Europe India Chamber of Commerce

Newsletter

Issue: 48-49 Volume: 5 **February-March 2012**

European debt crisis to take centre stage in the Global India Business Meeting

The continued and ever evolving financial crisis in Europe is likely to take the centre stage during the Global India Business Meeting to be held in Antwerp on 24-25 June. As the financial crisis worsens and threatens the survival of Euro, India's corporate and business world will take a closer view, through interaction in the various sessions during the GIBM, how Europe and India can jointly face the challenges the crisis is posing to the global economy. The Horasis organised GIBM which is being hosted by Flanders government will be the largest business event that Belgium has hosted in the context of India and European business relations. The Meeting will provide the highest level platform to engage with political leaders in a concrete and constructive dialogue where parties involved hold each other accountable and should be seen in the context of improving investment and business between EU countries in general and Flanders in particular.

Come June corporate leaders from Europe and India will travel to Antwerp, the city of diamonds to participate in the Global India Business Meeting. And as preparation of the Meeting is in full swing, more than 200 CEOs and business leaders have already confirmed their presence, so far, with more yet to confirm. Indian Trade and Commerce Minister Mr. Anand Sharma will be the chief guest. The business summit hosted by the Flemish government will be attended by more than 300 CEOs from India, Europe, US, Gulf and ASEAN countries. The GIBM in Antwerp will be the largest gathering of CEOs in Europe and will be the first of its kind hosted by the Flemish government in Belgium. While Voka and FIT have been picked as partners by the Flemish government, the EICC is the main collaborator and co-organiser. The EUROCHAMBRES has also joined as co-organiser with EBTC, a programme co-funded by the European Union and implemented by EUROCHAMBRES. The EBTC is making it sure that the Meeting is attended by a large group of business leaders from Europe. The GIBM will bring together business leaders representing multi-nationals, large corporations, small and medium-scale enterprises and confederations, multilateral and regional institutions. Some of the important business leaders and industrialists who have confirmed their participation as co-chairs, speakers and panelists are: Rahul Bajaj, Chairman, Bajaj Auto; Subodh Bhargava, Chairman, Tata Communications; Ajay G. Piramal, Chairman, Piramal Healthcare; Dhruv M Sawhney, Chairman, Triveni Engineering & Industrie; Shivinder Singh, Vice Chairman and Managing Director, Fortis Healthcare; Naresh Goyal, Chairman Jet Airways; Sanjay Dalmia, Chairman Dalmia Group of Companies; Ravi Mehrotra, Chairman Foresight Group; Mohan Kaul, Director General of the Commonwealth Business Council; Sunil Godhwani, Chairman and Managing Director, Religare Enterprises; Jignesh Shah, CEO of Financial Technologies; Sheikh Saif bin Hashil Al-Maskery, Chairman, Al Mahfadha Investments, Oman; Raju V. Kanoria, Chairman, Kanoria Chemicals & Industries; Rajiv Vastupal, Chairman & Managing Director, Rajiv Petrochemicals; Dilip Mehta, CEO, Rosyblue; Ajeenkya Patil, CEO of DY Patil group. The venue of the Summit is hotel Hilton in Antwerp.

EICC deeply mourns the death of its Director Sumit Chatterjee

It was with great sadness that EICC announced the sudden passing of its Director of Finance Sumit Chatterjee on 10 February 2012 in Kolkata, Sumit Chatterjee was on a short vacation in India and was following the MOU with Indian Chamber of Commerce. Sumit was the founding member of the EICC and contributed a great deal in the Chamber's development. In addition to his activities at the Chamber, Sumit was also the founding Treasurer of the Global Organisation of People of Indian Origin (GOPIO) Belgium. Sumit made a considerable mark on the work of the Chamber. Everyone who had the privilege of knowing him will remember him as a brilliant and generous individual of profound humanity who worked tirelessly throughout his life for the causes in which he believed. Sumit had for many years been a well established and respected member of the Indian community in Belgium. Sumit believed in the objectives of the Chamber and supported its efforts in ensuring that the organization played its part in promoting the interest of

its members, while at the same time contributing meaningfully to the development and sustainability of the institutions that he was associated with. He was always ready to share ideas for growth and development and to lend a hand when called upon, committing time and resources to the organization. A man of high intelligence and wide culture, he managed to remain close to his roots and to his country, India. Sumit was courageous and innovative. There was no ambiguity in his views and he had a single minded focus in achieving what he set out to do. He was always interested in activity, and supported a cause throughout his life. He worked many years for GlaxoSmithKline as an accounting specialist. He spent more than 35 years in Belgium. He is survived by his wife Nupur, daughter Srimanti and son Sayatan. The chamber will miss what he was and what he could have been over the next years.

India & EU hope to sign free trade agreement by year end

India and the EU hope to resolve their differences over their proposed free-trade pact by the year-end and more ground needs to be covered before India can wrap up the much-delayed Broad-Based Trade and Investment Agreement — or free trade pact — with the European Union. Talks between the two sides remained inconclusive on 10 December during the EU-India Summit in New Delhi. The widely expected “political framework” failed to find mention in the joint statement, which fixed no timeline for the conclusion of the talks. A statement issued by the Indian Prime Minister’s Office noted that “there are complex issues involved, but we have both agreed to expedite discussions so that we can conclude an agreement at the very earliest”.

"We have had fruitful discussions. There are obviously some problems but we are confident that these can and will be resolved," Prime Minister Manmohan Singh said at the India-EU summit.

The bilateral agreement aims to open up the Indian market to European cars and liquor while giving Indians easier access to job market of the 27-nation bloc. The EU expressed hopes that the talks, stuck over issues such as level of duty cuts on cars and alcohol, extent of liberalisation of visa rules and inclusion of government purchase rules, would be concluded by autumn.

"(Our) positions are closer now and the contours of final negotiations are emerging. Talks need to be intensified now. Finalisation is possible by autumn," European Commission president Jose Manuel Durao Barroso said at a press conference.

India and 27-nation bloc have been in talks since 2007, and have had 14 rounds of negotiations so far. The talks were to conclude in 2011, but differences persisted on the extent of market access, services, cars and wines. The EU wants tariffs on wines and automobiles to drop from the current 150 per cent and 60 per cent; India wants easier visa and employment norms for services sector professionals. ”Both sides have made considerable progress in the negotiations on the Broad-Based Trade and Investment Agreement... We seek solutions that are practical, mutually beneficial and acceptable to both sides,” Prime Minister Manmohan Singh said at the Summit.

The agreement will give India access to a huge market of 27 nations for its services in IT, ITeS, nurses and chefs. A crisis-ridden EU will, on the other hand, get a new market for its cars, wines and legal and accounting services. The EU is India’s largest trading partner. Trade in goods and services accounted for around Euro 86 billion in 2010. The EU exported goods worth Euro 34.7 billion to India, and imported worth Euro 33.2 billion. In services, India exported Euro 8.1 billion in 2010, and imported Euro 9.8 billion. India accounts for 2.6 per cent of the EU’s total exports and 2.2 per cent of imports.

India has agreed in principle to slash import duties on cars from the existing 60% to 30%, bringing down prices of European cars such as Mercedes-Benz and Volkswagen. But European car makers are not happy as they want duties to be brought down to the EU level of 6.5%, which is being opposed by the Indian industry. Similarly, negotiations are on for bringing down alcohol duties, which are at a high 150%. India is, however, willing to reduce tariffs only on high-end liquors such as Scotch.

India, on its part, wants the final agreement to have provisions that would "substantially" increase work visas in various services sector and also do away with the inhibiting economic needs test. The FTA, officially known as the broad based trade and investment agreement, is expected to boost bilateral trade to $237 billion annually by 2015 from about $100 billion. The two sides signed a joint declaration on research and innovation cooperation to widen scope and impact of the partnership, focus on common societal challenges and enhance synergies between India and the EU. Another declaration on enhanced cooperation on energy was signed. They agreed to focus on a number of key energy areas. An agreement for collaboration in the field of statistical methodology and research to generate reliable official statistics about mutual economic and social conditions was also signed by the two sides.

This was the first such Summit in India following the implementation of the Lisbon Treaty. The India-EU Joint Action Plan which was adopted in 2005 and reviewed in 2008, but has been in a limbo, even though the 27-member EU bloc accounts for 14 per cent of India's foreign trade and is India's largest trading partner, with a trade volume of $107 in 2010-11. The summit talks are being led by the visiting European Council President Herman Van Rompuy and European Commission president Jose Manuel Barroso and Prime Minister Manmohan Singh.

According to reports, the progress in the free trade agreement and the carbon tax issue are expected to figure in the summit besides discussions on ways to enhance two-way trade between India and EU. The negotiations for 'bilateral investment and trade agreement' (BITA), underway since June 2007, are at present critically poised with the prevailing economic situation in Europe, the visiting delegation is keen for an early conclusion. The BITA negotiations were to have concluded in 2011 but were stalled over differences on the extent of opening of the markets. The negotiations on BITA were to conclude in 2011 but differences on the extent of opening of the market came in the way. India, which is along with Russia, the US, China and other countries, is opposed to the controversial European Union Emissions Trading Scheme that requires all airlines, including Indian, using airports in EU to pay a tax for their greenhouse gas emissions, is also expected to have been raised by the Indian delegation (India and other countries to meet in Moscow to decide on EU carbon tax move). China has already banned its airlines from joining EU's Emissions Trading Scheme. India, along with the other opponents of the EU scheme are due to meet Moscow later this month to decide on whether to consider retaliatory measures against EU on its "unilateral" decision to impose carbon tax on air travel.

The Summit Joint statement can be reviewed on the following link:
http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/94&format=HTML&aged=0&language=EN&guiLanguage=en

Dassault's Rafale bags IAF's $10-billion fighter jet deal

Dassault Aviation's Rafale has won the Indian Air Force's $10.4 billion contract for 126 medium multirole combat aircraft (MMRCA), beating European consortium EADS Cassidian's Eurofighter Typhoon. Rafale emerged the lowest bidder for the tender for 126 jets worth up to $15 billion, including life support, technology transfer, offset, training etc. Under the offset clause of Defence Procurement Procedure (DPP) of 2006, the winner of the tender is required to reinvest 50 per cent of the deal amount in the Indian defence industry. Even at $15 billion, IAF has found Rafale aircraft $4-5 million cheaper than its European rival Eurofighter Thyphoon, sources said. Also, the IAF seems to have a preference for the French aircraft. The Indian Air Force also has a fleet of French Mirage 2000 fighters, currently undergoing up-gradation. Both Rafale and Eurofighter Typhoon are very advanced aircraft and have seen quite some action. They have also been the preferred aircraft for air forces around the world. While the two look almost similar on the outside, the airframe is completely different and the components also differ. While the Typhoon is a complex and more advanced aircraft, the Rafale is designed in a way that makes it easy to handle.

The Eurofighter bid was backed by four consortium partner nations - Germany, Spain, Italy and the United Kingdom – while the French aircraft was earlier seen out of the reckoning as it was found lacking in certain technical requirements. The IAF had, in April last year, shortlisted Rafale and Eurofighter

Typhoon after elaborate field trials and asked the two to submit commercial bids within an extended deadline.

Four other contenders - Lockheed Martin's F-16, Boeing's F/A-18, Russian United Aircraft Corp's MiG-35 and Swedish SAAB's Gripen – were rejected. Lockheed Martin was hoping to clinch the deal by agreeing to supply its F-35 joint strike fighter to India.

While this has helped end the suspense and speculation and the government is expected to soon announce the winner in the race for the prestigious IAF deal, the final award of the contract is unlikely any time this financial year, reports quoting defence ministry sources said. France has notched up a string of successes in India wining some of the most prestigious government contracts. India and France hope to reach the target of 11 billion Euro by the end of the year.

India's Binani buys Belgian company for Euro 275 million

India's Binani Industries Ltd, the public-listed holding company of Braj Binani Group, has acquired Belgium's fibreglass products and technologies company 3B from US-based private equity firm Platinum Equity for €275 million. The acquisition will give Binani Industries full ownership of 3B's global operating capacity of 1,50,000 tonnes per annum and provide access to its established customers, world class technologies, marketing network and manpower, the statement adds.

3B develops and supplies fibreglass products and technologies for the reinforcement of thermoplastics and thermosets. It serves aerospace, automotive, building & construction, chemical plant & pipe work, defence & ballistics, electrical & electronic, energy, infrastructure, machines & domestic appliances, marine, mass transit and sports & recreation markets. The Belgian company has two manufacturing units, one in Belgium and the other in Norway, with the total operating capacity at 150,000 tonnes per annum. 45% of its 3B's customers are in Germany, while The Netherlands and Belgium has 14% each. This acquisition gives access to 3B's customers, world class technologies, marketing network, vast marketing geographies and skilled manpower, the release said. 3B has an extensive portfolio of products including chopped strands, direct rovings and continuous filament mats. Headquartered in Battice, Belgium, 3B is Europe's leading manufacturer of fibre glass for reinforcement of thermoplastics and thermoset polymer applications. The acquisition is part of Braj Binani group's strategy to expand presence in the global fibreglass market.

"The acquisition will strengthen our group's core operations at a global level. The group is present in fast-growth business segments, of which fibreglass is one. We are among one of the few groups globally that has a robust presence in this niche segment and are working to accelerate our fibreglass operations further over the coming years. 3B is therefore a perfect match," said Braj Binani, Chairman, Binani Industries. The acquisition will help the company supply to industries such as automotive, wind energy, electrical, electronics, marine, infrastructure and transportation, primarily in Europe, where about 90% of 3B's customers are based, Binani said.

"With the acquisition by Binani Industries, we will be able to ensure a truly global presence. We can deliver high value marketing and technological expertise to our global buyers. We will have well-balanced and well-invested assets to serve our current and future customers in many regions of the world," Hugues Jacquemin, CEO (chief executive officer), 3B said. The fibreglass industry worldwide is mainly driven by the composites market, which is set to grow at 4.5% annually. 3B is Braj Binani Group's third acquisition in six years. Last year, the group acquired US-based composite maker CPI, Inc.

Ikea puts India expansion plans on ice

Swedish furniture retailer Ikea has put off plans to open stores in India due to local sourcing requirements despite a recent loosening of rules about foreign ownership of single brand retailers. Ikea CEO Mikael Ohlsson told a newspaper that rules stipulating that single-brand retailers source 30 percent of their goods from local companies remained a stumbling block to Ikea's plans for expanding into India.

"We need to see what [the rules] will mean for us," Ohlsson said. "We are patient because the conditions need to be right. In this sector, when everything seems to be okay, then we will be in." Nevertheless, Ohlsson said a recent change allowing foreign ownership of single-brand retailers was "a very positive change".

Back in 2009, Ikea cited a rule preventing stores being 100 percent foreign owned as the primary reason for the company putting off plans to open stores in India. Regulations at the time capped foreign investment in single-brand retailers at 51 percent. Earlier in January, however, the Indian government agreed to allow foreign companies to own 100 percent of single-brand retailers. Despite the move, Ikea's Ohlsson remained cautious about when the Swedish retailer may eventually open outlets in India. “We have always been cautious. Now we will take a step-by-step investment in existing stores,” he told the newspaper. According to the newspaper, Ikea plans to source €1 billion of its global product range from India within three years, doubling the current amount. According to some sources Ikea won’t give up on its India plans and there are indications the government could be flexible on some of the tough conditions. Ikea will reportedly announce its plans for an India store during spring that is by March-April, pointing out that it is not giving up on its India plans.

Josefin Thorell, spokesperson of the company was quoted as saying “India is still a very interesting potential retail market for the Ikea group, but we need to understand what the guidelines will mean for us. We are optimistic and hope to be able to present more information shortly about our possibilities to establish retail operations in the country once the conditions are right.” There are indications the government could be flexible on some of the tough conditions, added reports. Last month, Ikea reported record profits due in part to fast growing sales in China and Russia. Currently, Ikea operates furniture stores in 26 countries around the world.

Indian factories fail to move up on competition ladder

Smaller economies such as Thailand, Mexico and the Philippines once again outperformed India in a global industrial competitiveness index. The country ranked 42nd on UNIDO Competitiveness Industrial Performance Index 2009, unchanged from 2005. Thailand, Mexico and the Philippines stood 25th, 30th and 33rd, respectively, according to the latest UNIDO report on industrial development 2011.

Rank on the revised competitive industrial production index

Economy	Rank 2005	Rank 2009
Singapore	3	1
US	2	2
Japan	1	3
Germany	4	4
China	6	5
Switzerland	7	6
Thailand	27	25
Malaysia	20	27
Mexico	29	30
INDIA	42	42
Brazil	37	44
Argentina	49	46
Australia	46	47
South Africa	45	49
Pakistan	83	86

SOURCE: UNIDO Industrial Development Report 2011

Simultaneously, India's share of manufacturing value added in the world increased to 1.69% in 2009 from 1.38% in 2005, making it one of the top 10 contributors to global manufacturing.

While the figures reflect that the manufacturing sector in India still requires greater attention, it also signifies the country's success in not letting the global crisis adversely affect its competitiveness.

"Global manufacturing production is shifting gradually from the developed to developing countries as firms move to benefit from cheaper labour, quality infrastructure, lower social costs and large markets in countries like China and India," said UNIDO.

China's share in world manufacturing value added increased from 9.82% in 2005 to 14.45% in 2009.

Among developing countries, India's contribution to electrical machinery and basic metals improved significantly between 2000 and 2009. However, share of manufacturing value added in India's own GDP declined from 14.13% in 2005 to 13.74% in 2009, indicating a lower-than-proportionate growth of the manufacturing sector.

The government has already set ambitious targets for increasing the share of manufacturing in GDP to 25% by 2025 compared to the current 16% share.

"This contrasting performance of India's manufacturing sector is not surprising. It shows that although there has been some improvement in aggregate production high transaction costs and various structural bottlenecks have not helped our global competitiveness over the years," said Sunil Sinha, senior economist at Crisil Ratings.

UNIDO also lauded developing countries, including India, for an improvement in energy efficiency of industrial production during 2000-2008 owing to technological advancements.

Between 2000 and 2008, tonnes of oil required per $1000 manufacturing value added declined from 1.474 to 1.117, reflecting a reduction in energy intensity of production.

"Over the past 20 years, developed economies have been reducing industrial energy intensity. In addition, large developing economies such as China, India and Mexico began adopting technologies and measures that produced unprecedented cutbacks in industrial energy intensity," according to UNIDO.

India signs Anti-Tax Evasion Agreement with OECD

India has signed the Convention on Mutual Administrative Assistance in Tax Matters, a multilateral agreement which promotes international co-operation while respecting the rights of taxpayers. The Convention provides for administrative co-operation between the parties in the assessment and collection of taxes, with a view to combating tax avoidance and evasion.

With taxpayers increasingly operating on a global basis, tax authorities are moving from bilateral to multilateral cooperation and from exchange of information on request to other forms of co-operation. The Convention is an effective and practical tool to help tax authorities in their everyday work. By signing the Convention, India and the other 31 signatories encourage more countries to join, sending a strong signal that countries are acting together to ensure that individuals and multinational enterprises pay the right amount of tax, at the right time and in the right place. “India has moved very quickly since its commitment to the Convention at the November G20 ceremony in Cannes and I expect it will be the first non-OECD G20 country for which the updated Convention is in force”, said Jeffrey Owens, Director of the OECD Centre for Tax Policy and Administration.

Signatories to the amended Convention are: Argentina, Australia, Belgium, Brazil, Canada, Denmark, Finland, France, Georgia, Germany, Iceland, India, Indonesia, Ireland, Italy, Japan, Korea, Mexico, Moldova, Netherlands, Norway, Poland, Portugal, Russia, Slovenia, South Africa, Spain, Sweden, Turkey, Ukraine, the United Kingdom, and the United States.

India and Norway to enhance cooperation in the field of renewable energy

The Norwegian Minister for Environment and International Cooperation, Mr. Erik Solheim called on India’s Minister of New and Renewable Energy, Dr. Farooq Abdullah in New Delhi recently and discussed cooperation in the field of renewable energy. During the talks Dr. Abdullah said that the Indian Government is taking active interest in setting up the proposed fund in collaboration with DFID, UK and Norway for promoting off-grid solutions in the field of renewable energy. Highlighting the achievements made by India in the area of solar and wind energy Dr. Abdullah said that the renewable energy can substantially reduce consumption of kerosene and diesel. The Indian side expressed interest in

collaborating with Norway in the field of off-shore wind energy. Norwegian side while welcoming this invited a team from India to study the floating barrage wind farms in Norway.

Ananad Sharma invites French luxury goods companies to establish manufacturing bases in India

India will see investments in excess of US$ 100 billion in next two decades in the nuclear power sector at least a quarter of from France alone. Addressing the 4th India-France CEOs Forum at Paris yesterday, the Union Minister for Commerce, Industry and Textiles, Shri Anand Sharma said "in the energy sector, we greatly value our partnership with France especially in the nuclear power sector where France is a global leader. In the coming two decades, India will see investments in excess of US$ 100 billion in the nuclear power sector alone and I am sure that at least a quarter of these will come from France."

The Minister said that though investment of over US$ 14 billion from France are in the pipeline there is a need to enhance French investment in India. "Given the strong position of French companies, the level of French investment in India is way below the potential. There are 800 French companies in India which engage over 80,000 people and we would like to see this growing in the coming years" Shri Sharma said. He invited fashion design institutes from France to bring their best practices to India in partnerships with the indigenous lifestyles industry. Referring to recent decision to allow 100% FDI in single brand retail Shri Anand Sharma expressed the hope that French luxury goods companies will establish manufacturing bases in India. "This will create a win-win situation as India has emerged as a huge market for luxury goods and establishment of manufacturing in India will provide maximum value" said the Minister.

Recalling the success of Capgemini in India, which alone employs 30,000 people in developing off shore IT solutions across seven Indian cities, Shri Sharma invited French investments in Indian IT sector. He said that the Indian BPO operations have moved up the value chain from being a mere data processing centres to carrying out value added research and software development. Similarly, , the Minister welcomed the interest shown in the Indian automobile sector by French companies like Renault and Peugeot for investing in India and also by Michelin which would strengthen India's position as an automobile and auto part manufacturing hub.

Talking about establishment of National Investment and Manufacturing Zones as green field integrated townships under recently announced National Manufacturing Policy, Shri Sharma invited collaboration with French companies in both the establishment of these Zones as well as in making investment for manufacturing. French expertise in urban water management and waste water systems would be especially useful in developing these regions. France has some of the largest infrastructure and utility management companies of the world including Vinci, Bouygues, Suez who would stand to gain from investments in India.

Bilateral trade between India and France stands at over US$ 8 billion. Today, France is India's 5th largest trading partner and investor in Europe, and 4rd largest recipient in Europe of Indian investments.

India-Romania economic engagement re-launched with signing of 17th JEP in Bucharest

India's Minister of State for Commerce & Industry Mr. Jyotiraditya M. Scindia led the Indo-Romania 17th Joint Economic Committee (JEC) at Bucharest and on 2 February signed the protocol with his counterpart Minister. During the meeting Minister Scindia urged Indian industry to use the opportunities presenting themselves in Europe for investments and cutting-edge technology ventures. Minister Scindia stated that, India is confident that it will anchor global economic recoveries in the coming years. Romania is actively looking at diversifying its economy and Indian corporates can play a significant role as enablers in this process. A business delegation with diverse interests like oil and natural gas, power equipment, IT, alternative energy, textiles, pharmaceuticals, supply chain management, tourism, electric buses accompanied the Indian Minister.

In a bilateral meeting with his counterpart Mr. Ion Ariton, the Romanian Minister for Economy, Trade and Business Environment Minister Scindia expressed hope to double bilateral trade and economic cooperation in the next three years by 2015. The JEC which met after a hiatus of 8 years resolved to promote investments and JVs in areas of supply of equipment for metallurgy and energy industry, cooperation between Micro small and medium enterprises, Transport and infrastructure field, IT and ITES, cooperation in technical textiles, and Tourism.

Joint working groups in the Hydrocarbon and SME sectors were held on the sidelines of the JEC. In the hydrocarbon sector both sides agreed to encourage cooperation in upstream and downstream hydrocarbon sector including in training, capacity building and research & development, supply of equipment for exploration and exploitation of hydrocarbon and other technical assistance. India offered its expertise in the service sector and expressed interest in Joint exploration with Romanian National Company Petrom. In the SME working group both sides agreed on information sharing, facilitating institutional cooperation; business and trade delegations to explore Joint Ventures, technology transfer and investment opportunities.

Even in the midst of the EU crisis, during the current fiscal 2011-12, bilateral trade between India and Romania has grown by 6%. Minister Scindia urged Romanian companies to continue the trend of supplying competitively priced inputs to Indian industry and invited them to participate in the 'India Show' in the Brno Engineering Fair in the Czech Republic in October 2012, where over 150 Indian Engineering companies will participate.

New EU rules for 'Organic Wine' agreed

New EU rules for "organic wine" have been agreed in the Standing Committee on Organic Farming (SCOF), and will be published in the Official Journal in the coming weeks. With the new regulation, which will apply from the 2012 harvest, organic wine growers will be allowed to use the term "organic wine" on their labels. The labels must also show the EU-organic-logo and the code number of their certifier, and must respect other wine labelling rules. Although there are already rules for "wine made from organic grapes", these do not cover wine-making practices, i.e. the whole process from grape to wine. Wine is the one remaining sector not fully covered by the EU rules on organic farming standards under Regulation 834/2007.

After the vote in the SCOF, EU Commissioner for Agriculture & Rural development Dacian Ciolos stated:

"*I am delighted that we have finally reached agreement on this dossier, as it was important to establish harmonized rules guaranteeing a clear offer to consumers who are more and more interested in organic products. I am pleased that we emerge with rules which make a clear difference between conventional and organic wine – as is the case with other organic products. As a result, consumers can be sure that any "organic wine" will have been produced using stricter production rules.*"

The new rules have the advantage of improved transparency and better consumer recognition. They will not only help to facilitate the internal market, but also to strengthen the position of EU organic wines at international level, since many other wine producing countries (USA, Chile, Australia, South Africa) have already established standards for organic wines. With this piece of legislation, the EU organic farming is now complete and covers all agricultural products.

The new regulation establishes a subset of oenological (wine-making) practices and substances for organic wines defined in the Wine Common Market Organisation (CMO) regulation 606/2009. For example, sorbic acid and desulfurication will not be allowed and the level of sulphites in organic wine must be at least 30-50 mg per litre lower than their conventional equivalent (depending on the residual sugar content). Other than this subset of specifications, the general wine-making rules defined in the Wine CMO regulation will also apply. As well as these wine-making practices, "organic wine" must of course also be produced using organic grapes – as defined under Regulation 834/2007.

There are no EU rules or definition of "Organic wine". Only grapes can be certified organic and only the mention "wine made from organic grapes" is currently allowed.

In the 2004 Organic Action Plan, the Commission pledged to establish specific organic rules for all agricultural production, including wine-making. In this context, the "OrWine" research project was financed under the 6th Framework Programme. Based on its findings, legal proposals for defining organic wine were first tabled in Standing Committee for Organic Farming (SCOF) in June 2009, but remained deadlocked and were withdrawn in June 2010. Work resumed in 2011 and the draft received a favourable opinion from the SCOF on 8 February 2012.

The new rules on organic wine-making rules introduces a technical definition of organic wine which is consistent with the organic objective and principles as laid down in Council Regulation (EC 834/2007) Organic production. The regulation identifies oenological techniques and substances to be authorized for organic wine. These include: *maximum sulphite content* set at 100 mg per litre for red wine (150 mg/l for conventional) and 150mg/l for white/rosé (200 mg/l for conventional), with a 30mg/l differential where the *residual sugar content* is more than 2g per litre.

European Union and United States agree to historic new partnership on Organic Trade

The European Union and the United States announced on 15 February that beginning June 1, 2012, organic products certified in Europe or in the United States may be sold as organic in either region. This partnership between the two largest organic-producers in the world will establish a strong foundation from which to promote organic agriculture, benefiting the growing organic industry and supporting jobs and businesses on a global scale. The organics sector in the United States and European Union is valued at roughly €40 billion combined, and rising every year.

Formal letters creating this partnership were signed on 15 February 2012 in Nuremberg, Germany, by Dacian Cioloş, European Commissioner for Agriculture and Rural Development; Kathleen Merrigan, U.S. Agriculture Deputy Secretary; and Ambassador Isi Siddiqui, U.S. Trade Representative Chief Agricultural Negotiator. The signing took place at the BioFach World Organic Fair, the largest trade show for organic products in the world.

"*This agreement comes with a double added value. On the one hand, organic farmers and food producers will benefit from easier access, with less bureaucracy and less costs, to both the U.S. and the EU markets, strengthening the competitiveness of this sector. In addition, it improves transparency on organic standards, and enhances consumers' confidence and recognition of our organic food and products*," stated the EU Commissioner responsible for Agriculture and Rural Development, Dacian Cioloş. "*This partnership marks an important step, taking EU-U.S. agricultural trade relations to a new level of cooperation*"

"*This partnership connects organic farmers and companies on both sides of the Atlantic with a wide range of new market opportunities*," said U.S Deputy Agriculture Secretary Merrigan. "*It is a win for the American economy and President Obama's jobs strategy. This partnership will open new markets for American farmers and ranchers, create more opportunities for small businesses, and result in good jobs for Americans who package, ship, and market organic products*."

"*This is a significant step in strengthening our bilateral trade relations*," added Ambassador Isi Siddiqui. "*I am confident that this arrangement will facilitate and boost agriculture trade between the European Union and the United States – and lead to more jobs in this important sector for both America and Europe*."

Previously, growers and companies wanting to trade products on both sides of the Atlantic had to obtain separate certifications to two standards, which meant a double set of fees, inspections, and paperwork. This partnership eliminates significant barriers, especially for small and medium-sized organic producers. All products meeting the terms of the partnership can be traded and labelled as certified organic produce, meat, cereal, or wine.

Leading up to this historic announcement, both parties conducted thorough on-site audits to ensure that their programs' regulations, quality control measures, certification requirements, and labelling practices were compatible. Although there are small differences between the U.S. and European Union organic standards, both parties individually determined that their programs were equivalent except for the prohibition on the use of antibiotics. The USDA organic regulations prohibit the use of antibiotics except to control invasive bacterial infections (fire blight) in organic apple and pear orchards. The European Union organic regulations allow antibiotics only to treat infected animals. For all products traded under this partnership, certifying agents must verify that antibiotics were not used for any reason. In addition, all products traded under the partnership must be shipped with an organic export certificate. This document will show the production location, identify the organisation that certified the organic product, verify that prohibited substances and methods weren't used, certify that the terms of the partnership were met, and allow traded products to be tracked.

Both parties are committed to ensuring that all traded organic products meet the terms of the partnership, retaining their organic integrity from farm to market. The European Commission's Directorate General for Agriculture and Rural Development and the U.S. Department of Agriculture's (USDA) National Organic Program—which oversees all U.S. organic products—will both take on key oversight roles. The United States and the European Union will continue to have regular discussions and will review each other's programs periodically to verify that the terms of the partnership are being met. The EU and U.S. will also begin to work on a series of cooperation initiatives to promote organic production and tackle important topics such as animal welfare and other issues. Both programs will share technical information and best practices on an ongoing basis to further enhance the integrity of organic crops and livestock production systems.

Currently, this agreement only covers products exported from and certified in the United States or the European Union.

Rise of emerging powers represents an opportunity for the EU

The EU should work together with emerging countries such as China and India to build a multi-polar, inclusive system of global governance that deals efficiently with global challenges. MEPs have adopted a report that points out that the EU shares a common interest with these countries in tackling global instability and security risks to economic development.

The report, adopted last week, calls for a closer relationship with the group of BRICS countries (made up of Brazil, Russia, India, China and South Africa) as their fast economic growth is turning them into increasingly important players on the global scene. China is projected to be the world's largest economy before 2020 and India could become the fastest growing economy before 2050. Rapporteur Jacek Saryusz-Wolski, a Polish Christian Democrat, said that when there was a common interest, there would be scope for collaborating with emerging countries.

This collaboration could either be bilaterally or multilaterally, based on the issue involved. The Parliament believes in a mixed model that cuts across the developed/emerging world divide. For example, the EU could work together with the BRICS in pushing for reform of the IMF and the World Bank to reflect changes in countries' economic weight. However, it should prioritise relations with those BRICS that share and respect democratic values and strive for a social market economy.

Readers can view the Texts adopted on 2 February 2012 "EU foreign policy towards the BRICS and other emerging powers" on: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0017+0+DOC+XML+V0//EN&language=EN

EU sets out plans for adequate, safe and sustainable pensions

Pensions are the main income source for around a quarter of the EU's population today and younger Europeans will also come to rely on pensions later in their lives. Unless Europe delivers on decent pensions now and in the future, millions will face poverty in old age. Europe is also ageing as people live longer and have fewer children. From next year, the EU's working population will already start to shrink. Pensions are putting increased financial pressure on national budgets, especially with the added strain of the financial and economic crisis. To support these efforts, the European Commission has published a White Paper on adequate, safe and sustainable pensions. It looks at how the EU and the Member States can work to tackle the major challenges that confront EU's pension systems. It puts forward a range of initiatives to help create the right conditions so that those who are able can continue working - leading to a better balance between time in work and time in retirement; to ensure people who move to another country can keep their pension rights; to help people save more and ensure that pension promises are kept and people get what they expect in retirement.

Presenting the White Paper to the press in Brussels, Commissioner László Andor, EU Commissioner for Employment, Social Affairs and Inclusion, said: *"Ensuring adequate pensions for the future is possible if we follow through on our commitments to reform. The impact of ageing is upon us - the baby-boomers are retiring and fewer youngsters are entering the labour market. But it isn't too late to meet these challenges*". The Commissioner added that raising retirement ages was important saying that a recent

Eurobarometer survey shows many Europeans would stay in the labour market even beyond their pension age if the conditions are right.

Coinciding with the 2012 European Year for Active Ageing and Intergenerational Solidarity, the White Paper builds on the results of a wide consultation, launched in July 2010. It cuts across different policy areas and is fully in line with the Commission's 2012 Annual Growth Survey. The measures at European level will support and complement national pension reforms. The White Paper proposes, in particular, to:

- Create better opportunities for older workers by calling on the social partners to **adapt work place and labour market practices** and by using the European Social Fund to bring older workers into work. Enabling people to work longer is a major focus of the European Year 2012 for Active Ageing and Solidarity between Generations;
- Develop complementary **private retirement schemes** by encouraging social partners to develop such schemes and encouraging Member States to optimise tax and other incentives;
- Enhance the **safety of supplementary pension schemes**, including through a revision of the directive on Institutions for Occupational Retirement Provision (IORP) and better information for consumers;
- Make **supplementary pensions compatible with mobility**, through legislation protecting the pension rights of mobile workers and by promoting the establishment of **pension tracking services** across the EU. This can provide citizens with information about pension entitlements and projections of their income after retirement.
- Encourage Member States to promote **longer working lives,** by linking retirement age with life expectancy, restricting access to early retirement and closing the pension gap between men and women.
- Continue to **monitor** the adequacy, sustainability and safety of pensions and **support pension reforms** in the Member States.

Pensioners represent a significant and fast-growing share of the EU population (120 million or 24%), particularly as the baby-boom cohorts reach retirement age and the number of prime working age falls. In 2008, there were four people of working age (15-64 years old) for every EU citizen aged 65 years or over. By 2060, that ratio will drop to two to one. The impact of demographic ageing is further aggravated by the economic crisis. Pensions represent already a very large share of public expenditure: 10% of GDP on average today, possibly rising to 12.5 % in 2060. But with spending on public pensions ranging from 6% of GDP in Ireland to 15% in Italy today, countries are in rather different situations although they face similar demographic challenges. While the crisis affects pay-as-you-go pension schemes through falling employment, and hence decreasing pension contributions, funded schemes are hit through falling asset values and reduced returns.

While pension systems are largely a competence of member states, the EU can help with legislation on the matters that affect the functioning of internal market, with financial support for helping older workers to stay on the labour market, policy coordination and mutual learning. The reforms of the pension systems are evaluated within the Europe 2020 strategy. In 2011, 16 member states received a country specific recommendation concerning pensions and a further 5 signed up to pension reforms as part of their Memoranda of Understanding.

‘Blue Card’: European Commission warns Member States over red tape

Three Member States are still making it too difficult for highly skilled people to come and work in the EU, prompting the European Commission to act. Despite having been warned in July 2011, Austria, Cyprus and Greece have not yet transposed the rules of the Blue Card Directive, which should have been implemented before 19 June 2011. This is why the European Commission on 27 February issued reasoned opinions requesting Austria, Cyprus and Greece to bring their laws into line with EU legislation.

The EU Blue Card Directive puts in place common and efficient rules that allow highly skilled people from outside Europe to come and work in our labour markets, filling gaps that cannot be filled by EU nationals. It establishes a fast-track admission procedure for these foreigners and ensures a common set of social

and economic rights, such as equal treatment with nationals as regards working conditions and pay, as well as access to goods and services.

If Europe is to secure economic prosperity, remain competitive and maintain its welfare systems, it needs immigrant workers. The current economic and financial crises makes this need all the more pressing, while highlighting the need for common rules and a comprehensive and balanced EU migration policy.

Today, the Commission also decided to end the proceedings against Malta, Romania and Luxembourg. These countries were late in implementing the Blue Card Directive, leading the Commission to start legal proceedings against them, but they have now brought into force the national legislation necessary to apply the Directive.

The Blue Card Directive was adopted on 25 May 2009 and Member Sates had until 19 June 2011 to transpose its provisions into national law. All EU Member States except Denmark, the UK and Ireland are bound by the Directive.

The EU Blue Card scheme helps attract highly qualified migrants to Europe, supporting Member States' and EU companies' efforts to fill gaps in their labour markets that cannot be filled by their own nationals, other EU nationals or legally resident non-EU nationals. It provides a common and simplified procedure applicable in the EU Member States bound by the Directive and ensures that potential migrants know what they need to do, whichever Member State they are planning to go to, rather than having to face 24 different systems.

Once a Member State grants a Blue Card to a migrant, after two years that person can then benefit from free access to highly qualified employment positions in that Member State and can also move to another EU Member State where their skills may be needed. Coupled with preferential rules for acquiring long term resident status and for family reunification, the Blue Card scheme presents an attractive package to potential highly qualified migrants.

It is a demand-driven instrument which does not grant a right of admission and respects Member States' prerogative to determine the volume of labour immigrants entering their territory for the purpose of highly qualified employment.

The Blue Card Directive is one building block of a comprehensive and balanced EU migration policy, which has a role to play not only in filling shortages in national labour markets but also in helping to face demographic challenges.

The Directive does not prevent Member States from having their own system of national residence permits for highly skilled migrants, but such national permits cannot grant the right of residence in other EU Member States that is guaranteed under the Blue Card Directive.