



Europe India Chamber of Commerce

Newsletter

Issue: 35 & 36 Volume: 4

February 2011

Europe's Apex Chamber hosts international conclave on EU-India trade and economic relations

The FTA between EU and India will introduce a new chapter in EU-India economic relations and improve market access for services and business and increase flow of foreign direct investments and will give Indian companies privileged access to a market of 500 million people, said the EU trade Commissioner Mr. Karel De Gucht while addressing a business conference in the European Parliament on 9 December 2010 in Brussels. He dismissed some reports that the FTA will harm India's pharmaceutical industry as not true, adding that "it will in no way limit the scope for manufacture and export of life-saving medicines". The EU Trade Commissioner was speaking at the Europe India Chamber of Commerce conference on "Building a new paradigm for EU-India relations through enhancing trade and investment". The Conference was organized in partnership with Eurochambres. The Belgo-Indian Chamber of Commerce and Industry (BICCI) was the associating organization for the event.

This high level Conference was attended by more than 150 industrialists, business leaders, European policy makers, representatives of the European Commission, professionals and trade experts from countries of the European Union and India. The event was organized on the eve of the EU-India Business Summit (which took place in Brussels on the 10th December. and was EICC's tribute to the growing importance of EU-India trade and economic relations. Through organizing this conference the EICC once again showed its commitment to serve the interest of Indian and European business as the voice of business and an advocate for free enterprise. The Conference took place in the midst of extraordinary challenges posed by the global financial and economic crisis as a result of which Europe's economy is struggling not seen since the creation of the single market in 1992 and subsequently unified currency now used by 17 European countries. Given that the proposed FTA between EU and India aims to enhance market access opportunities identifying export problems, in India there is a sense of apprehension that the EU is pursuing an aggressive agenda while at the same time following protectionist approach about a number of issues. The Conference was panel focused with insights into addressing the core issues pertaining to inbound / outbound investment from India to Europe and vice versa that invariably affect EU-India trade and economic relations. The Conference heard views of experts and participants exchanged ideas on the broader side of the trade related issues such as regulatory and legal framework, taxation and tariff policies and other incentives in India and Europe. The event served as a key platform offering an unparalleled access to a full spectrum of industry leaders, business executives, policy makers and representatives of the European Commission to share their views. The forum provided an opportunity for the delegates to access important presentations, engage in discussions and network with specialists across a range of topical issues.

In the years to come all will say that great wine must age like EICC conferences. There is always a sense of excitement as you uncork a bottle. For EICC over the last 6 years sparks seem to be flying high, higher and it seems it will reach the highest pinnacle in some time soon, if not already. The EICC conference, with all its grandeur and colors, is now not just a 'conference' anymore, but has transformed itself into a platform for high level discussion on policy issues - a platform which witnesses knowledge transforming into valuable interaction and experienced business leaders flocking together to share and learn new ways to do business. Every year the EICC conference has witnessed a big turnout – not only the first timers to the event, but also business people who are conference regulars. This shows that the previous conferences have been quite a hit with the people and they see value in attending the conferences. It was therefore no surprise that the EU trade chief choose the EICC platform to announce the state of FTA negotiations as well as EU's commitment to ink the agreement soon.

The Commissioner in his address said:

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettewie, (bte. 18), 1080 Brussels
Tel: +3224692677 Fax: +3224692677 Web: www.eicc.be E-mail: info@eicc.be

Editor: **Secretary General**

“We are currently at a decisive moment in the negotiations for an ambitious free trade agreement. And I hope we can make good progress. The Agreement would set up closer ties with the EU, the world's largest trading block, and India, one of the most dynamic emerging economies. But it would also bring together two continents, its traders, businesses, consumers and ultimately its people.

It will introduce a new chapter to our bilateral economic relations. It will cement the solid foundations of a relationship which is just starting to develop towards its full potential. The Broad-based Trade and Investment Agreement with India is one of the EU's most important trade initiatives also in the EU's new Trade strategy announced last month. It would be the first free trade agreement that the EU concludes with a major emerging economy. It would cover two markets representing more than 1.5 billion people.

The EU is not only India's most important trading partner (corresponding to around 18% of India's total trade) and number 1 destination of Indian exports, but also a major source of India's Foreign Direct Investment. Compared to China, India's share in the EU's market is still fairly small (China's share: 12.9%; India's share: 2.3%). So there is certainly great potential to rebalance that share. There is no doubt that both parties stand to gain significantly from the FTA. Let me just shortly sketch out our expectations as to the benefits this FTA could generate:

The reciprocal elimination of substantially all import tariffs would make it cheaper for business to trade, for manufacturing to import component parts and for consumers to purchase. Improved market access for services and investors will allow businesses to better sell their services abroad and consumers to have cheaper access to high quality services. At the same time increased flows of FDI would stimulate productivity gains and act as catalyst to promoting businesses and creating jobs.

The FTA will also tackle regulatory barriers such as sanitary and phytosanitary measures, customs procedures, competition rules, the protection of intellectual property and non –tariff barriers to trade which – if not addressed effectively – could hamper the market access considerably.

Reciprocal access to both sides' procurement markets would not only act as catalyst for more efficient public policies, but also provide huge business opportunities and economic growth with a potentially significant impact on transport and infrastructure networks.

All in all, we expect to significantly improve the overall climate of doing business by facilitating mutual market access which will contribute to stable and steady growing economies.

Concluding an FTA with the EU would give Indian companies and entrepreneurs privileged access to a single market of almost 500 million inhabitants, thereby creating jobs and growth in India.

Some people have suggested that our trade deal would endanger India's role as pharmacy to the world. Nothing could be further from the truth. We agree that nothing should prevent the poorest people from accessing life-saving medicines. This remains a core principle and will be reflected explicitly in the trade agreement. The agreement will in no way limit India's scope for developing and exporting life-saving medicines.

The intellectual property chapter of our trade deal is instead designed to promote innovation and investment in the knowledge economy. The legislation of both India and the EU in a number of areas, such as protection of geographical indications, is based on a higher level protection than the international minimum, in other words the WTO TRIPs agreement. Where this is the case, our bilateral agreement will reflect this higher level of protection.”

Earlier, Chairman of the EICC Mr. Geoffrey Van Orden in his welcoming remarks said that he was delighted to be speaking also as a British Conservative MEP and emphasized that Britain has a long-standing relationship with India, and added that although he has sometimes felt, certainly in the 1970's and 1980's, that this relationship was somewhat neglected, he was very pleased that in the UK, the new Conservative Prime Minister, David Cameron, has made Britain's relationship with India one of his top priorities. The Chairman said: “Between 2005 and 2009, India has seen its overall trade with the EU (in

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettwie, (bte. 18), 1080 Brussels
Tel: +3224692677 Fax: +3224692677 Web : www.eicc.be E-mail: info@eicc.be

Editor: **Secretary General**

both goods and services) grow by the impressive rate of around 7% per year. Over the same period there has also been a substantial growth in Indian investment within Europe, as well as European investment in India. There are now hundreds of European-owned companies providing jobs and opportunities in India. There are 1200 Indian firms operating in the EU (700 have their European headquarters in the UK) while, in Britain alone, Indian companies now employ some 90,000 people. Tata UK Limited is now the largest single manufacturing company in the UK. There is an annual trade of over €30 billion in goods and services each way between the EU countries and India. European companies can offer India hi-tech industries and high-added value goods, as well as world class expertise in the service sector - especially in the field of legal services. Indian companies can offer European countries their expertise in IT and related industries, as well as in accountancy. They also have a rapidly expanding R&D base - something we should take note of in Europe - and offer clear cost advantages associated with large-scale production. Despite all this, I have to admit that I was rather shocked when - in the context of the Irish financial crisis - it was pointed out that the UK does more trade with the Republic of Ireland than with Brazil, India, Russia and China combined. The population of the Irish Republic is 4.5 million - the BRIC countries are 2.4 billion and of course, India alone has a population of over 1 billion”.

Mr. Van Orden said that the conference was taking place on the eve of the 11th EU-India Summit, which will be attended by India's Prime Minister Manmohan Singh, as well as various senior EU representatives. Key points on the Summit agenda are: making headway towards finalizing the important EU-India Free Trade Agreement, renewed co-operation in the fields of energy and climate change, as well as increasing EU-India co-operation in the fields of security and counter-terrorism. It was very appropriate therefore, that the EICC organized this conference when trade and investment issues can be discussed in more detail. Concluding his remark he said that EICC, as the only pan-European and intercontinental chamber, really was becoming a brand name in Europe helping to identify key trade issues, and putting itself in a position to provide key services to members. “Besides here in Belgium we now have offices in Poland, France and Spain and has close relations with Chambers of Commerce and trade organizations in all of those countries and others. And in particular sectors, I am pleased to see the creation of a Europe India Security Trade Council that will be focused on security manufacturing companies”, he concluded.

Speaking at the event President of the EUROCHAMBRES Mr. Alessandro Barberis said “India is one of the fastest growing economies in the world and a great source of unfulfilled potential. At the same time, European companies can offer high-tech and innovative industry. It would be regrettable if political leaders failed to recognize the importance of urgently formalizing a mutually beneficial trade deal.” He added that despite the momentum of the last few months, it is unlikely that the EU and India will announce the conclusion of the FTA negotiations tomorrow, because of a few sticking points. Still, a study commissioned by the European Commission estimates that signing the FTA would lead to a potential 30% increase in bilateral foreign direct investments for both economies. Therefore, strong efforts are badly needed, both from the policy makers to put in place the FTA and from the private sector to stimulate the demand and matchmaking opportunities between entrepreneurs from Europe and India. He added that to this end, initiatives like the ‘European Business and Technology Centre’ (EBTC) in India go in the right direction. In 2010 alone EBTC took about 100 European companies to India, organized B2B meetings for them and indirectly generated new business deals between the two parties.

Addressing the event, President of the Belgo Indian Chamber of Commerce and Industry Mr. Philip Vlerick said that India and Belgium share a long history of business relationship. Belgium is the third largest trade partner of India in the EU with annual bilateral trade turnover of about Euro 7 billion with diamonds, gems and jewellery accounting for a sizable portion of the two-way trade. Belgium is a founding member of the 27-member European Union and hosts the EU headquarters and other international organizations like the North Atlantic Treaty Organization (NATO). India's major items of exports to Belgium are: natural pearls, iron and steel, organic chemicals, apparels, marine products, tobacco and plastics. India's major items of imports from Belgium are iron and steel, nuclear reactors, plastic articles, electronic machinery, optical and surgical instruments. He also said that both India and Belgium felt that they should work towards facilitating business-to-business contacts, focusing on SMEs and to create an enabling business environment. He also called for regular interaction between the two countries to provide a useful opportunity to discuss means for widening the bilateral economic and commercial engagement.

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettwie, (bte. 18), 1080 Brussels
Tel: +3224692677 Fax: +3224692677 Web : www.eicc.be E-mail: info@eicc.be

Editor: **Secretary General**

India's Ambassador His Excellency Dr. J. Bhagwati spoke about the current economic crisis and how India and EU can join together to mitigate its effect. The Indian economy has emerged relatively unscathed from the impact of global financial meltdown and recession in advanced economies to grow at an impressive more than 8 per cent in 2009-10. The impressive economic performance even in the wake of severest economic crisis shows the resilience of the Indian economy. In part, this must be attributed to the fact that India escaped the global financial contagion, as the Indian banking sector was not exposed to sub-prime lending and risky assets. India's continued good performance demonstrates its resilience and the fact that much of the growth in India is fuelled by the high rates of domestic savings and investment, he added. Although India weathered the financial turbulence well, the global environment did impact adversely on the economy and said that the global financial crisis caused large outflows of capital as institutional investors liquidated their holdings and created turbulence in the Indian stock market. This led to serious liquidity problems for the Indian manufacturing sector and adversely impacted on the real sector of the economy. The decline in the exports affected many sectors such as textiles, gems and jewellery, chemicals, tourism, information technology and automobiles and parts. Despite these effects, the economy recovered much faster and, after months of continuous decline, exports registered a remarkable turnaround with growth of 18 per cent. There has also been a surge in capital inflows in recent months.

"India plans to double its infrastructure spending to \$1 trillion in the five years to 2016-17 to achieve 10% annual growth rates and this would require new funding sources and said that the country needs to upgrade its creaky and inadequate infrastructure to support growth that is expected to accelerate to double digit by 2011-12, and a bulk of this new investment would be from private firms. With the current GDP growth of more than 8%, in which there is contribution of nearly 51% from services and 16% from manufacturing sector there is a need for proper alignment of resources", the Ambassador added.

Speaking on the occasion, the Director General of the Business Europe Mr. Philippe De Buck said that despite the optimistic growth scenario, the Indian economy faces several challenges. He also said about the importance EU-India trade and economic relations and the resilience of the Indian economy. On the current state of FTA negotiation he said that both sides are also trying to negotiate two other major irritants - a dispute over intellectual property rights relating to Indian-made generic drugs, and the resistance of EU member-states to free movement of Indian professionals. The accommodation of Indian concerns on both is crucial to a satisfactory trade agreement. He applauded the intense work done by the negotiators at all levels to advance the negotiations in a manner that will support business development and said that he recognised the political challenges. He offered to work closely with you to help explain the potentially huge economic benefits that this deal may offer. He also said that the agreement should address and deal with the prospective economic developments of the EU and India in the 21st century. The agreement should go beyond the current state of play. It should integrate the development opportunities in both our economies. What are the new waves of growth that will define the economy of tomorrow? What role will the EU and India play in global trade in ten or twenty years? According to him a modern FTA should liberalize all trade, and not only parts of it. We should not exclude any industrial sectors from tariff liberalization even if we recognise that time lines for liberalization may vary from industry to industry. We should also exploit the full potential of services companies that are increasingly globalised. There are a number of long-standing obstacles that have to be addressed in order to facilitate services market access in key sectors such as insurance, retail and legal services. Mr. De Buck also said that he strongly supports an ambitious chapter on the entry of skilled services personnel – or MODE 4 – as it is commonly referred to in trade language. In addition to that, the agreement must tackle the numerous non-tariff barriers that companies face in their business operations. In order to fulfil this objective we need to create the right framework conditions and have to remove restrictions on establishment and mobility for businesspeople. We should also advance on a strong investment protection chapter as cross-border investment is one of the most dynamic aspects of our business relationship, he said. India and the EU are investing massively in upgrading infrastructure to deal with development and sustainability challenges. These projects offer great opportunities for partnership and technological progress. That is why we want to include procurement liberalization in the trade agreement, he added. On the issue of cooperation on technology, he said that Promoting innovation is the way forward to ensure the future competitiveness of our companies. Increasingly our companies are

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettwie, (bte. 18), 1080 Brussels
Tel: +3224692677 Fax: +3224692677 Web : www.eicc.be E-mail: info@eicc.be

Editor: **Secretary General**

cooperating in technological developments from the automotive sector, to the pharmaceuticals sector and also in clean technologies. Strong intellectual property rights protection is crucial to foster this cooperation and must be an important part of the agreement, he expressed.

The Session “Realising Potentials: New Paradigm in Facilitating Trade and Investment between the EU and India” was chaired by Mr. Sanjay Dalmia, Chairman of Dalmia Group of Companies. Mr. Poul Jansen made a special presentation on European Business and Technology Centre (EBTC) operating in India and how Indian and European companies can take advantage of the technical assistance offered by the Centre (the programme is supported by the European Commission). In his presentation Mr. Jensen said that a burgeoning middle class and expanding green industries make India an attractive proposition for expanding European firms. However, understanding local business culture and laws is the difference between success and failure. His presentation was to make aware of the services that EBTC which advises European businesses on how to navigate the early stages of expansion to India, provides. He added that EBTC’s core focus is on biotechnology, energy, the environment and transport – all areas which will have a major effect on how the world’s second most populous nation handles climate change. The EBTC provides market intelligence and cultural training, but can also offer SMEs a cheap way of setting up shop in large Indian cities. On market access issues in India, Mr. Dilip Mehta, CEO of Rosyblue group shared his views on the challenges before India while on market access issues in the EU, Mr. Rajdeep Sahrawat, General Manager, Corporate Affairs of Tata Consultancy Services offered his perspective on the theme of the session. Mr. Dileep Patil, CEO of CG Power shared his vision on enhancing EU-India business relations. The Session “Identifying Factors: Changes Needed in Investment Policies to Enhance Trade and Capital Flows between the EU and India” was chaired by Mr. Ravi Mehrotra, CBE and Chairman Foresight Limited. While Mr. Laurens Narraina, Partner of PwC spoke on the Indian tax policy towards foreign inward investment from an European perspective, Dr. Daniel Sharma, Partner and Co-Head India Group Continental Europe of DLA Piper spoke on the recent developments and challenges in the Indo-European cross-border M&A. Mr. Philippe Péters, Partner of NautaDutilh shared his views on regulatory aspect of the intellectual property including REACH, and Mr. Thierry Charon, Partner of Loyens & Loeff spoke on the strategic importance of legal issues connected with EU Imports and Customs. Several European policy makers and business leaders shared their views on “Developing Policy and Institutional Framework for addressing barriers to Trade and Investment: Stakes for EU and India”. This session saw Mr. Nirj Deva, MEP and Dr. Ajit Shetty, Vice President of Johnson & Johnson sharing their vision and perspective.

The event was a grand success in fulfilling the expectations of participants from India as well as from Europe with many interesting and thought provoking presentations and a great amount of interaction among the attendees before, during and after the conference. The Conference received support from ING bank, INEA and Rosyblue and the chamber thanks them for their support.

“Brilliant India” showcases strength of Belgo-India trade and economic relations

Flanders Investment and Trade organized the “Brilliant India” evening on the 9th December in the Egmont Palace to showcase the history and strength of Belgo-India trade and economic relations. The event was organized in association with EICC and BICC&I and other chambers in Belgium and coincided with the official visit of India’s Prime Minister Dr. Manmohan Singh to Belgium for the EU-India Summit.

Addressing the event, Dy Prime Minister and Minister for Foreign Affairs and Trade of Belgium Mr. Steven Vanackere said that Belgians and Europeans alike now look with a mixture of surprise and admiration – and probably a trickle of envy as well - towards India’s performance, which in the course of this year again displayed an impressive economic growth of almost 9%, figures we in Belgium can only dream of. Moreover, India has also proven its resilience to the global economic crisis. Today Belgian businesses, including small and medium sized enterprises, are discovering what is behind the “I” of BRIC. Belgium has an open economy: every single Belgian business man or woman is juggling with questions like: How do I fit India in my global business strategy? Which part of the subcontinent is the best place for my investment? What will I buy from India? What will I sell to India?, he said.

On the Belgo-India trade relations, the minister said that “Belgium is the third biggest European trading partner of India, immediately behind the UK and Germany. Today, Belgium is also one of the prime

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettwie, (bte. 18), 1080 Brussels
Tel: +3224692677 Fax: +3224692677 Web : www.eicc.be E-mail: info@eicc.be

Editor: **Secretary General**

sources of foreign direct investment in India, ranking 20th, just after Russia, but before Australia and Canada. Today, there are around one hundred fifty Belgian businesses firmly established in India, and this number is growing every month". Speaking the advantage Belgium has, the minister said "Belgian ports are the biggest gateway to Europe for Indian goods. Our ports are strongly linked together, and Belgian dredgers, logistics firms and other port-related service providers are very active in India. During the Princely Mission this March, not less than 6 high-profile contracts and agreements were signed. In addition, several Belgian firms are now linking up with India in the railway sector. Belgian and Indian firms are cooperating closely in the renewable energy sector, taking advantage of India's ambitious plans in this area. Prominent Belgian players have ambitious projects in India in the area of solar energy, wind energy, biomass and geothermal energy, contributing their part to tackling climate change. No surprise that clean technology will feature prominently on the EU-India business summit". The minister was very proud to say that "several Belgian firms are closely related with the Indian Unique Identity (UID) Project, one of the most ambitious and largest scale e-governance projects in the world. I am sure these firms will bring back home tremendous experiences and lessons learned in India". He also added that "An increasing part of our bilateral trade and investment flow concerns sophisticated products with high added value. This brings us to the need to enhance our bilateral scientific and technological cooperation to our common benefit. The innovation shown by Indian companies in manufacturing reliable technological products that are affordable for lower income families, should serve as an example to Belgian businesses. In this light, there is one great example I would like to mention: Belgian SMEs have, with the support of our authorities, the Indian Space Research Organization and the Institute of Observational Sciences, already been involved in space cooperation projects". The minister called upon the fruitful negotiation of the EU-India FTA agreement and said "the ambitious free trade agreement between Europe and India that lies on the table needs to be concluded quickly. Concluding this agreement as soon as possible is no doubt THE biggest contribution for our mutual trade and investment relations and for our joint development. I hear hopeful signals across the table, both from Indian and European policy makers. Negotiations near conclusions: our D-Day should be early next year". The minister spoke about the unique advantage Belgium . "Today, Belgium is ready to be India's gateway to Europe. Other Asian countries have already made extensive use of our infrastructure and our manpower: I'm thinking in particular of our seaports, our airports as a hub between India and Europe and beyond, both for passenger and freight traffic. Belgium is located in the heart of Europe and is in the lead class of EU countries taking back up solid economic growth. Belgium has an incredibly skilled and multi-lingual labour force and has advantageous tax regimes for foreign companies keen to invest in Belgium. There is a vibrant Indian business community here that will no doubt agree with this", the minister added.

Addressing the event India's Trade and Commerce Minister Mr. Sharma said that EU is India's largest trading partner and accounts for 21% of India's total exports and 16% of total imports. From the European side this figure is not very impressive and India accounts to 2.4% of the total EU's export and 1.9% of the total EU's import. India is presently ranked 10th in the list of the EU's trading partners in 2008, up from 15th in 2002. Apart from this EU is the largest source of foreign direct investment in India. India and the EU are now significant economic partners and in future ascending trends would characterize this partnership. He also said that India and the EU shares the common vision for a democratic, multi-cultural and multi-polar world order. With these commonality in the approach towards the international relations there are ample of scope for the two sides to increase cooperation on several relevant issues which ranges from fight against terrorism to climate change. Despite this, both sides suffer from concrete foreign policy approach and this dilemma mars prospects of getting into a close bonding. Undoubtedly, he said that EU is the best example of cooperation between the sovereign states in the history of international relations, but economics is in the core of this association. Mr. Sharma expressed optimism of concluding the negotiations by early 2011. The Indian side has emphasized that there was a need to find common ground where sensitivities of both the sides are protected and mutually satisfactory solutions are found. He also said that both India and the EU must play their role and express political willingness to project themselves as independent world players. There are plenty of opportunities for India and the EU to play a vital part in the global crisis of Middle East, Afghanistan, Iran, international terrorism etc, but all depends on the way these two will consider their own positions. Any political cooperation with common vision of just and equitable world order would be beneficial for India and EU.

The event was also addressed by the Co-Chairman of the EICC Mr. Sanjay Dalmia, Presidents of the CII and FICCI. On the strength of Indian economy Mr. Dalmia said that India is expected to increase its growth rate to 9-9.5 per cent during 2013-15 on the back of continuing structural reforms, globalization and a sterling demographic dividend. The Indian economy may have expanded more than 9 per cent in recent months - fastest pace in more than two years, driven by high industrial growth and increased private investments. Mr. Dalmia on the investment opportunities that lies in India said that investment opportunities in India have resulted in an overall growth in various industrial sectors. He said that a renewed government focus on infrastructure and the rural economy and continued buoyancy in the services sector will sustain the expected economic growth, and with it, strong growth in other areas of the Indian economy. He added that India is likely to see significant investment activities in infrastructure. Backed heavily by Government legislation and plans to spend an estimated \$500 billion over the next 5 years, it is hoped that infrastructure developments will progress at a faster rate than ever before. "Foreign direct investment (FDI) trends lucidly present the growing Indian investment opportunities by the overseas investor. Various foreign firms across different industrial sectors are on a look out for investment opportunities in Indian market", he concluded.

The EICC Advisory Board Member Mr. Hemakiran Gupta spoke of the rich experience the TCS has in operating as its hub in Belgium and why TCS considers Belgium as the most business friendly country in Europe. The Director of FIT Mr. John Verzele made an impressive presentation of the opportunities Belgium offers for Indian business as a gateway for Europe.

EU-India summit in Brussels pushes for trade agreement by mid-2011

The Eleventh European Union - India Summit which was held in Brussels on 10 December 2010 accelerated the progress towards signing a Free Trade Agreement (FTA) by 2011 spring. The Republic of India was represented by the Prime Minister, Dr Manmohan Singh. EU was represented by Mr Herman Van Rompuy, President of the European Council, and Mr. Jose Manuel Durão Barroso, President of the European Commission. This was the first EU-India summit to be held after the EU's Lisbon Treaty came into force on 1st December, 2009. The 27-nation European Union is India's largest trading partner and a significant source of investment and technology. Although the Summit was held under the shivering snowy condition, it brought some significant gains for India both diplomatically as well as economically. Though India and EU have an annual summit – alternatively in India and Europe – the 11th one was special as the Lisbon Treaty has powered the EU politically and institutionally. In addition to the free trade negotiations, the issue of migration of Indian workers to EU countries has remained mired in controversy because some EU countries, in the face of economic crisis are resisting even if this is economically beneficial for them.

Bilateral trade between the EU and India was worth €69bn in goods and services during 2009. The EU accounted for 21% of India's total exports and 14% of India's total imports. The EU has so far been the biggest investor in India, with a cumulative volume of about €20 billion since 2000. But officials note there is still much potential for trade growth. Negotiations, which started in 2007 and aim to dismantle tariffs on over 90% of traded products, have stumbled amid several obstacles. Officials said they were still stuck on a sustainable development clause that includes in the agreement human rights and environmental standards. The negotiations are of crucial importance as the free trade agreement is expected to boost the orders of India's apparel exporters to roughly €2.3bn and create 2.5 million jobs in India's textiles and garment export sectors. Intellectual property rights is one of the sticking points in that the EU and India are retrenched behind their own positions on the trade-related aspects of intellectual property. The row concerns Indian exports of generic drugs. Two years ago a shipment of generic drugs from India to Brazil was seized by Dutch customs during transit. The Dutch cited violation of European patent laws. India's intellectual property regime is in compliance with international trade-related intellectual property rights, but it is not quite as stringent as EU intellectual property laws, according to the EU. The 27-nation EU is also a big investor in India. The Broad Based Trade and Investment Agreement, in the works since 2007, aims to dismantle tariffs on most products traded by the two sides. Expectations are that it could push bilateral trade to as much as €100 billion. But the negotiations had stumbled on EU insistence over including a clause on sustainable development that would hold trade and investors to strict human rights, particularly labour rights, and environmental standards. India had resisted this. It is unclear if the joint declaration's reference to "significant progress" in the negotiations means the two sides have resolved

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettwie, (bte. 18), 1080 Brussels
Tel: +3224692677 Fax: +3224692677 Web : www.eicc.be E-mail: info@eicc.be

Editor: **Secretary General**

the issue. The EU had indicated it would not let this condition stand in the way of the agreement, but it is in India's own interests to follow best practices while ensuring adequate protection to the interests of domestic trade and industry and the workforce. Both sides are also trying to negotiate two other major irritants — a dispute over intellectual property rights relating to Indian-made generic drugs, and the resistance of EU member-states to free movement of Indian professionals. The accommodation of Indian concerns on both is crucial to a satisfactory trade agreement.

India's Minister of Commerce & Industry Mr. Anand Sharma addressed the India–EU Business Summit which was held on the sidelines of India-EU Summit. The summit was organized by the Federation of Enterprises in Belgium (FEB) and Business Europe. The theme of the summit was “Partnership Opportunities for Sustainable Development”. The Minister, in his remarks, mentioned that strategic partnership between India and EU is underpinned by strong business relations which have expanded in the last few years to all areas of engagement. Sharma emphasized ten areas of cooperation for the decade, namely, infrastructure, the entire gamut of services industry, skill development, entire spectrum of renewable energy, nuclear commerce, the entire value chain of agro business, innovation and research, space, manufacturing and pharmaceuticals. He also expressed optimism for an early conclusion of the Broad-based Trade and Investment Agreement (BTIA) with balanced gains for both India and EU. The minister expressed optimism of concluding the negotiations by early 2011. The Indian side has emphasized that there is a need to find common ground where sensitivities of both the sides are protected and mutually satisfactory solutions are found. EU's ambitions of promoting effective multilateralism across the world can only be realized if it adopts a more all-embracing and expansive approach towards the emerging powers, he added. The minister also said that instead, seeking synergies on issues ranging from climate change and sustainable development to countering the terrorist threats may be the place to start. Further for both the EU and India, extending continued support towards effective functioning of the UN, countering terrorist threats may give provide enough common ground for giving the much needed definition to EU-India relations.

Mr. Steven Vanackere, Dy Prime Minister and Minister for Foreign Affairs and Trade of Belgium in his remark said that the EU is the world's largest economy with a purchasing power GDP of 15.300 billion dollar, which is more than the US, or even than China and Japan together. Europe is home to the largest number of multinationals in the world, where the headquarters of 161 of the Global Fortune 500 companies are based, again more than either the US, Japan or China. “With more than a quarter of the world's expenditure in R&D and 29% of the world's scientific publications originating form the EU, research is one of Europe's spear heads. With an increasingly globalised and interlinked economy, every European businessman is currently thinking of how to fit emerging powerhouse India in its global strategy and questions himself: which part of the subcontinent is the best place for my investment? , what will I buy from India? what will I sell to India? After the crisis year 2009, there was an immediate vivid regain of our bilateral trade by 27% in the first months of 2010”, the minister said.

Mr. Vanackere added: “The Broadbased Trade and Investment Agreement is of strategic importance to both sides and an ambitious agreement will create immense opportunities to spur economic growth for both our economies, and for your businesses. Only real partners can move these negotiations forward and conclude them. From the perspective of the Belgian Presidency of the European Union, I believe we did our part in supporting this goal.

India and Europe have a lot more in common democracy for example. After India, Europe is the largest, most populated democracy in the world. ‘Unity in Diversity’ is another example. We both speak many different languages – there are exactly 23 official languages in both India and the European Union - and treasure different cultural traditions. There exist so to speak as many differences or similarities between a Delhiite in the North and a Tamil in the South as between a Swede and an Italian. India however is a country with a national identity in the world. Europeans are actively building their European identity and all Belgians are feeling they are, both as Belgians and Europeans, partners of India.

It may seem overambitious to speak of partnerships between Belgium, a country of ten million people, and India, a fast developing power of more than a billion people, I would like to quote just a few figures. Belgium ranks twelfth in the world in terms of Gross National Product per capita and twentieth in GNP in

absolute figures. It ranks twelfth in value of its exports. This demonstrates a high level of economic development and also of know how in export and international trade.

I always like to urge European companies to venture more actively into India. They do not go into unchartered territory. Europeans and European companies have been trading with India for centuries. I can speak from a Belgian perspective. Already in the 19th century, Belgium was known in India for its manufacturing excellence, especially for its quality glass, lace iron and steel products. From their travels in Europe, Maharajahs and merchants would also bring back huge and sumptuous Belgian cut-glass or crystal chandeliers and mirrors. These pieces can still be admired alongside works of the great Flemish masters in such places as the Marble Palace in Calcutta, the Residence of the Prime Minister, and the Presidential Palace, and in museums across India.

Since then much has changed, and our partnership has evolved. India is one of the emerging giants, and is leading the way in the recovery of the world economy. Belgian and European companies are very much part of that growth story: European companies still account for the bulk of foreign investments in India. Alternatively, Indian companies became increasingly investors in the whole of Europe and in Belgium, demonstrating their confidence in mutual growth perspectives. But there are still many opportunities to be explored and all kind of partnerships to be developed”.

Speaking earlier, Mr. Karel De Gucht, the EU Trade Commissioner, complimented the hard work done by officials of both countries in keeping the momentum going in the negotiations for the EU-India BTIA. Mr. de Gucht said that the real owners of this agreement were the business communities of both countries who have stayed engaged with each other and provided support to both governments to make this trade agreement a possibility.

The EICC was a supporting organization to the Summit and several of its members attended.

EICC Board Meeting in Brussels discusses strategic plan for the future

The EICC held its Board of Directors meeting on 8 December 2010. The meeting deliberated important developments since its last meeting in May and also discussed emerging issues. The appointment of Mr. Geoffrey Van Orden MEP as Chairman of the EICC was ratified. Secretary General outlined the Chamber's accomplishments of the past years and more particularly since May 2010 and goals for the next years. The members of the Board of Directors discussed several emerging issues and stressed the importance to continue implementing the Chamber's strategic plans that aim at supplying its members and the business community with the best quality services and initiatives. The Board members approved participation of EICC as Co-organizer in the Global India Business Summit to be held in June 2011 in Naples and authorized board member Ms. Francesca Cesca to become the nodal point for the Summit on behalf of the Chamber and work with EICC Resident Director in Spain Mr. Gour Saraff. The Board authorized the Secretary General to further explore the possibilities of organizing a tripartite business conclave on EU-India-China business cooperation. The meeting also approved the financial statements of the Chamber. The members of the Chamber's Board of Directors came out with a number of recommendations. Other issues that were discussed are: implementing EICC mission and vision through addressing the issues that affect trade and economic relations between EU and India, and how the EICC can become the most effective tool to help realize the vision; developing membership base must remain the priority of the chamber and efforts should be made to develop close relationship with bilateral chambers; adhering to the principles of the EICC mission statement for its activities. It was decided that the Report of the Finance Committee should remain as the blue print of our future development. The association of TCS representatives in the Advisory Board was hailed as an important development. The Chamber is guided by those elected to serve on the Board of Directors.

EICC participates in the Vibrant Gujarat 2011 Global Investors Summit

The fifth Vibrant Gujarat Summit (VGS) 2011, a biennial event initiated in 2003, was held on January 12-13, 2011 in Gandhinagar. Institutionalization of various economic development-related promotional activities under the VGS represents an important innovation deserving much closer study both nationally and internationally. This was the second time that EICC participated in the Vibrant Gujarat summit. The global meet saw almost all who's who of Indian business and corporate world present. EICC Chairman Mr. Geoffrey Van Orden was made the state guest. The EICC got massive national coverage in all the

newspapers and media and statement of the chamber's Chairman highlighted in the newspapers. Addressing the Summit, Mr. Van Orden said that Gujarat today is receiving attention of global investors as the state has transformed itself into economically vibrant and investment friendly state. He called the Indian business leaders present in the Summit to take advantage of the services the EICC offers for them in Europe. A joint delegation of CBC and EICC had one-to-one meeting with Chief Minister to discuss how these chambers could be associated in the economic development of the state. The CM informed the delegation about potentials for the tourism industry in Gujarat and how European countries could help the state in developing its hospitality and tourism industry by offering technical expertise and experience.

A staggering 7,936 memorandums of understanding (MoUs) for Rs.20,83,000 crore (about \$462 billion) worth of projects have been signed in the two-day Vibrant Gujarat Global Investors Summit. The whopping investment would also result in about 5.2 million additional jobs. The previous edition of the summit in 2009 had resulted in about 4,000 MoUs being signed for investments worth Rs.12,00,000 crore (about \$243 billion). The investments on account of this year's Vibrant Gujarat Summit are higher than India's foreign exchange reserves estimated at around \$300 billion, though how many of these MoUs turn into actual projects is a matter of conjecture. With the who's who of India's corporate world in attendance here, the chief minister told the summit that the 21st century belonged not just to India, but also the larger Asia and Africa.

Gujarat's gross domestic product (GDP) rose in double digits thrice during the last one decade. In comparison, India's GDP could never cross single-digit growth even once. Clearly, if the country posted handsome growth during 2000-2009, it was on the back of a strong performance by the country's powerhouse - Gujarat. An important feature of governance in Gujarat has been not to regard each VGS as a discrete event, but to integrate it in the broader governance philosophy and day to day administration. The fifth VGS represents a new evolutionary phase as it has successfully initiated the process of establishing India as a global business, knowledge, technology acquisition and sharing hub. A robust finding from the growth theory is that acquisition, adaptation and diffusion of knowledge embodied in human resources, capital and equipment, and in organizations and institutions is the primary factor contributing to sustained and broad-based high growth. The thrust of the fifth VGS is thus consistent with the sophisticated theory of what makes countries grow in a balanced manner, and can therefore contribute significantly to realizing the objective of an advanced India. The 21st century national and global challenges require best minds from diverse fields to regularly communicate with each other in a conducive atmosphere, and the VGS has established a track record to be considered one such global platform.

Japan and Canada were the partner countries for the fifth VGS, along with UNIDO (United Nations Industrial Development Organization). Japan is arguably the most important strategic partner of India in Asia. Japan's proficiency in manufacturing technology and practices, and energy efficiency of its economy, including its expertise in ecologically modern cities, is of vital interest to India. In addition, its assistance for India's railways sector has been significant. This was the second successive VGS in which Japan was partner. PwC was the knowledge partner of the VGS.

Canada is a resource-rich country, attempting to diversify its global linkages. Its relatively large physical size and comparatively small population (34 million in 2010) complement India's needs as well, with many mutually beneficial cooperation opportunities. During the fifth VGS, US, Australia, Rwanda and Mozambique were also officially represented. The remarks of Ron Somers, president of US-India business council, that the two countries could be knowledge partners suggest the potential for US to be a partner country for the next VGS. The fifth VGS had representations from more than one third of the countries of the world, spanning several continents.

An important new dimension of the fifth VGS was the meetings and seminars of business, political, academic and other leaders to discuss global issues. The topics included solar energy, corporate responsibility and sustainable development and India's growth trends and prospects. This represents a significant international presence and a good beginning in positioning India as a global business, knowledge and technology sharing hub.

Fuelling Gujarat's dreams in the coming decade will be a vast gas grid; now extending nearly 1500 km. Gas struck by Reliance and the state owned GSPC has only started trickling into the state from the Krishna-Godavari basin. Looking at the number of power plants that are coming up in the state in the coming years, it is clear that gas-fuelled power plants will drive the state's economy to new heights, giving more double digit growth in the coming years. This, despite the state having suffered badly at the hands of two major disasters at the turn of the decade the 2001 earthquake and the 2002 communal riots. Official statistics show that Gujarat's growth has been ahead of India's average in the best and worst of times, except in 2006-07. This has been the case even in the previous decades, as the state's manufacturing sector has been its main strength. It is however, heartening to note that Agri-culture is making a strong comeback in Gujarat and today accounts for a significantly higher share in GDP growth, even as the contribution of the manufacturing sector has come down marginally. This can be attributed to the better availability of water in semi-arid regions of the state which are now growing cash crops where nothing used to grow earlier.

Gujarat state has transformed itself into one of the country's economic and export engines by presenting an alternative to the red tape and widespread corruption that have stymied big projects elsewhere in the country. Investors characterize Gujarat's civil service as a disciplined force that approves land purchases and environmental permits quickly. The state invests heavily in modern road and power infrastructure. Gujarat has India's two largest oil refineries and plants set up by global names such as General Motors Co. and Mitsubishi Heavy Industries Ltd. It has averaged more than 11% economic growth in recent years, well outpacing the national rate. It accounts for 5% of India's 1.2 billion people but 22% of the country's exports.

Roundtable calls for global institutional framework for empowering Indian SMEs

The Small and Medium Enterprises (SME) sector for any country is a major support for broad-based economic growth. In a country like India, the potential of the SME to garner revenue, hold the economy stable while playing a key role in India's competitiveness in the global markets is considerable. This is what was observed in the Roundtable which was organized by the Commonwealth Business Council together with EICC and CII. It was observed that some of the support-needed areas for SMEs that have emerged in the Indian context include Government support for funding of technology upgradation, enhancement of R&D activities, testing facilities, design centres etc.; development of special zones/parks to fill in the gaps in infrastructure, delays in component deliveries, quality control and standardization of processes; financial support for going through technology transfer including license fees, legal expenses, training expenses etc; technology benchmarking missions to countries that have established themselves in particular sectors. The International Roundtable for Small Businesses was the concurrent event organised with the Vibrant Gujarat Global Investors Summit (VGGIS) 2011, in Gandhinagar, Gujarat.

Mr Geoffrey Van-Orden, Chairman and Member of the European Parliament, said that the EU charter for SMEs called for a greater and more intense international engagement between the enterprises, cutting across geographical boundaries and trade barriers. He added that India has continually demonstrated an ability to nurture its SMEs into national and international corporations. A great deal of this success can be attributed to the entrepreneurial ability of Indians, which is continually being demonstrated by Indian nationals and NRIs around the world.

In his message to the participants at the Roundtable, Dr Mohan Kaul, Director General, CBC who could not attend the event due to some unexpected business engagement said that doing business with another Commonwealth country can be up to 15% less expensive than doing business with non-Commonwealth countries as a result of the common language of English, similar legal and accounting systems and the informal networks which bind our countries together. These factors are of immense advantage to SMEs. According to Dr Kaul, there is a need to establish a joint 'Global network/institutional framework' for SMEs in the Commonwealth countries, that would facilitate a greater sharing of experience and expertise between SMEs, as well as strengthen commercial relations by expanding and deepening economic, trade and investment cooperation in the Commonwealth and worldwide.

Mr Ramesh Datla, Chairman, CII National MSME Council, in his welcome remarks mentioned that SMEs worldwide have shown tremendous agility, responsiveness and flexibility in dealing with several business cycles. However, most of the times, such actions are left best being localized and there is hardly any

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettwie, (bte. 18), 1080 Brussels
Tel: +3224692677 Fax: +3224692677 Web : www.eicc.be E-mail: info@eicc.be

Editor: **Secretary General**

platform that encapsulates such innovative survival strategies of SMEs and offering feedback to such actions. The International Roundtable for Small Businesses provides one such opportunity to the stakeholders to highlight and share their thoughts and ideas.

Chairing the Technical Session on "Finance and Technology for Growth" Mr. Sushil Handa, Member of the Board of Director of the EICC said that as a result of increasing information technological change and demand growth, adoption of correct technology has become an integrated part of the business process for the small businesses in countries like India . He also felt that SMEs can improve their performances through adapting their business processes to the digital world. There is an urgent need to adapt to the changing needs of the International standards if India has to make her presence felt with a global footprint, Mr. Handa felt. It was observed that in the SME sector in India is very large with over 26 million registered / unregistered businesses. The sector is also highly diverse and spread geographically across India. Problem to access the institutional credit is also constraining growth of this sector, he highlighted. During the interaction it was also observed that bringing in the convenience of IT is still resisted by some SMEs to leverage their development process and the reasons for holding them back are affordability and to a large extent, prioritizing ICT and knowledge tools; training for utilizing business processes and acceptance of the need for education and training contributing to the task environment and general environment. Besides technology, another area of neglect is the recruiting appropriate manpower and further retaining it. Most SMEs manage human resource on a loose basis, giving up on a chance for organizational development and performance. Fostering entrepreneurship through the informal mode that is user friendly, uncomplicated and efficient is important in the Indian SME scenario, it was observed.

The CII suggested promoting Enterprise-to-Enterprise cooperation which would provide a source of strength to SMEs, so that they are able to face the vagaries of business cycle. This essentially means that the small businesses would find their rightful place in the present globalized world. Small Businesses are a thriving component of the product and service value chain and required constant encouragement. SME network would also provide opportunities to the experts across the globe in terms of highlighting and sharing best practices followed by SMEs vis-à-vis sustaining the growth momentum and also validating such practices in an international context for generating a repository of ideas that can be localized for contextual action.

More than 100 participants attended the International Roundtable for Small Businesses, from across the globe, that included representatives from organizations like the Commonwealth Business Council, Bank of Industry (Nigeria), London Chamber of Commerce and Industry, Europe India Chambers of Commerce, Eurochambers, UNIDO, PriceWaterhouse Coopers (PwC) and Small Industries Development Bank of India (SIDBI).

EICC welcomes Crompton Greaves as its Corporate Member

The EICC is pleased to announce that Belgium based entity of Crompton Greaves has joined the EICC as Corporate Member. Mr. Dilip Patil, CEO of the CGglobal in Belgium was a speaker in the EICC conference which took place in December in the European Parliament. Mr. Patil carries with him a wealth of experience, knowledge, and expertise about the ins and outs of business development and EICC would certainly benefit from his association. EICC is proud of the milestones it has made over the past years as it continues to focus on strengthening the business support with the capable Board Members. With company like CG joining the EICC and increasing the number of corporate numbers, the chamber has now the solid foundation to move forward and promote the significant benefits of membership and to the wider business community. During the past 12 months there has been excellent momentum, as businesses realize benefit from membership of the Chamber. The goal for the next 12 months is to get our message out there in a way that more business people get excited and join us. As the business world has been challenged by an economic recession, the EICC has completed an extremely fruitful year 2010.

CG Power Systems Belgium, headquartered at Mechelen in Belgium, has built for itself a worldwide reputation for using the most advanced technology and the highest production standards, as one of the leading manufacturers of power and distribution transformers. CG is a USD 2 billion engineering conglomerate with an impressive and diverse portfolio of products, solutions and services ranging from high-end power and industrial equipments and solutions, to consumer products and home appliances, addressing myriad needs. Enjoying a reputation of stature for over seven decades, CG, which originates in India, has transformed itself into a global corporation. With a permanent footprint and manufacturing

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettewie, (bte. 18), 1080 Brussels
Tel: +3224692677 Fax: +3224692677 Web : www.eicc.be E-mail: info@eicc.be

Editor: **Secretary General**

facilities in nine countries across Asia, Europe and North America, CG is fast emerging as a first choice supplier of high quality, "smart" electrical, industrial and consumer products and solutions all over the world. Established some 60 years ago, CG Global is an important industrial conglomerate that has become a prominent challenger on the transmission and distribution market. This strategic cooperation combined with its niche strategy has further fortified the Pauwels Brands on the international market. CG Global is one of the leading manufacturers of innovative three-phase distribution and power transformers and a fast growing competitor in the market of substations and services. The company operates manufacturing plants (transformers) and subsidiary companies (contracting & services) on 3 continents, producing more than 30,000 transformers each year. Incorporated in 1947, as Pauwels Belgium NV, the Company was founded by the Pauwels family. In 2005, the Pauwels Group as a whole, including this Company, became a part of the CG family.

Earlier in December, a leading independent full service law firm offering integrated legal and tax advice, the **Loyens & Loeff** become EICC's Corporate Member. Mr. Mr. Thierry Charon, Partner of the Loyens & Loeff had made a presentation during the EICC Conference in December. The firm offers services in the in the field of tax laws and business laws. It is true that EICC has become attractive to law firms and some reputed law firms of Europe are its member, the chamber believes in healthy competition amongst law firms and the chamber is open to offering its services to them without favoring anyone. EICC would like to thank CGglobal and Loyens & Loeff for joining the Chamber of Commerce and look forward to helping them to promote their business. EICC once again welcomes them and takes this opportunity to thank them for the support they have shown to our chamber.

EU adopts measure to cut red tape for participation in the FP7 for research and SMEs

The European Commission has adopted measures to make participation in the EU's current Seventh Framework Programme for Research more attractive and more accessible to the best researchers and most innovative companies, especially Small and Medium-Sized Enterprises (SMEs). Based on the simplification plan unveiled by the Commission in April 2010, these measures will take effect at once. Research, Innovation and Science Commissioner Máire Geoghegan-Quinn said: "Today's measures will allow the many thousands of excellent people we fund to save time and effort on paperwork and concentrate on what they do best - working to boost growth and jobs and improve our quality of life in Europe through world class research and innovation. We want to attract even more and better applicants, including dynamic small businesses which can't cope with reams of red tape. This is only the start: the Commission has already proposed big changes to the overall financial rules governing all EU funding programmes, and if the Parliament and Council agree with those, we will put forward more radical simplification measures for the successor programme to FP7." The Commission adopted three concrete measures with immediate effect on the management of EU research grants in the current EU research programme (FP7). Each of these steps responds to concerns repeatedly expressed by participants and would-be participants in FP7: Allowing more flexibility in how personnel costs are calculated so that EU research grant-holders can apply their usual accounting methods when requesting reimbursement for average personnel costs. They will no longer need to set up entire parallel accounting systems just for this purpose; SME owners whose salaries are not formally registered in their accounts can now be reimbursed, through flat-rate payments, for their contribution to work on research projects. A new steering group of senior officials from all the Commission departments and agencies involved will remove inconsistencies in the application of the rules on research funding. The Commission considers simplification as one of the basic design principles for the next EU research and innovation programme, and it will continue to push for substantive improvement. The Commission will present its legislative proposals for the next EU research and innovation programme by the end of this year, following an open consultation to be launched in the early spring. The current EU research programme, FP7, has attracted more than 40,000 proposals from the research community since 2007, and almost 8,000 projects have so far been funded. Nearly all European universities participate, and about 15% of the participants are SMEs.

Europe India Chamber of Commerce (EICC), 69, Boulevard Louis Mettwie, (bte. 18), 1080 Brussels
Tel: +3224692677 Fax: +3224692677 Web : www.eicc.be E-mail: info@eicc.be

Editor: **Secretary General**