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EICC calls for non-protectionist approach to EU India Free Trade negotiation

The EICC has called for non-protectionst approach on all contentious issues on the ongoing EU-India free trade negotiation. During a seminar on "Tapping Business Opportunities arising from EU-India FTA" jointly organised by the EICC and Rapporteur of the EU-India FTA representing European Parliament MEP Mr Sajjad Karim on November 11, 2008 in the European Parliament, Brussels, EICC Board Member Mr. M S Chandramouli who led the EICC side conveyed to the participants that the FTA would be beneficial for both India and EU and will contribute to the existing framework of trade and economic cooperation. In EICC's view this optimism stems from the fact that the EU is India's largest trade partner and is an important source of FDI. Others who shared their views were MEP Mr Sajjad Karim, Mr Dirk Vantyghem, Eurochambers; Mr Adrian van de Hoven, Business Europe; Dr Sangeeta Khorana, School of Management and Business, Aberystwyth University, UK and Mr Pascal Kerneis, Managing Director, European Services Forum. Significant contributions were injected by Ms Erika Mann MEP and Ms Lisa Mackie of DG Trade.

Since the negotiation on a bilateral trade and investment agreement between India and the EU were launched in Brussels on 28 June 2007, there have been several rounds of negotiations. Although prospects for an agreement appear good, there are however potential obstacles that both parties have to solve. The nuts-and-bolts of the various issues covered and highlighted during the discussion in essence were that EU has lost market share in India as this has dropped from a level of 1/3 of the Indian market vis-à-vis other international countries about 15 years ago to just 20% level now. Therefore EU has particular interest in concluding the FTA as an enabling instrument to regain its position in the Indian market. From the Indian side this requires a concerted lowering of trade barriers and non-tariff barriers. It was also pointed out that there was, however, general pessimism about the speed and thrust of the convergence to the FTA. On the Indian side, Europe represents an enormous opportunity as the Indian component of Europe's international trade is only 2% and for India to raise this to a feasible 5%, small as it may seem, would itself translate to a significant volume jump in absolute terms. In this, services would represent the major thrust area but this is where Europe is at its protectionist particularly in GATS Mode 4 involving the movement of natural persons while applying visa restrictions and work permit formalities. Significant non-tariff barriers on the European side were also analysed to be inimical to Indian goods exporters and needed to be considered more fully in the FTA. The European Commission wishes the free trade agreement to address deeper integration issues such as competition policy, the rights of foreign investors, open government purchasing practices as well as environmental, social and human rights issues. India suspects that such clauses may be used as a pretext to protectionism. India may also simply consider them patronizing given that Indian democracy is older than that of many EU member states.

Earlier on the on November 5, 2008 during a Public Hearing by the Committee on International Trade of the European Parliament in Brussels, Mr Chandramouli had advocated about the need to move fast but not without taking up the issues threadbare in order to make the FTA a reality. India and EU during the Summit in France in September decided that they would ink the trade pact by 2009.

India considering changes in the FDI guidelines

The Foreign Direct Investment (FDI) rules are in for massive changes in India. The Indian Government has proposed extensive changes in the guidelines for foreign direct investment that could impact a range of industries such as telecom, infrastructure, real estate and broadcasting. The changes include such measures as including investments by non-resident entities in sectoral limits, removing foreign institutional investment (FII) towards calculating sectoral equity limits with caveats and withdrawing key norms in Press Notes 3(1997) and 9 (1999) on 100 per cent foreign holding companies and their downstream investments.These proposals were part of a note prepared by the commerce ministry. These are aimed at liberalising the FDI regime not only to attract more foreign investment against the background of a global liquidity crisis but to standardise procedures across various sectors. The relaxations will apply to those sectors that have composite limits (FDI plus FII) and for which there are no separate statutes or rules that specifically govern FDI. If the new norms are cleared, companies will get six months to comply. The note suggests that the changes be implemented in phases. The first phase will finalise methods for calculating direct and indirect foreign equity in Indian companies which will include counting investments by non-resident entities (non-resident Indians and Overseas Corporate Bodies) directly in an Indian company as FDI. NRI investments currently do not figure in the sectoral FDI limits. The government early this month approved the much-awaited comprehensive Insurance Bill, which seeks to raise foreign direct investment cap in private sector to 49 per cent from 26 per cent. The Union Cabinet gave its approval for introduction of the Insurance (Amendment) Bill, 2008 for amendment to Insurance Act 1938, General Insurance Business Act, 1972, and Insurance Regulatory and Development Act, 1999, in the Rajya Sabha (Upper House). The amendments will remove archaic and redundant provisions in the legislations and would incorporate certain provisions to provide IRDA with flexibility to discharge its functions effectively and efficiently.

It is also learnt that the Union Cabinet is likely to consider easing FDI in defence production as part of the drive to shore up investor confidence and give thrust to manufacturing. In this respect, the government is likely to consider various options to provide new thrust to the manufacturing sector and this would include streamlining procedures for FDI. Currently, the government allows 26 per cent FDI in the defence sector. The government is likely to consider various options to provide new thrust to the manufacturing sector and this would include streamlining procedures for FDI. Currently, the government allows 26 per cent FDI in the defence sector.

EU announces new strategy on Raw Materials

The European Commission has announced a wide-ranging plan aimed at improving and securing access to raw materials, amidst growing fears that the financial crisis could prompt a surge of protectionist policies around the globe. Announcing the strategy EU's Commissioner for Enterprise and Industry, Mr. Günter Verheugen said that EU must act to ensure that access to raw materials for enterprises will not be hampered and that it needs a fair play on external markets, a good framework to foster sustainable raw materials supply from EU sources as well as improved resource efficiency and more use of recycling. Taking the form of a ten-point plan, the strategy is based on three 'pillars': access to raw materials on the global markets at undistorted conditions; establishing a framework for the sustainable supply of raw materials; and increased resource efficiency, including the promotion of recycling of raw materials. The strategy will receive input from the Commission, EU members and industry representatives, the Commission said in a press release. Raw materials, which European industry critically needs, are generally limited to a small number of countries which often have a near monopoly on these products and sometimes restrict exports.

The initiative is driven by concern within Europe, which imports between 70 and 80 percent of its primary resources, that governments and industries may soon struggle to source the materials that their manufacturing industries need to make finished goods. The production of a mobile phone, for example, requires 40 different raw materials. Some fear that inaction to secure a stable and undistorted supply of raw materials will put European industries at a competitive disadvantage. "Many resource-rich countries are applying protectionist measures that stop or slow down the export of raw materials to Europe in order to help their downstream industries," the EC said in the statement. "On top of this, some emerging countries are becoming very active in resource-rich countries, particularly in Africa, with the aim of securing a privileged access to raw materials." Growing demand for primary materials from emerging economies has put pressure on the supply of these commodities. According to the EU, there are over 450 export restrictions – intended to reserve raw materials for use by domestic industries – on more than 400 raw materials, ranging from metals to wood and chemicals. Furthermore, many essential raw materials are located in a limited number of countries. China produces 95 percent of all rare earth concentrates, which are used in the production of many consumer electronics, and Brazil supplies 90 percent of all niobium, which is needed for steel alloys. And some crucial raw materials are located in areas of political and economic instability, the EC said.

Ageing Sweden aims to attract Indian workers

Indian workers, both skilled and semi-skilled, may soon be able to seek employment in Sweden which is ushering in immigration policy reforms to meet the ever increasing demand of its labour market. The Swedish government has unveiled a scheme aimed at enabling Swedish employers to recruit workers from all over the world. Under the scheme, foreign employees would be issued documents resembling the US's green cards. Sweden considers this a wise move as the immigration would not only be good for the economy, it will also push Swedish integration in the right direction. Sweden needs skilled immigrants. It would also boost the self-confidence of less well-educated immigrants if they saw more of their compatriots in prestigious positions. For many years now it has aimed to attract the world's best and most intelligent people. The European nation faces shortage of doctors, nurses, engineers, electricians, IT technicians and welders. There is a substantial skills shortage in a number of sectors despite the economic downturn in the EU and statistics indicate that by 2050, one third of the EU population will be over 65 years of age which means that 20 million workers will leave the workforce by 2050.

The proposals include allowing companies to hire staff from anywhere in the world without having to look for a Swedish or EU citizen first and introducing a three-month job-seeker visa allowing non-EU nationals with the right qualifications to come to Sweden to find work. Currently, work permits can be granted for up to 18 months. Under the new proposed system, foreign workers could stay in Sweden for up to four years. Sweden, along with the UK and Ireland, were the only EU countries not to place work restrictions on new member states that joined in 2004. According to Swedish Trade Council), Swedish exports to India grew 42% year-on-year, and has *quintupled* since the year 2000! Many of the largest Swedish multinationals have significant activity in India, among them Ericsson, ABB, Tetra Pak, IKEA, Volvo, AstraZeneca. Other ambitious Swedish companies are growing in India: Oriflame (cosmetics), Telelogic (telecom software), Perstorp (chemicals), Hägglunds (defense), Cybercom (IT), Nobel Biocare (), Smarttrust (telecom), Teleopti (telecom), Elekta (medical eqpt) and many others. Every month a new Swedish company incorporates in India, and several enter through distributors.

EU’s Blue Card is no more a dream; it is a reality as European Parliament votes it

A Blue Card scheme to attract highly qualified migrants to the EU came to a reality on 20 November when the European Parliament (EP) in its session in the French city of Strasbourg gave its support to the European Union’s scheme to attract highly-skilled workers from non-EU countries to help address Europe's skills shortage which is estimated at 20 million people. Last October the Commission proposed the Blue Card scheme to make it easier for skilled migrants to come to Europe. At present there are 27 different visa regimes in place. MEPs in the Civil Liberties Committee wanted the card to be a work and residency permit for 3 years which can also be renewed. Family members will also be allowed into the EU whilst individual countries would be able decide for themselves how many skilled migrants to admit. By way of comparison the US Green Card allows permanent residency for 10 years and allows people to work and travel freely in America. However many MEPs have voiced a fear that Europe will take the best and brightest from Africa and other parts of the developing world which in a modern day "brain drain. In areas and sectors vital to achieving the UN millennium goals - like health and education - which are vital to developing countries.

Volkswagen to source 1 billion Euro auto components from India

India is set to become a hub for auto components for European car industry. German auto major Volkswagen AG is embarking on an auto component sourcing drive from India, which will see the company ordering materials worth one billion euro for its global operations, within the next two years. The company is also aiming at about 70 per cent localisation of its cars produced in India within two years of starting operations at its manufacturing unit in Maharashtra. The company currently makes annual purchases of auto components worth 70 billion euro from suppliers across the globe. The company is also planning to use India as an export market for components to Europe.

Auto manufacturers across the globe are betting big on India for sourcing components. Be it Germany’s luxury car manufacture BMW or Sweden’s Volvo, all have plans to substantially increase sourcing of components from the country that offers advantage in terms of cost, quality and technology. India is emerging as a big hub for auto components due to its competitive pricing, high quality products and high degree of competitiveness in software and engineering. Investments in the auto component industry which stood at $ 5.5 billion in 2006-'07, an increase of $1 billion when compared to the previous year and an expected incremental capex of $ 1.5 billion per annum for the next 10 years, is likely to grow by less than $ 1 billion in FY '08. For Indian suppliers to win the export business during the renewal of these contracts will be challenging in the face of cheaper supply options from China and other members of the Association of Southeast Asian Nations (ASEAN). Moreover, with import duties downsized to between 7.5 and 10 percent from 20 percent four years ago, the real duty protection on imports has been reduced to zero percent. This has led to an influx of imports for India Incorporated due to which the imports of auto components exceed the exports, thereby making India a net importer.

India's Minda buys German auto parts firm

Ashok Minda Group, a Noida-based auto component manufacturer, announced early this month its acquisition of Germany-based Schenk Plastic Solutions GmbH for an undisclosed amount. The buyout will help the group enter the interior plastics business in India through large original equipment manufacturer (OEM) clients such as DaimlerChrysler, Volkswagen and BMW. The interior plastics business involves making all the plastic parts used in a car. Schenk is a €75-million component supplier with two manufacturing plants in Germany and one in Czechoslovakia. Minda already has a presence in the interior plastics sector in Germany after it acquired another interior plastics firm last year for similar reasons. The group has planned an investment of EUR 150 million over the next three years for capacity expansion and acquisitions.

India adds 10.42 million mobile users in October

Indian mobile telephone operators signed up a record 10.42 million users in October which is nearly the population of Belgium and twice the size of Norway, the sector regulator said recently countering a slowdown in many other sectors of the economy. Demand has been driven by the availability of cheap handsets of as low as $15 and call rates that start at 1 US cent, making India the world's fastest-growing market for wireless services and the second-largest after China. India's mobile phone demand is expected to rise to 136 million units in 2009, up 24 percent from 110 million this year. This compares to 17 percent growth in 2008. The mobile handset market in India is likely to reach 237 million units by 2012, which is a compound annual growth rate (CAGR) of 20 percent.

The new additions topped the previous record of 10.16 million in March, and compared with 10.07 million signings in September. India had 325.73 million users at the end of October, data from the Telecom Regulatory Authority of India showed. China has more than 600 million mobile users. Leading operator Bharti Airtel added 2.72 million users in October, taking its total subscribers to 80.2 million, the data showed. Reliance Communications, the No. 2 operator, signed 1.76 million users, swelling its tally to 57.8 million. Unlisted Vodafone Essar, controlled by Britain's Vodafone Plc, had 56.7 million users at the end of October, 2.1 million more than a month earlier. Other operators include state-run Bharat Sanchar Nigam Ltd, Idea Cellular Ltd and Tata Teleservices.

Parsvnath Developers inks joint venture with "Constructora San Jose SA." of Spain

India's Delhi-based realty company Parsvnath Developers has announced that it was foraying into the infrastructure sector with a tie-up with Spanish construction company Constructora San Jose SA. Constructora San Jose is a subsidiary of Spain-based infrastructure development firm Grupo San Jose. Under the terms of the contract, both Parsvnath and Constructora San Jose would hold equal equity in the "The SanJose -- Parsvnath Consortium". Parsvnath and San Jose would hold equal equity in the joint venture company San Jose-Parsvnath Consortium. The JV would bid for projects in transportation, aviation, power generation and transmission among others. Many realty companies such as DLF, Unitech, Anant Raj Industries and HDIL are already active in the infrastructure space. DLF has tied up with UK company Lang O'Rourke for construction projects. After real estate, Parsvnath is growing its operations in hospitality, retail, SEZs among others. The company is developing 211.32 million square feet of space across the country.
