



Europe India Chamber of Commerce

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Global India Business Meeting preparation in full swing

The preparation for the Global India Business Meeting to be held in Antwerp on 24-25 June is in full swing and all logistic parameters are in place. Hoarsis Chairman Dr. Frank visited Brussels on the 7th March and held discussion with the representatives of the Flemish government, Flanders Investment and Trade, Europe India Chamber of Commerce and Voka. In addition to the logistics, the meeting also discussed the macro-management of the event and programme in making. It was informed by Horasis that that more than 200 CEOs and business leaders have already confirmed their participation. 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, continental 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 being hosted by the Flemish government. While Voka and FIT have been selected as official partners by the Flemish government, the EICC is the main co-organiser. Among other co-organisers EUROCHAMBRES with which EICC has close working relations, is an important partner. The EICC is in constant contact with stakeholders to discuss the way the conference is progressing. The general feeling amongs them and Horasis is that the preparation is progressing very well and continues to attract not only well-established business leaders but also a younger generation entrepreneurs which will ensure the success of the Meeting.

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 prominent business leaders and industrialists who have confirmed their participation are Mr. Rahul Bajaj, Chairman, Bajaj Auto; Mr. Subodh Bhargava, Chairman, Tata Communications; Mr. Ajay G. Piramal, Chairman, Piramal Healthcare; Mr. Dhruv M Sawhney, Chairman, Triveni Engineering & Industrie; Mr. Shivinder Singh, Vice Chairman and Managing Director, Fortis Healthcare; Mr. Naresh Goyal, Chairman Jet Airways; Mr. Sanjay Dalmia, Chairman Dalmia Group of Companies; Mr. Ravi Mehrotra, Chairman Foresight Group; Dr. Mohan Kaul, Director General of the Commonwealth Business Council; Mr. Sunil Godhwani, Chairman and Managing Director, Religare Enterprises; Mr. Sushil Handa, Chairman, Abellon CleanEnergy, Mr. Dileep Patil, CEO, CG (Power), Mr. 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; A. Patil, CEO of DY Patil group. The venue of the Summit is Hotel Hilton in Antwerp.

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.

FDI in India up 31 per cent in 2011

Foreign direct investment (FDI) in the country grew 31 per cent year-on-year to \$27.5 billion during the year 2011 (January-December) against FDI inflows of \$21 billion in the previous year, as the gloomy economic outlook in advanced countries deflected investments to safer destinations. Service sector attracted the highest FDI with capital flows into the sector rising 20 per cent. Telecom, housing and real estate and construction and power were the other sectors that attracted heavy FDI inflows, data released by the department of industrial policy and promotion showed. Mumbai accounted for around 40 per cent of the FDI inflows, followed by Delhi-NCR region, Bangalore and Ahmedabad. Official sources attribute the expansion in FDI to the government's move to liberalise foreign direct investment in the country. The government has allowed 100 per cent FDI in single brand retail besides easing norms in pledging of shares for external commercial borrowings. The major sources of FDI into the country were Mauritius,

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Editor: **Secretary General**

Singapore, US, UK, the Netherlands, Japan, Germany and the UAE. FDI inflows into the country had declined to \$19.42 billion in 2010-11 financial year from \$25.83 billion in 2009-10.

Cloud Computing to create 2 mn jobs in India; 14 mn globally:Microsoft-IDC study

Cloud computing could generate about 2 million jobs in India over the next three years as most companies look at migrating to cloud as a way to free up existing resources and work on more innovative projects, says a new study. According to the study conducted by Microsoft Corp. and International Data Corp. (IDC), the revenues from cloud could reach \$1.1 trillion a year by 2015 from \$400 billion in 2011. The study also said that cloud will generate some 14 million new jobs worldwide by 2015. The highest percentage of new jobs will be created in emerging markets, according to the study, especially China and India, which together are expected to produce nearly 6.8 million cloud-enabled jobs between 2011 and 2015. This can partly be attributed to the size of their workforces, and partly to the fact that many Chinese and Indian companies aren't bound by large legacy system investments, the study said. The study also indicates specific industries will generate job growth at different rates, and that public cloud investments will drive faster job growth than private cloud investments. The report also



notes that governments can influence the number of jobs created by cloud computing within individual countries. It found that the number of new jobs produced by cloud computing will be somewhat proportional to the size of each industry, but not entirely. In some industries, such as professional services and retail, the high percentage of small- and medium-size businesses will drive up adoption. In other sectors, such as banking, security issues will slow the move to the public cloud, but may increase adoption of private IT cloud services.

Overall, three industries expected to generate the most cloud-related jobs are communications and media (2.4 million), banking (1.4 million), and discrete manufacturing (1.3 million). It noted that cloud-related jobs would accrue evenly to businesses with 500 or fewer employees and those with more than 500 employees. "The cloud is going to have a huge impact on job creation," said Susan Hauser, Microsoft corporate vice president of the Worldwide Enterprise and Partner Group. "It's a transformative technology that will drive down costs, spur innovation, and open up new jobs and skill sets across the globe." Although small businesses make up the majority of employment in most parts of the world, they are generally less computerized, it said.

"A common misconception is cloud computing is a job eliminator, but in truth it will be a job creator - a major one," said John F Gantz, chief research officer and senior vice-president at IDC in a statement. The study predicts over two million jobs each to be generated in the communications and media and manufacturing sectors, followed by banking at over 1.4 million. Susan Hauser, corporate vice president, worldwide enterprise and partner group at IDC said the cloud will be an important force in helping to restore worldwide economic health. "The cloud is the No. 1 topic among CIOs from around the world," she says. "They want to know how they can use it to fuel growth. And they want to be sure they have the right people and skills in place to make it happen."

The United States accounted for 62 per cent of worldwide spending for public IT cloud services last year compared to 35 per cent of worldwide IT spending. Europe, Middle East and Africa (EMEA), a complex mix of developed and emerging countries, has more cloud-created jobs than North America, primarily because of its workforce, which is nearly four times as large. In Asia Pacific, except for a few small countries that account for only about 5 percent of the total workforce, China and India dominate the region in terms of job creation.

RIL, Tatas are India's biggest overseas investors

Overseas investment by Indian companies stood at \$ 2.01 billion in February. Mukesh Ambani's Reliance Industries Ltd and Tata Sons, the holding company of the Tata group, emerged as the biggest investors.

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A total of 401 overseas investment transactions were done by Indian entities in February, according to data released by the Reserve Bank of India. The total amount of foreign direct investment (FDI) by Indian companies abroad was \$797 million in January. The outward investment in the last 11 months of the current fiscal stood at \$8.86 billion compared to \$ 16.84 billion in the April-February period of the previous fiscal year. Among large outbound investments, Reliance Industries, India's richest industrial conglomerate, committed \$1 billion to its subsidiary Reliance Oil & Gas Mauritius during the month. Mauritius was in fact the largest destination for Indian overseas investments, the report reveals. Cox & Kings India, in the travel and tourism sector, invested \$147.2 million through its various joint ventures and wholly owned subsidiaries across the UK, Japan, Singapore and the United Arab Emirates. Tata Sons through its wholly owned subsidiaries invested \$ 113.91 million in the UK during the month, it added.

India GSM operators add 8.44 million new users in January

India's GSM operators added 8.44 million new subscribers in January, increasing the total subscriber base to 648.08 million, mainly led by Uninor, which added 2.49 million new users. The operators added 7.55 million new subscribers in December, while the additions continued unabated in January. Uninor, a joint venture between real estate firm Unitech and Norway's Telenor, expanded its user-base to 38.79 million, according to the data released today by the Cellular Operators Association of India (COAI). COAI is the GSM operators' body. CDMA is another technology platform on which operators offer their services.

Idea Cellular added the most 1.75 million new subscribers in January, taking its subscriber base to 108 million. The Aditya Birla group garnered a 16.68 per cent market share. The country's largest GSM player Bharti Airtel added 1.30 million subscribers, taking its user-base to 176.95 million. The New Delhi-based company had a 27.3 per cent market share. Vodafone Essar, with a 22.93 per cent market share, added 0.85 million new subscribers during the month, taking its subscriber base to 148.60 million in January.

State-owned operators Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL) added 0.86 million and 50,180 new users, helping them increase their total number of users to 93.42 million and 5.49 million, respectively. Aircel added 0.81 million customers, taking its subscriber base to 62.46 million, while Idea Cellular added 1.74 million new users to take its subscriber base to 108.12 million at the end of last month.

Circle-wise, the highest addition was in UP (East) where 0.97 million new users were added in January. The circle, among the total 22 circles, also has the highest number of GSM users at 54.85 million.

Operator	Total Sub Figures	Market Share %
Bharti Airtel	176,954,165	27.30
Vodafone Essar	148,602,105	22.93
Idea Cellular	108,127,280	16.68
BSNL	93,426,223	14.42
Aircel	62,462,121	9.64
Uninor	38,798,376	5.99
Videocon	5,848,729	0.90
MTNL	5,492,222	0.85
S-Tel	3,430,288	0.53
Loop Mobile	3,246,776	0.50
Etisalat	1,692,673	0.26
All India	648,080,958	100.00

India, Italy to liberalize visa regime; joint working groups formed on key areas

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Giving a new impetus to the economic engagement with Italy, the Indian Minister of Commerce and Industry Mr. Anand Sharma has set a deadline for joint working groups to prepare their recommendation for upcoming meeting of India-Italy Joint Economic Commission to be held in June 2012. India and Italy have five working groups on Infrastructure, Manufacturing, Innovation and Science, ICT and Pharmaceuticals. Officials have been asked to explore the possibility of two more working groups on Tourism & hospitality and Agro-processing. In his meeting with the visiting Italian Foreign Minister Mr. Giulio Terzi di Sant'Agata, both sides also agreed to announce a Joint Business Forum in the upcoming visit of the Indian Minister to Italy. While apprising the visiting Minister about the recent developments in the Indian economic policy environment, Mr. Sharma invited Italian industry to be a partner in the proposed National Manufacturing and Investment Zones. "May be a consortium of Industry from Italy can become a partner in at least one of the NMIZs," said the Minister.

The Minister emphasized that implementation of a liberalized Business Visa regime will lead to even greater levels of cooperation and partnership between the business communities of the two countries. During Mr. Sharma's visit to Rome in February 2011 the Italian side had assured full cooperation in realizing a liberalized business visa regime, within Schengen parameters. India is giving Italian citizens multiple entry long duration (one year) business visa. The Minister suggested that apex business chambers should be the nodal agency for certifying the candidates for long duration business visa. Italian Minister assured to streamline the process of visa and informed that already there is a significant rise in number of business visa.

Both sides emphasized the need to strengthen institutional arrangements between the two countries. Mr. Sharma informed the Foreign Minister about the tie up between Milan Polytechnic with Institutions in India with regard to collaboration in the field of design. India will participate as Partner Country in Milan Expo 2015. Both sides have expressed satisfaction over the growing trade and investment between the two countries as reflected in the 2010-11 figures, where overall trade with Italy touched US\$ 8.81 billion, showing a growth of 21.27% in 2010-11 from the earlier year. Exports to Italy in 2010-11 registered a growth of 33.85% at US\$ 4.55 billion. Imports from Italy saw a growth of 10.20% at US\$ 4.26 billion in 2010-11 as compared to 2009-10. The overall trade has registered a growth of 20.02% during the period 2011-12 (Apr-Dec). Exports registered a growth of 11.82% valued at US\$ 3.55 billion and imports registered a growth of 28.12% valued at US\$ 4.12 billion over the corresponding period in the last year. The top sectors of exports which witnessed growth in F.Y. 2010-11 are Transport Equipments, Petroleum, Readymade garments, Electronic Goods, Machinery & equipments, etc. Petroleum products (181.49%) and Electronic Goods (303.14%) saw the maximum growth. The top sectors of imports from Italy are Machinery, Machine Tools, Project Goods, Iron & Steel, Electronic Goods etc. In imports machine tools (64.36%) and artificial resins (35.71%), saw the maximum growth.

India's strategy to double trade with USA

The Department of Commerce has prepared a Strategy Paper for doubling India's merchandise exports over the period 2011-12 to 2013-14 from US \$ 246 billion in 2010-11 to US \$ 500 billion in 2013-14. The paper is available on the Department's website (www.commerce.nic.in). An aggressive product promotion strategy for high value items that have a strong manufacturing base is the main focus of the overall growth strategy. The core of the market strategy is to retain presence and market share in traditional markets, move up the value chain in providing export products in the developed country markets; and open up new vistas, both in terms of markets and new products in these new markets. In the area of technology upgradation and R&D, the sectors of focus are pharmaceuticals, electronics, automobiles, computer and software based smart engineering, environmental products etc. Department of Commerce is working with the relevant stakeholders to effectively implement the Strategy. Department of Commerce in its annual supplement to Foreign Trade Policy on 13.10.2011 announced certain sector specific and country specific measures under the schemes such as Special Bonus Benefit Scheme, Special Focus Market Scheme, Focus Product Scheme and Market Linked Focus Product Scheme. 'Niryat Bandhu' Scheme for international business mentoring to boost exports has also been introduced. In addition, to give boost to the apparel exports, it has been decided to extend Market Linked Focus Product Scheme to USA and EU. Firozabad, Bhubaneswar, and Agartala have been notified as towns of export excellence. It is a constant endeavour of the Government to enhance trade with our trade partners for mutual benefit. In

this context, India has been taking various initiatives like Comprehensive Economic Cooperation Agreements (CECA), Free Trade Agreements (FTA), Preferential Trade Agreements (PTA) etc. with different countries.

Portugal seeks to strengthen economic ties with India

Portugal is looking to enhance economic ties with India by collaborating with companies, especially in the textiles and energy sectors. "We have excellent political relations, history of cultural heritage but there is not much economic movement going on. There is a need to promote Portugal companies among Indian companies and Indian companies among Portuguese businesses," Portuguese Ambassador to India Jorge Roza de Oliveira said while speaking at an event of IT company Albion. He said there are many sectors, such as textiles and energy, in which Portuguese companies can collaborate with Indian companies. "There can be collaborations in field of water and waste management, alternative energy, cements, textiles and many more," Oliveira said. On the sidelines of the event, he said Portugal is looking at strong economic relationship with India within three years but did not specifically mention the quantum of trade that he expects to see between the two countries. "When you start from low base then any increment is big. At present, we have very less bilateral trade," Oliveira said.

Goa was ruled by Portuguese for almost 450 years, till it was liberated by Indian Army in 1961. Portugal has moved on after decolonisation of Goa and now looks at better ties in the form of trade and commerce. The country has expertise in the fields of infrastructure, water and waste management and alternate energy, which can be shared with India. As per estimates, the trade between India and Portugal was to the tune of Euros 500 million bulk of which was accounted for by exports from India. Bilateral trade has been growing steadily over the years but has remained modest. However, with a new and younger generation of business leaders there are greater efforts at engagement in the economic and commercial spheres including in new areas such as infrastructure, IT, renewable energy, pharmaceuticals. The present Programme of Cooperation for 2010-2012 under the Agreement for Cooperation in Science and Technology signed on December 3, 1998, between India and Portugal, and remains an active partnership with widened areas of scientific research, with 60 joint projects presently under its ambit.

Global law firm Baker & McKenzie keen to open India office

Global law firm Baker & McKenzie has said it is eager to open an office in India once the rules permit it to do so. The firm has been associated with the country for about 50 years and has been advising Indian companies on their global operations and investments.

"We advise a great deal of Indian corporates interested in doing business abroad but right now we can not open an office in India because of regulatory hurdles," Baker & McKenzie Global Chairman Eduardo Leite said.

The present regulatory provisions do not allow a foreign law firm to open office or practice law in India. "If it were legally possible we will surely open an office and we would have been here right from the first day as India is a very important market for both our clients from India who do business outside and for our clients that bring investments to India," Leite said.

"For the last 50 years, we have a relationship with India. We would like to continue this relationship but we are also very respectful of the laws and regulations of the country," he said.

Without divulging any names, Leite said that majority of the top corporates in India are their clients. The firm mainly advises on cross-border M&A, private equity, project development and financing, and other general corporate work. On whether they would prefer a partnership while opening an office once the rules are relaxed, Leite said, "We would reach an association with a local firm." As foreign law firms can not practice in India, they generally operate their 'India group' from other destinations such as Hong Kong, Singapore, London and New York among others.

Baker & McKenzie Asia Pacific Regional Council Chairman Jeremy D Pitts said though there is a provision in the advocacy act which says that if an Indian lawyer is allowed to practice in a foreign country, then a lawyer from that country can practice in India.

But the Bar Council of India has so far maintained that they are not satisfied with the reciprocity in any country, whether it is legal reciprocity or economic reciprocity, Pitts said.

Baker & McKenzie has as many as 70 offices in over 40 countries including both emerging and developed markets. Among the BRIC -- Brazil, Russia, India and China it has presence in all the countries except India. According to Acritas, an independent research firm, Baker & McKenzie serves more than half the world's largest public companies, based on the Forbes Global 2000, including nearly all of the 100 largest and more than 75% of the top 500.

European airlines rally against EU carbon tax

Airbus and six European airlines have written to four EU leaders attacking the carbon tax imposed by the European Union. Plane maker Airbus, British Airways, Virgin Atlantic, Lufthansa, Air France, Air Berlin and Iberia have written to the leaders of Britain, France, Germany and Spain to warn them about its economic consequences. They argue the tax could cost them billions of dollars in lost orders and lead to the loss of the thousands of jobs. French aerospace and defence group Safran and Germany's MTU also put their names to the letters, to British Prime Minister David Cameron, French Prime Minister Francois Fillon, German Chancellor Angela Merkel and Spanish Prime Minister Mariano Rajoy. All four countries helped found Airbus.

"We question the unilateral nature of this measure," said the source, adding that they wanted talks with all those affected, within the International Civil Aviation Organization (ICAO). Their initiative comes after the head of the Airbus parent company EADS said recently that China had blocked purchases of Airbus planes by Chinese companies in reaction to the disputed tax. Airbus was being subjected to retaliation measures, EADS chief executive Louis Gallois told reporters. According to a report on the website of the French economic daily Les Echos, China's decision to freeze Airbus orders could cost the European aircraft company up to \$12 billion (nine billion euros).

In the letter to Fillon, Airbus chief Tom Enders warned that the tax threatened more than a thousand jobs at the heart of the business and a thousand more in industries supplying Airbus, Les Echos reported. The head of the International Air Transport Association (IATA) has warned that the EU tax could provoke trade wars. However, Denmark's Climate Minister Martin Lidegaard said the EU would maintain the tax on airlines operating in its airspace so long as an international solution had not been found. Denmark currently holds the EU's rotating presidency.

The carbon tax imposed on airlines by the European Union came into effect on January 1, but carriers will begin receiving bills only in 2013 after this year's carbon emissions have been assessed. More than two dozen countries, including China, India, Russia and the United States, have opposed the EU move, saying it violates international law. But the EU has said the tax will help it achieve a goal of cutting carbon emissions by 20 percent by 2020 and has insisted it will not back down on the plan. It argues that the cost for airlines is manageable, estimating that the scheme could prompt carriers to add between 4.0 and 24 euros (\$5.25 and \$31.50) to the price of a round-trip long-haul flight.

Tourism to become economic driver in 2012

72% of EU citizens travelled in 2011, and more than 80% said that they would do so in 2012, choosing to go either on short trips or longer holidays. These are the results of the new Eurobarometer survey on the attitudes of Europeans towards tourism, which also sheds light on the preferences and travel patterns of EU citizens. The Eurobarometer revealed also that in 2011 more citizens chose to stay in Europe for their holidays; many more have said they will do so in 2012.

European Commission Vice-President Antonio Tajani, Commissioner for Industry and Entrepreneurship, said: *"Our continent's cultural and natural richness, and long-standing traditions of hospitality, are still close to the hearts of Europeans. The European Tourism sector has performed well, and it even grew in 2011. Our data underline that the sector will further improve in 2012. This confirms that travel and tourism are powerful economic drivers for the European recovery"*.

The Eurobarometer survey provides interesting insights into the preferences of European travellers:

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Editor: **Secretary General**

- The majority of EU-residents are confident travellers, who **prefer arranging their holidays by themselves**: 53% of Europeans booked their holidays via internet. As informed and empowered consumers, 49% of those who went on holiday in 2011 organised the various elements of their trip separately, rather than booking them altogether in one package.
- But they still **rely on recommendations from family and friends** about where to go. "Word of mouth" was relevant to 52% of EU travellers, more than internet websites (40%).
- Travelling is done **mostly by car and motorbike**. Those who travelled in 2011 preferred to travel by these means of transport (78%), much more than in 2010 (44%). However, 2011 also recorded a slight increase in the use of aeroplanes compared to 2010 (46% compared to 39%).
- **Nights are spent mostly in hotels or rented accommodation**: European travellers chose to stay in paid-for accommodations, regardless of the length of their holidays (this applied to 54% of those who went on short trips and 60% of those who spent at least four nights away).
- European travellers **seek rest and recreation**: 48% of those who went on holidays in 2011 had this objective in mind, more than in 2010 (36%), followed by "sun and beach" and "visiting family and friends" (28%).
- They value **natural beauty and quality service**: more than 50% of EU residents would go back to the same place, for its natural features. More than 90% of EU respondents were satisfied with their choice of destination and with the quality of the accommodation.
- **72% of Europeans travelled in 2011**: the proportion of EU citizens who went away last year (72%) remained substantially unchanged compared to last year's survey. European travellers preferred their own country (Greece 80%, Italy 74%, Croatia 73%), or another country in the EU. **Spain** was the most visited country in 2011 (11%), followed by Italy (9%), France (8%), Germany (5%), Austria (5%) and Greece (4%).
- **and Europeans will travel in 2012**: 73% of the respondents will not give up to their holidays despite the crisis, although 33% have had to change their original plans. 41% of respondents who will travel in 2012 are planning longer holidays (between 4 and 13 nights), rather than short-stay trips (27%). Preference will be given again to their own country (52%) or to another country in the EU (37%). Preferred destinations in 2012 will be Spain (10%), Italy (7%), France (6%), Greece (4%), Austria, United Kingdom and Germany (3%).

According to Eurostat, the European tourist-accommodation sector reached in 2011 record numbers in the EU 27, surpassing pre-crisis results. Nights spent by non-residents in hotels and other similar establishments went up by more than 7%, whereas nights spent by residents went up by 1.2%

The highest numbers of nights spent in hotels by non-residents were recorded in Spain (+14,7%) and Italy (+ 3.9%), whereas the largest increase of nights spent by residents in hotels were recorded in Lithuania (+20.6%), Bulgaria (+15.0%) and Romania (+13.4%).

Financial transaction tax: first technical reading completed

On 13 March 2012 the Economic and Financial Affairs Council took stock of the work done on the proposal for a directive on the EU-wide financial transaction tax. The ministers identified the outstanding issues and discussed the next steps. The Danish Presidency concluded that the first technical reading of the proposal had been completed. In its report to the ministers the Presidency noted that a whole range of sensitive issues remains to be addressed. Among those issues are specific questions regarding:

- the tax base (coverage of currency derivatives and government bonds and its impact on the costs of hedging and government borrowing; coverage of pension schemes and its impact on business models used in various member states, etc.);
- structure of the rates and persons liable to tax;
- more general questions regarding the impact on the economy, the risks of relocation outside of the EU, enforcement of the directive *vis-à-vis* non-EU financial institutions and delegated acts.

"It was a very fruitful and very constructive discussion. I guess that the different views on the proposal

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itself are well known, but there was an atmosphere of compromise and trying to find ways," said Danish Minister for Economic Affairs and the Interior Margrethe Vestager, who chaired the meeting.

The Council will continue its technical analysis in order to look at all the aspects of the proposal and their implications in practice. Additional meetings will be organised by the Presidency, which intends to start exploring possible compromise proposals to prepare for a discussion by the ministers, planned to be held before the end of June. The member states will continue to look into ways to advance the work on this politically and economically important issue.

EU decision-making on tax issues requires unanimity voting in the Council, after consulting the European Parliament. The proposed financial transaction tax is designed to ensure that the financial sector makes a fair contribution to public finances. In addition, it should provide a disincentive for the financial industry to undertake high-risk activities that in certain circumstances can seriously damage the real economy. Finally, it aims to ensure that there is no fragmentation of the internal market or distortion of competition, as a number of national measures of a similar nature are already being put in place.

The draft tax covers a wide range of financial transactions involving stocks, bonds and derivatives. The member states would be setting the actual tax rates themselves, taking into consideration the established minimum rate, which is 0.1% for shares and bonds, and 0.01% for derivatives. It is up to the member states to establish reporting obligations, and prevent evasion, avoidance and abuse. The proposal stipulates that the tax would be applied in accordance with the residence principle, i.e. the tax would be levied in the member state of establishment of the financial institution, not in the place where the transaction was carried out.

The Commission estimates that the yearly revenue generated from the tax could amount to around EUR 57 billion. It proposes that it could gradually, either wholly or partially, replace member states' contributions to the EU budget. The Commission proposed the tax in September 2011.

Trade preferences: boost help for poorest countries, but safeguard EU textiles

High and upper-middle income countries should be taken off the EU's generalised trade preferences (GSP) list, so that more can be done to help developing countries most in need, said International Trade Committee MEPs, in a vote on plans to update the scheme. At the same time, MEPs stiffened safeguards to prevent textile imports from disrupting the EU market. MEPs backed a European Commission plan to update the GSP scheme to reflect recent shifts in world trade patterns, by removing preferences for EU imports from countries on the World Bank's high or upper middle per capita income list (including Russia, Brazil, Kuwait, Saudi Arabia, and Qatar). The changes would reduce the number of countries that enjoy preferential access to EU markets from 176 to about 80. Imports qualifying for preferences would be reduced from €60 billion in 2009 (4% of total EU imports) to about €37.7 billion. This is the first time that Parliament has exercised its power, introduced by the Lisbon Treaty, to legislate on the GSP. "Taking the more economically-competitive countries out of the scheme creates room for a small increase in preferences for the remaining beneficiaries", argued Christofer Fjellner (EPP, SE), who drafted the report. The committee also voted to extend the range of products covered by the GSP to include some raw metals (aluminium oxide, lead, cadmium and others), that are of particular value to countries (most in Africa) that would remain in the GSP scheme.

MEPs also amended the proposals to stiffen safeguards to protect the EU textile and clothing industries against very low-cost imports from third countries. Tariff preferences for these products would be removed if EU imports grew by 12.5% in a year (down from the Commission's proposal of 15%), or if imports of specific products exceed 6% of total EU imports (down from the Commission proposal of 8%). The Generalised Scheme of Tariff Preferences (GSP) grants trade preferences, such as zero or reduced tariffs, for developing countries' exports to the EU, so as to help them reduce poverty and promote sustainable development and good governance. It has been in operation since 1971. The current GSP scheme has been in effect since 2009 and expires at the end of 2013, so the new regulation has to be in place by 1 January 2014 at latest.
