmers in south India, especially Kerala, fear lower duty on plantation crops such as coffee and pepper would lead to a deluge of imports from Asean members such as Indonesia and Malaysia. India’s exports to Asean were about $17 billion (Rs81, 770 crore today) in 2007-08 and imports were at $23 billion. The Asean agreement was due to be inked in December last year but was postponed following political instability in Thailand. Later, the government deferred a decision on the deal in February in the wake of an economic slowdown and impending general election. The free trade negotiations with the 10-nation bloc began in 2001 and concluded in August. The pact will come into effect from 1 January, when both sides will do away with tariffs for nearly 4,000 of the 5,000 currently traded items.

Foreign companies can opt for lesser cap gains tax like Indian entities

The Authority for Advance Rulings (AAR) has ruled that foreign companies cannot be discriminated vis-a-vis Indian firms so far as capital gains tax on securities transaction is concerned. Giving its ruling in a case related to UK-based Fujitsu Services, the AAR said that the company should also be given an option of paying tax at lesser rate of 10% as per the provisions for taxation of gains from securities transaction. The AAR, a quasi judicial body on matters of taxation, in a ruling on July 29, also held that the expenditure incurred by an Indian company towards the payment of commission to a foreign agent is an 'allowable expenditure'. The AAR gave its verdict on an application filed by the Chennai-based Spahi Projects, in connection with commission that it paid to South Africa's Zaikog Trading Company. “Applicant (Fujitsu Services) is liable to pay tax at the lesser rate of 10% as per the provision to section 112(1) of the Act apart from the surcharge and cess,” the order said. As per provisions for capital gains tax, shareholders need not pay any tax on gains from share transactions if they keep shares for at least a year and pay securities transaction tax (STT) on them. If they do not pay STT, then there are two kinds of tax rates applied to domestic companies. In case, such companies opt for indexation, that is if they adjust for price changes in the economy, then they have to pay tax at the rate of 20% and if they do not opt for indexation, they will have to pay tax at the rate of 10%. Fujitsu Services seeking an advance ruling by AAR asked if the Tax Deduction at Source (TDS) has to be made at the rate of 20% or they can pay at a lesser rate of 10% as they have not availed the benefit of indexation, allowed in case of long-term capital gains. However, the tax department argued that since option of 10% tax has not been given to the foreign firms, they cannot be taxed at a less rate of 10% even if they have not taken the benefit of indexation. AAR, however, allowed the company to not opt for indexation and pay lesser tax at 10%.

India grants record 98,881 patents in three years

The Indian Patent Office granted a record 98,881 patents during the past three years, ie, 2006-07, 2007-08 and 2008-09. A record 103,035 patent application were filed over the past three years. This was disclosed by the minister of state for commerce and industry in a written reply. The Minister said that the office received 36,877 patent applications in 2009-09 against 35,218 in 2007-08 and 28,940 in 2006-07. The government has approved implementation of the scheme for `Modernisation and Strengthening of Intellectual Property Offices' during the 11th Plan (2007-08 to 2011-12). The scheme provides for creation of more posts of examiners of patents and designs and for modernisation of the infrastructure of the Patent Office, he said. The scheme inter-alia, provides for development of physical infrastructure, recruitment of human resources, computerisation and creation of awareness, the minister added.

As India becomes an important center of innovation, Indian and global technology firms are increasing efforts to spread the message of the need to protect and patent the intellectual property developed locally. The effort by multinationals such as TI, Cisco, and NXP Semiconductors of Eindhoven, the Netherlands, who fly down their expert to India to educate their employees on the need to protect intellectual properties, seems to be paying off. These companies have started seeing a surge in patent applications, both local and U.S., being filed from their research units in the country. Patent applications filed by firms in India grew annually by around 20 percent to 35,000 in 2007-08, according to the Indian Patent Office. Details of the number of U.S .patent applications being filed for work done locally are not available. India may be seen as a global hub for innovation, but multinational corporations have filed more patents in India over the past decade than all of India’s public and private institutions. Among the top 50 applicants for patents in India, 44 were foreign firms. Only six were Indian — among these, three were public institutions, one was a public corporation, and just two were private Indian firms, both in the pharmaceutical industry. Overall, India appears better at producing basic knowledge than commercialising knowledge. But India has low research and development costs - primarily because of low pay to scientists and engineers, the main cost component of research spending according to the report. Although termed as the knowledge hub providing valuable human resource to the world, when it comes to Research and Development (R&D) at the domestic level, India lags behind developing countries like China, Brazil and for that matter even with Republic of Korea and Mexico.

According to the OECD, over 400 international patents are filed everyday and are a good measure of country’s scientific and technological performance. The US accounts for the largest share of international patent applications with 33%, though its share has fallen since 1995, as has that of EU. The Science Technology and Industry Outlook finds that the number of patents filed has increased sharply over the past decade, and the reason is Asia. While patent applications from OECD countries have remained stable from 1997 to 2004, growing by just 3% annually, the share of patent filed from Asian countries surged. India had 43% annual growth rate of international patent filing.

$50b drugs to go off patent

The Indian drug industry would make huge gains as over $50 billion worth of drugs are expected to go off patent in the US, the world's largest pharma market, in the next three years, according to a report. In the past five years, drugs worth around $50 billion went off-patent in the US, which, along with a doubling of generic alternatives in the market, has led to a rise in the generic share by volume to 68 per cent, said a report by Noble, the UK-based investment bank.

"The Indian generic industry is well positioned to benefit from the structural and macro-economic changes affecting the healthcare industry globally," the report on the Indian generic industry said. Indian pharma companies have earned the reputation of being the most competitive generic firms globally with a large FDA approved products in pipeline, coupled with a strong research and development foundation. Indian companies have filed more than 900 abbreviated new drug applications (ANDA) which is the first stage approval for launching the drugs with the US health regulator in 2008 alone and has got around 300 approvals in the last year. According to industry experts, Indian firms account for the largest number of FDA approvals gained in 2008. The Indian industry is benefiting from the drying pipeline of future products of innovating companies as the United States regulator, Food and Drug Administrator (FDA) has shown its reluctance in granting approvals to new patented medicines, the report suggested. In 2008, only 21 new molecules and four new biologics medicines approved by US health regulator, FDA - an improvement over 2007, which saw only 14 new molecules and two biologicals were approved for marketing by the regulator. The report said US FDA is adopting a "safety first approach after several drug safety scandals" that have caused a shift in public opinion against the pharma industry and resulted in increasing political pressure on regulators.

Total cost of world financial crisis at $11.9 trillion

The world has spent a staggering $11.9 trillion to wriggle out of the financial crisis, the sum which is enough to finance a £-1,779 handout for every person living on the planet. The International Monetary Fund has said, "Most of the cash has been handed over by developed countries, for whom the bill has been $10.2 trillion, while developing countries have spent only $1.7 trillion - the majority of which is in central bank liquidity support for their stuttering financial sectors. The whopping total cost of crisis is equivalent to around a fifth of the entire globe's annual economic output and includes capital injections pumped into banks in order to prevent them from collapse, the cost of soaking up so-called toxic assets, guarantees over debt and liquidity support from central banks. "Although much of the total may never be called on, the potential outlay still dwarfs any previous repair bill for the global economy," The Telegraph said. The IMF figures also show that Britain has been the biggest of all the spenders on emergency measures to support its financial sector, with its total bill for the clean-up amounting to 81.8% of its GDP - equivalent to £1,227billion. Countries that make up the G-20 grouping will face a combined Budget deficit of 10.2% of GDP in 2009 - the biggest since the World War-II. Although the biggest will be faced by the US, with 13.5% of GDP, Britain also faces an 11.6% deficit and Japan a 10.3% one.

Corporate India upbeat on domestic M&As

India Inc has emerged as a very attractive and enthusiastic player in the M&A space, both domestically and globally, though it is in the domestic space that its success is more evident, a report said. "Indian acquirers domestic M&A deals are more successful, generate significantly higher shareholder value and outperform overall market returns, compared to those involved in cross-border M&A deals," a Watson Wyatt's Horizon Report on M&A in Emerging Markets said. Watson Waytt's Horizon report tracks M&A activity in emerging markets. "Success, domestically, is because it is easier to achieve efficiencies. Familiarity with legal and regulatory environment, accounting issues and the culture makes it easy for Indian firms to succeed in the Indian market more than overseas. However, when these firms venture outside, they under-perform the Indian market. "The dismal performance is more prominent in US acquisitions compared to that in the UK. Indian acquirers in the US under-perform Indian acquirers in the UK by nearly 43%," the Horizon report said. "Indian companies are good in financials and strategic decisions but not as good in corporate culture and this delays a successful merger," the report said. The Horizon report pointed out that a high-performing Indian stockmarket, excess cash flow, an appreciating Rupee and higher interest rates at home than abroad boosted M&A activity for Indian firms.
