# Europe India Chamber of Commerce

## Newsletter

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### EICC inks collaboration framework with CCIFI

The Europe India Chamber of Commerce (EICC) and the Chamber of Commerce & Industry France India (CCIFI) have signed a cooperation agreement to work together and use each other's potentials to develop bilateral trade and commerce through promoting investments and mutual business interests. In recognition of their synergies gained from working in a spirit of mutual benefit and also due to the importance of contributing to developing French Indian business communities, the two chambers have agreed to work in partnership to serve their member's interest. In consideration of their mutual promises, covenants and agreements, the two chambers have agreed for a framework within which the CCIFI and EICC will collaborate to establish a basis to further develop the relationship and achieve greater collaboration. Mr. Dan Oiknine is the Chairman of the CCIFI and deeply committed to promoting French-India trade and economic relations. Created in 1983, the CCIFI is a non-profit association and is a member-driven organization dedicated to serving the needs of the French and Indian business communities in both continents, Europe and Asia and particularly in France and India. The core mission of the CCIFI is to help Indians and French people work together towards a stronger, fairer and cleaner global economy. Through its network of both regional and local partners, specialized firms and official institutions, the CCIFI provides a setting where businessmen and women from France and India exchange experiences, seek answers to common problems, identify good practice and partners, and develop a professional network. France is the third largest recipient of Indian investment in the European Union. There are over 700 French companies based in India and 90 Indian companies have presence in France. Through this collaboration EICC hopes to connect with the French and Indian companies in France. This association will also strengthen EICC's policy to establish working relations with bilateral chambers and business associations across Europe.

### Chamber sees major role post EU-India FTA; confers with ComRes with innovative ideas

If all news coming out of the corridors of trade and commerce ministry in New Delhi and from the European Commission in Brussels are to be believed, there are strong indications that the long awaited free trade agreement between European Union and India will be signed by the end of the year. Negotiations on a comprehensive free trade pact between EU and India, which began in June, 2007 seem to have reached at an advanced and delicate stage. So far, 13 rounds of negotiations have been held and it has been reported that legal texts of the proposed agreement have been exchanged and are under discussion. Several newspapers in India have also reported that both parties have been able to narrow down the differences and are "fine-tuning" the framework text. It has also come to light that the protracted negotiations between the two parties have resulted into "meeting of minds" on several possible trade frictions and irritants that might emerge in the future as the agreement is implemented and how to address them objectively to make the FTA work effectively. EICC sees its role greatly enhanced post FTA addressing the wider spectrum of trade and investment issues including promoting the strategic partnership between EU and India. The Chamber believes that FTA will offer opportunities as well as challenges to European and Indian businesses operating in vital sectors of both partners' economies and how the Chamber can contribute. Being an active player contributing to EU-India relations as its mission statement defines, the Chamber has a unique opportunity to assess the impact of FTA on European and Indian businesses and understand their perceptions of the Agreement. With this in mind, the EICC Secretary General recently held meeting with the officials of the ComRes to discuss how ComRes can help the Chamber serve the interest of business in the new scenario. The ComRes has proposed that they would be pleased to become the research partner of the Chamber to assist in enhancing EICC's role in demonstrating effective leadership by mapping the views of business leaders across Europe towards the FTA. It has also proposed to support the Chamber's activities by associating it with imaginative research to serve the interest of Chamber's policy priorities through debate amongst members, business leaders, experts and policy makers to boost the profile of Chamber. ComRes is a leading market and opinion researcher for clients across private, public and not-for-profit sectors. They are specialists in

stakeholder research in the Brussels bubble and run regular omnibus surveys targeting all stakeholders. They also offer bespoke qualitative research amongst difficult to reach EU stakeholders including officials from the European Parliament and Commission, journalists, think tanks, academics, NGO's etc.

**Commonwealth Business Forum 2011 to be held in Perth in conjunction with CHOGM 2011**

The Commonwealth Business Forum 2011 will be organised by the Commonwealth Business Council (CBC) in collaboration with the Australian and Western Australian Governments and the private sectors. The Forum will be held in Perth from the 25th to 27th October 2011 just prior to Commonwealth Heads of the Government Meeting 2011 (CHOGM 2011) as one of the associated events. The Forum will focus on the pertinent theme "Partnering for Global Growth: The Commonwealth, Indian Ocean and Pacific Rim". The CHOGM meets every two years and the Commonwealth Business Forum is the most visible and attractive event for business and is generally attended by more than 1000 business leaders from the Commonwealth countries and beyond. The CBF2011 in Perth will also see more than 100 most powerful chief executives and heads of the governments addressing the most pressing economic and business challenges confronting global business. The Prime Minister of Australia Ms. Julia Gillard will open the Forum on 25th October 2011 with Key Note address. In her message to the CBC, the Prime Minister Gillard has said "CHOGM 2011 will provide a unique opportunity for Commonwealth leaders to gather and discuss the challenges of our times. I look forward to welcoming Commonwealth leaders from near and far to our shores for this significant event. I am particularly eager to welcome business leaders from within as well as outside the Commonwealth to participate in the Commonwealth Business Forum".

The Forum will highlight new global economic partnerships for trade and investment in key sectors across the Commonwealth and beyond. The Forum as a unique gathering of business leaders from developed and emerging markets will focus on building the new economic and financial architecture in the global economy and ensure that it is inclusive and beneficial to all. This high profile business summit meeting will present a useful platform for fostering such partnerships and new relationships. The Forum will provide a unique opportunity for business and government to "Learn from more than 100 speakers and panelists including Heads of Government, Ministers of Finance, Trade and Development, Chairmen and Chief Executives of business and other industry leaders; Meet and discuss trade, investment and partnership opportunities; Learn about new business and investment prospects; Develop new business leads and identify new trade and investment partners; Conduct and conclude business in one to one meetings with other international partners; Network with policy makers, key government officials and business leaders; Influence the global debate on important trade and investment issues, and Contribute to key policy recommendations to Commonwealth Heads of Government".

The Director General of the CBC Dr. Mohan Kaul serves in the Board of the EICC and CBC and EICC have been collaborating on issues of trade, investment and economic relations. Speakers in the Forum also include Co-Chairman of the EICC Mr. Ravi Mehrotra. Chamber's Secretary General will attend the Forum as an invitee. Those interested in attending the Forum should contact Ms. Assiya Amerguzhina in the CBC Secretariat on mail ID: assiya.amerguzhina@cbcglobal.org or visit the CBC website www.cbcglobal.org for more information.

**Gujarat - "The Detroit of India"; after GM, Tata Motors, now Ford says "Namaste Gujarat"**

Will Gujarat emerge as the Detroit of India? The answer is a big yes if recent happenings are anything to go by. Gujarat is already home to two major automobile manufacturers, viz. General Motors, which has its plant in Halol, and Tata Motors, with its Nano plant in Sanand. General Motors is in the process of hiking its car manufacturing capacity. In what could be described as a major success for the Gujarat government, leading carmaker Ford India recently announced an investment of US $ 1 billion for setting up car manufacturing and engine plants in Sanand. This is one of the biggest investments by Ford outside North America. Ford India has finalised 460 acre site in Sanand, next to the Tata Nano plant, for setting up state-of-the-art vehicle manufacturing facility and an engine plant. The plants will have the initial capacity to produce 240,000 cars and 270,000 engines in a year. The twin facilities, expected to go on stream in 2014, will create 5,000 direct jobs and many more indirect jobs. It is learnt that the company, present in India through a wholly owned subsidiary Ford India, will set up facilities, which include

stamping, body paint and assembly operations for vehicle manufacturing, as well as machining and assembly operations for engine manufacturing. "The two facilities will be set up on 460 acres of land, and have initial vehicle manufacturing capacity of 2.4 lakh units and 2.70 lakh engines annually. They shall be up and running by 2014," Ford India President Michael Boneham said. The Ford envisages exporting 25% of the production, paving way for Gujarat to emerge as an automobile export hub, a Gujarat government official said. The United States car giant is introducing 50 new vehicles and power-trains to its Asia Pacific and Africa region by mid-decade. The company expects 60-70% of growth to come from this region over the next 10 years. "We are coming to participate in totality of the industry in India. We would be bringing Ford capabilities to markets like India, China and ASEAN to grow our business," Hinrichs said. "The products that will be coming to India will be from a broad portfolio, rest assured we will have number of small vehicles to compete in the market," he said. "We are looking to export Ford Figo to 50 markets around the world out of Chennai. So as we continue to grow our capabilities of our product portfolio in India we have options to export around the world," Hinrichs said. "By this year end we shall be exporting to 50 different countries. Currently we are exporting nearly 2,500 to 3,000 units per month," Ford India President said. Ford currently exports to around 19 countries like Mexico, Baharain, Kenya. With the announcement to invest over US$ one billion in Gujarat, Ford's investment in India is set to cross US$ 2 billion. Ford's investment in Asia Pacific region has climbed to over US$ 4 billion with the announcements on expansions made in the recent past.

The Economist in its issue of 7 July 2011 has described Gujarat as “India’s Guangdong” citing the southern Chinese province that has been the laboratory of many of China’s economic reforms, and says: “SO MANY things work properly in Gujarat that it hardly feels like India”. The Economist further says that Gujarat could be a vision of India's future, in which manufacturing flourishes, soaking up rural labour. Its economy is expected to grow by double digits, even as India's rate slows to 7-8% this year. Because of Gujarat's overall competence and competitiveness, industry-friendly environment, nearness to seaport, availability of skilled technical personnel and requisite infrastructure in place, a top vehicles manufacturer like Ford has chosen the state for setting up its plants. The trend suggests Gujarat is emerging as the Automobile Hub and the first choice of several car manufacturers in India. The construction on the two plants near Sanand is scheduled to begin this year-end and start production by 2014.

So, it was not surprising that Ford President greeted Gujarat with “Namaste Gujarat” (Warm Greetings to Gujarat). The choice of Gujarat is part of the Ford’s strategy for extension and expansion of its facilities at international and India level. Beginning his short speech with ‘Namaste Gujarat', Ford Motor President Joe Hinrichs had a word of praise for vibrant Gujarat and Government's pro-business policies. He described the investment in Gujarat as the company's global future policy to increase its global sales target by 50 per cent to 8-million vehicles. Mr. Boneham said that India's large and strong market holds a special place for his company. It would uphold the high traditions of its Tamil Nadu facility at Sanand, too. The trend suggests Gujarat as the first choice of several car manufacturers in India their expansion projects to serve the ancillary industry too, for the vast hinterland in northern and western India. Maruti Suzuki, the largest car manufacturer in the country, has also evinced interest in setting up a car plant in the state. French automobile manufacturer, PSA Peugeot Citroen, is considering Gujarat for setting up its first plant in the country. The company plans to invest more than a billion dollar for its plant, but is yet to take a final decision about the location. Bajaj Auto is also said to be eyeing Gujarat for setting up a car plant. The government of Gujarat is confident that it will be able to woo the auto makers to the state.

### SEBI raises takeover trigger and open offer limit through new norms

Heralding a new set of rules for takeover of companies in India, the Securities and Exchange Board of India (SEBI) has raised the trigger point for corporate buyouts to 25 per cent from the current 15 per cent. The SEBI board has also raised the open offer requirement for takeovers to 26 per cent from the existing 20 per cent. Under the new rules, investors who acquire more than 25 per cent stake in a company will have to make a public offer for another 26 per cent, SEBI stated. Against this, the takeover trigger for an open offer is 33.3 per cent in Japan, while it is 30 per cent in Hong Kong and 29.99 per cent in Singapore. The trigger requires the investor to make an offer for the entire remaining equity of the target company. The market regulator also decided to do away with the non-compete fees, which is paid to selling promoters so that they do not re-enter the business and pose a threat to the acquired company. The SEBI, however, opted to steer clear of the Government’s Panel recommendation to raise the open offer

limit to 100 per cent. Indian promoters have also opposed the 100 per cent open offer limit, which would have increased the cost of acquisition for them and given foreign firms an advantage in participating in mergers and acquisitions in India. Shareholders who already own more than 25 per cent stake in a company can make a voluntary open offer of a minimum size of 10 per cent, half the earlier minimum size of 20 per cent. SEBI has also reintroduced an entry load in mutual funds. Mutual fund investors would also have to pay an additional fee of Rs100-150 for every transaction. The mandatory open offer size raised to 26 per cent from 20 per cent is welcome step, especially since the SEBI has brought it down from the 100 per cent that was recommended by the Committee as it would have made acquisitions too expensive, especially for Indian promoters who do not have access to bank funds for acquisitions. Trigger point raised from 15 per cent to 25 per cent is also welcome decision since it makes investments by PE funds easier. The earlier requirement made it too limiting for PE funds to invest in small or medium cap companies.

**India will lead global $50 trillion spend on infrastructure over the next 25 years**

India will invest the most in infrastructure development, emerging the highest spender in the world, even as global investments in infrastructure will top $50 trillion over the next 25 years, according to a study. A multi-country study by Royal Institution of Chartered Surveyors (RICS) has said that while the investments will project the Indian economy into a position of global leadership, successful implementation and application of public-private partnerships with regards to urban infrastructure projects in the country remains a bottleneck. "A RICS research across five countries has revealed that India will emerge as the leading spender on infrastructure development, including urban infrastructure over the next 25 years. The global spends on infrastructure during this period is pegged at $50 trillion as countries seek to project their respective economies into positions of global leadership," the report said. The study included countries such as the United States, Canada, the UK, Australia and India. The RICS report also reveals that in the Indian context, successful implementation and application of public-private partnerships with regards to urban infrastructure projects remain a bottleneck and therefore is an area of concern. Over the last 15 years since PPPs have been operational in India, over 240 projects with value of $14.5 billion have been delivered, with a majority of $9.4 billion having been delivered during 2005-2010 alone. An additional 292 projects are in the pipeline, translating to $81.9 billion in investments. India's estimated infrastructure investment is pegged at $1 trillion in the 12th Plan of which around 40 per cent is expected from private sector. While this ensures tremendous potential opportunities for private sector investment, given that total value of PPP deals over 2005-2010 ($9.4 billion) is the lowest across the countries studied, it is inferred that finding viable projects culminating in actual deals is indeed enormous. In this light, the RICS report also puts forward its views and recommendations on actions that India needs to take in order to implement deals on ground.

**India’s knowledge outsourcing industry to reach $5.6 bn by 2015**

India's knowledge services outsourcing industry is expected to touch $5.6 billion mark by 2015, a Nasscom-Crisil study has said. "...The knowledge services outsourcing industry here is expected to grow at a CAGR of 22.2% over FY15 from $2 billion in 2010 and touch $5.6 billion," Nasscom President Som Mittal said while releasing the report. Globally, the knowledge services landscape is expected to grow from $2.9 billion in 2010 to $7.9 billion by fiscal 2015. According to the study, North America would continue to be the dominant sourcing destination, given its longer experience with services outsourcing. Its rising adoption across Europe and the Middle East regions will also support the industry further. However, APAC region’s uptake of knowledge services is expected to be embryonic and develop over the longer term, it added. Business research would continue to be the most widely adopted service line with a 39.4% share, representing a $2.2 billion opportunity. Share of data analytics, on the other hand, is expected to increase from 18.5% to 20.6% ($1.15 billion) over the same period. Legal Process Outsourcing is also expected to record robust growth of $1.3 billion by FY15. In terms of verticals, financial services would continue to be the largest contributor with a 32% market share ($1.4 billion), followed by healthcare at 19.5% and hi-tech and telecom and retail at 13% each. Nasscom President said that while the Indian market remains compelling, the momentum could be challenged by the country’s IP legal framework, rising attrition rates and talent management concerns. Nasscom has also announced the top 15 BPO exporters in India for 2010-11, in which Genpact leads the pack, followed by TCS BPO and WNS at the second and third spot, respectively. Aegis BPO, Wipro BPO and Firstsource follow next. Infosys BPO ranked seventh, followed by Aditya Birla Minacs, EXLService and Hinduja Global Services.

The list does not include companies whose headquarters are outside India but have significant presence in the country. "Had they been ranked based on their India revenues, companies like Convergys, IBM Daksh and Sutherland Global Services would have also appeared in this list," Nasscom said.

### Indian companies in Europe lost 15% revenue till June

Indicating that European debt crisis is hurting Indian businesses, a survey has found that many Indian firms operating in Europe have suffered up to 15% revenue losses in 15 months till June 2011. The survey by Indian industry body FICCI covered companies in diverse sectors including IT, finance and textiles. The acute debt turmoil in Europe, which started with Greece and Ireland, has been escalating in the recent months. There are rising fears that the debt contagion could impact rich European nations such as Italy and Spain. "Over 75% of the surveyed companies have suffered revenue losses ranging between 10-15% from the European region," the study said. About one-fourth of the respondents feel that rather than facilitating foreign investments and businesses, amid the economic turmoil, the respective European governments have made their processes more stringent in terms of obtaining and renewing work and long-term visas, it said. Also, there is an overall reduced ease of doing business in Europe, the study added. It indicated that despite the number of policy and regulatory impediments, India's outbound investments in the EU may see smaller deals, but the activity will continue. While a number of surveyed Indian companies have begun to chalk out their global business plans with focus on looking beyond Europe, many firms are trying to turn the situation to their advantage as the overall slowdown in the EU has made valuations of companies more attractive. "This will certainly be a positive factor to further enhance investments in European businesses," the survey said. At present, bilateral trade between India and Europe is over $67 billion, the survey said. The study further said, a majority of the surveyed companies have indicated that they have not encountered any barriers related to tariff or non-tariff and subsidies offered to domestic European companies, it said. "If the situation does not improve in the next six months to one year, it might take a turn for the worse," the study said.

### Comprehensive Economic Partnership Agreement between India and Japan comes into force

Indian professionals and producers of textiles, pharmaceuticals and a number of other goods are set to make strong gains as India and Japan began to implement a Comprehensive Economic Partnership Agreement (CEPA) which came into force from 1 August 2011. The pact seeks to abolish import duties on most products, increase access for Indian professionals and contractual service suppliers to the Japanese market and liberalise investment rules. The CEPA will bring immediate gains to exporters of textiles, seafood and spices to Japan as duties on these products would be eliminated from the first day, according to an official release. It would ultimately result in removal of duties on almost 90% of products traded between the two countries. Other sectors that would gain from the CEPA through lower duties include agricultural products such as mangoes, citrus fruit, spices, instant tea, most spirits, petrochemical & chemical products, cement and jewellery. The CEPA signed in February this year is expected to boost trade to $25 billion by 2014 from $10.36 billion in 2009-10. While the Indian automobile and automobile parts industry have been largely shielded from tariff cuts by their inclusion in the negative list of items, India has agreed to reduce tariffs on auto parts made of steel, which is a major gain for the Japanese industry, a Japanese government official said. Japan will also be able to export consumer durables, such as electronics cheaper, to India, but tariff reduction by India will happen in phases over 10 years. The Indian textile industry is a major gainer as Japan has tariffs as high as 15% on the item compared to its average import tariff of below 5%. As from 1st August, Indian textile exporters can sell to Japan at 0% duty, gaining an edge over other competing countries. The pharmaceutical industry, too, is expected to make tangible gains as Japan has agreed to extend it national treatment which would result in a major drop in the time required for registration. Benefits would, however, be much bigger for the services sector with Japan agreeing to liberalise temporary movement of yoga instructors, classical music and dance exponents, English language teachers and Indian cuisine masters. Contractual service suppliers (CSS), independent professionals, such as accountants, R&D service providers, tourist guides, market researchers and management consulting firms, now can provide services in Japan. The Japanese side has also agreed to consider opening the market for nurses and caregivers for India. Japan's major gain is in investments, as India has agreed to give national treatment to both pre and post-investment from that country, a benefit extended only to Singapore so far.

### “Soft-dog millionaire” developed in Mumbai slum

A cramped alley leads you to this 500-square-feet office, tucked inside a slum in the central Mumbai suburb of Kanjur Marg. Cars can't drive in here, and mobile calls drop frequently. But it is from this nondescript office that some of the country's top builders and infrastructure companies are buying software to streamline their business and improve profitability. IT Aakash Strategic Software, a twenty-people firm, is owned by AshvinGami, son of a peasant in Gujarat whose chance at the big time came from hard work that propelled him into IIT-Mumbai. Today, his client list includes names such as the Rs 30,000-crore (US $ 6.2 billion) Gannon Dunkerley, the Armstrong Group, Namdivardhan Group and UshaBreco Reality, among others. The 28-year-old is negotiating with some other top builders in Mumbai, and in other cities, and is hoping to expand into London and New York soon with his enterprise resource planning (ERP) solutions. He wants to take his battle for cheap ERP solutions right into the backyard of the big daddies in the business, Oracle and SAP. "With this customised ERP software, we have saved around 30% of our annual costs for last 2.5 years, ever since we implemented this software," said ArunJha, head of finance and purchases at Armstrong Group. "A lot of management time is being saved now due to this software and we can focus more on strategic decisions," added Jha. "We help companies cut project cycles with an objective to double their profitability," said Gami. The entrepreneurial journey of this young man from Shapar in Gujarat began during his student days at IIT-Mumbai when his professors backed his project on Linux-based supercomputing. Success came early, as two departments of IIT became customers. However, after working on ERP software aimed at several industries such as manufacturing and banking, Gami found that there was no standard ERP software available for the real estate business. His start-up moved into this slum one and a half year ago as he would be paying a rent of Rs 15,000 (two hundred and fifty dollar) month-a measly amount for an office space in Mumbai-and because he wanted to be in close proximity to his mentors at the IIT, in Powai. The team then developed the software, which helps real estate companies to analyse their businesses at a consolidated level. It allows management of different business functions through Web-based or mobile-based applications.

### India’s Semi-Conductor business enthusiasm builds slowly with new incentives for investment

As per the estimates of the Task Force set up by Department of Information Technology, government of India, the demand for electronics in the country is expected to rise from US$ 45 billion in 2009 to US$ 400 billion by 2020. The domestic production of electronics was estimated to be USD 20 billion and export of electronics is US$ 4.4 billion in 2009 and the remaining demand was met from import. An Empowered Committee was set up to identify technology and investors for setting up of two Semiconductor Wafer Fabrication manufacturing facilities in the country with the following mandate: (i) Recommend the sequence/priority between the proposed Fab-1 and Fab-2 facilities; (ii) To identify technology and potential investors for establishment of Semiconductor Wafer Fabs, and thereafter ascertain their interest in setting up Semiconductor Fab facilities in India; (iii) To assess and recommend the nature and quantum of Government support such as equity/grant/subsidy in physical/financial terms that may be required to translate the interest into investment; and (iv) To recommend to the Government the course of action with regard to the nature and quantum of Government support such as equity/grant/subsidy in physical/financial terms and the procedure for finalisation of terms and conditions of investment with the potential investor/investors. The Empowered Committee has held meetings on 30th May 2011 and 5th August 2011. Based on the decisions of the Empowered Committee, an announcement enunciating broad value proposition of Fab in India and inviting responses, has been published in national & international publications and websites. Also, the communication has been sent to leading companies soliciting interest. India has enormous appeal for different parts of the semiconductor value chain. Many semiconductor and systems companies have already established their own design centers in India and semiconductor manufacturing would gain considerable benefits if they could locate manufacturing in the same country as their design operations. India is already a major contributor to the global technology market.

### Essar Energy completes its acquisition of Stanlow oil refinery in the UK

India’s Essar Energy plc on 2nd August 2011 announced that it has completed the $350 million acquisition of the oil refinery and other associated assets at Stanlow, near Ellesmere Port, Cheshire, from Shell UK Limited. The Stanlow refinery is the second largest refinery in the UK with a nameplate capacity of 296,000 barrels of oil a day. It supplies approximately one sixth of the UK’s petrol, as well as being a key

manufacturer of diesel and aircraft fuel. Essar Energy's chief executive reiterated the company's delight to have completed the acquisition of Stanlow, which is a high quality refinery and is an excellent fit with Essar's refining strategy. According to Essar, the investment takes Essar substantially closer to its objective of a global refining capacity of one million barrels daily. Essar looks forward to making some operational improvements which will optimize production at Stanlow, said Essar CEO. The acquisition of the Stanlow refinery gives Essar Energy direct access to the UK market. It is also aligned with Essar Energy's strategy to provide options for the export of high value fuel products from its refinery at Vadinar, in Gujarat state, India.Vadinar currently has a capacity of 300,000 barrels a day and this will be increased to 375,000 barrels per day under a phase I expansion plan, due to be completed by the end of this year, and to 405,000 barrels per day by September 2012 under a further optimization project. Essar Energy also owns a 50% stake in the Kenya Petroleum Refineries Ltd refinery in Mombasa, which has a nameplate capacity of 80,000 barrels per day.

**India joins US and China in protesting EU carbon tax on aviation**

After US and China raised a hue and cry over the imposition of a European Union tax on the aviation sector under its Emission Trade Scheme, India has also joined the protest dubbing the proposed tax as an ''unfair'' trade practice. When the tax becomes applicable as from 1 January 2012, airfare from New Delhi to London will cost an additional €6, thanks to the carbon tax levied by the EU on the aviation sector. Industry experts estimate the tax will cost India at least $1 billion a year and along with Chinese and American airlines will help Europe rake in $10 billion a year. Under its Emission Trade Scheme, the EU will impose a penalty for failing to maintain annual carbon emissions within 10,000 tones a year. The imposition of carbon tax decision was taken after the EU claims to have found in February this year that the aviation sector was spewing 20 per cent more carbon dioxide into the environment than previously known. The EU itself is the world's third largest emitter of carbon dioxide after the US and China. The US Federal Aviation Administration, the Department of Transportation and the State Department as well as American pilot and airline associations have slammed the European Union's carbon Emissions Trading Scheme (ETS) as "illegal", "arbitrary" and "unjust" at recent congressional hearings. Arguing that the EU's proposal to regulate emissions from the airline industry under Aviation Amendments to its Emission Trading Scheme is unilateral and unfair on carriers from developing countries, the Indian government contends that the regulation would allow European carriers to manipulate the taxation system after it comes into force. The global aviation industry currently uses around 70 billion gallons of fuel every year. Although only representing 2 percent of greenhouse gas emissions, the industry is committed to stabilizing emissions with carbon-neutral growth by 2020 and has set a target of reducing emissions by 50% by 2050. Biofuels are a key component of their strategy. Carbon regulations, like those that have been proposed under the EU's ETS Amendments are expected to have a marginal impact on the economics of aviation biofuels in the short term, assuming the Amendments survive legal challenges from the Indian government as well as the United States and IATA. China has threatened to cancel over $3.8 billion in aircraft orders from European manufacturer Airbus if it is not exempted from the tax. Some big Gulf carriers, too, have opposed the move. India is also concerned that the European Union's move will encourage a black market for carbon credits. With certification cleared for Bio-SPK aviation biofuels, international carriers will be watching the brewing battle over EU's carbon tax closely. It is learnt that Indian government has threatened to move World Trade Organisation (WTO) against the European Union if it fails to withdraw carbon tax to be imposed on flights landing or taking off from European airports from January 2012. The issue of carbon tax came up at a recent UNFCCC meeting in Bonn, Germany, where India along with the biggest group G-77 plus China opposed it. They termed it as an unfair practice against the developing world as under UN protocol to flight change the historical polluters - rich countries - have obligation to reduce carbon emissions and pay to the developing world to adapt to adverse implications of climate change. "By levying carbon tax, developing countries would be paying to rich nations," a government of India sources revealed.

**European Commission to help businesses and consumers recover cross-border debts**

In order to address the complex and lengthy procedures for recovering debt in another country of the European Union countries currently being faced by creditors resulting in higher costs for businesses trading across EU borders, the European Commission is coming up with a regulation to help business and consumers to recover cross-border debts. Individuals face similar problems when seeking to get their money back from a rogue trader or a maintenance defaulter in another EU country. The proposed

Regulation establishes a European procedure – the European Account Preservation Order – for recovering money within the EU. This will ease cross-border claims by giving creditors more certainty about recovering their debt, thereby increasing confidence in trading within the EU's single market. The Regulation creates a provisional measure to preserve the debtor's funds located abroad. Under the new rules, a court would issue an order to a bank obliging it to preserve a specific amount owed to a creditor. This could be done either before or after the creditor has received a court judgment entitling him to recover the debt. The procedure would only be available in cross-border cases. It would not provide for the actual payment of the money to the creditor at the end of the litigation, which will continue to be governed by national law. At the moment, debtors can instantly move funds from a bank account in one Member State to another, or simply withdraw funds. Debtors can thus easily escape enforcement of a court order to pay back money owed. Creditors, however, have little chance of safeguarding funds in debtors' bank accounts abroad to secure the payment of their claims. As a result, many creditors are either unable to successfully recover their claims abroad or do not consider it worthwhile pursuing them and write them off. Creditors face a range of problems in preserving funds in cross-border cases: the conditions for issuing orders to preserve assets vary considerable across the EU; it is often difficult, if not impossible, for creditors to get information about the location of a debtor's bank account; the costs for obtaining an order abroad are generally higher than for domestic cases, particularly for hiring an additional lawyer and translating documents; and there is a wide difference in how long it takes for national authorities to enforce a judgement. Companies could recover up to €600 million a year in debt that is currently written off. They lose around 2.6% of their annual turnover to bad debts that are not pursued. A case study in example:

"A small Italian cheese company supplies mozzarella to a frozen pizza maker in France. After the French company falls behind on its payments, the Italian firm stops the shipments, but it's stuck with thousands of euros of unpaid bills. How will the Italian company recover the debt? Today there is no easy answer. Fraudsters can easily move money from one Member State to another, stashing funds in several accounts in multiple countries. Citizens also suffer when goods bought online are never delivered or an absent parent fails to pay maintenance from abroad. At the moment, it's up to national law to require a bank to pay the money from a client's bank account to a creditor. The current situation in the 27 Member States is legally complicated, time consuming and expensive. Around 1 million small businesses face problems with cross-border debts and up to €600 million a year in debt is unnecessarily written off because businesses find it too daunting to pursue expensive, confusing lawsuits in foreign countries. The European Commission is proposing a new Europe-wide preservation order to ease the recovery of cross-border debts for both citizens and businesses".

Small and medium-sized enterprises (SMEs) make up 99% of businesses in the EU. Around 1 million of these face problems with cross-border debts. Procedures for recovering debts from another country's jurisdiction are complex, multiplying the costs for businesses that wish to trade across EU borders. Typical problems range from differences in national law to the costs of hiring an additional lawyer and translating documents. Individuals face similar difficulties when seeking to get their money back from a rogue trader or maintenance defaulter in another EU country. The legislative initiative aims to facilitate these cross-border claims and gives creditors more certainty about recovering their debt, thereby increasing confidence in trading within the EU's single market. It is part of the Commission's "justice for growth" agenda, which seeks to harness the potential of the EU's common area of justice for trade and growth. The Regulation would establish a new European Account Preservation Order that would allow creditors to preserve the amount owed in a debtor's bank account. This order can be of crucial importance in debt recovery proceedings because it would prevent debtors from removing or dissipating their assets during the time it takes to obtain and enforce a judgment on the merits. The new European order will allow creditors to preserve funds in bank accounts under the same conditions in all Member States of the EU. Importantly, there will be no change to the national systems for preserving funds

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