Europe India Chamber of Commerce

Newsletter

Issue: 40 Volume: 4 **June 2011**

Indian Minister Kamal Nath to inaugurate Global India Business Meeting in Naples, Italy

India's Minister for Urban Development Mr. Kamal Nath will inaugurate the Global India Business meeting in Naples on 26 June 2011. The high level meeting which will be attended by more than 400 top level business leaders from India, Europe and other parts of the continents revolves through the theme "Globalising Indian Companies" and India's place in the globalised world. The two-day GIBM, jointly organised by the Horasis and Europe India Chamber of Commerce together with the Commonwealth Business Council, will also be addressed by Mr. Stefano Caldoro, President of Campania, Italy. The Conference will provide opportunities for Indian business leaders to explore business collaborations and promote India as a brand through a series of interactive business sessions covering a wide spectrum of economic issues. The meeting takes place against a backcloth of continuing fragility in several European economies, a tentative recovery in the United States, rising and increasingly assertive China, turmoil in the Gulf and the Middle East, and rising food and energy prices. And amid all this, how India is becoming an oasis of economic tranquility with an economy growing at a pace only second only to China, its potential which many believe is better than its neighbour and an outlook that embraces the world rather than exploits it, will be the core discussion issues. The business leaders will identify globally relevant issues with particular emphasis on the potentials of Indian economy, India's integration into the new world order and the challenges India faces as an emerging global power with its companies acquiring a global profile. In this Summit, Indian corporate and business leaders will make their biggest splash ever in Italy, declaring the coming of age of India as an economic power ready to engage with the world on its terms, taking its domestic 'mantra' of inclusive growth to a recession-scarred world. The GIBM is one of the largest international economic events in Europe after the annual World Economic Forum in Davos. This will be the third such event the Horasis is organising in Europe on India.

The meeting is taking place in the backdrop of India's economic progress, its integration into the global economy and the important juncture the Indian companies stand today and how they are preparing themselves to manage the continuing change of the global business environment. As the economy in the West slowly recovers, the Indian companies will need to assess benchmarks such as environment and climate change, ethical trading, corporate social responsibility, that Indian corporate world have to confront.

For the last few years, the EICC, Europe's Apex chamber has become a leading economic and social forum in Europe to discuss, debate and partake in India's growing success with particular emphasis on European Union-India trade and economic relations. This year, the EICC which is partnering Horasis as a co-organiser of this global meeting, shifts its focus from the EU-India trade and economic relations to the Indian success story; a remarkable, resilient, relevant, robust and resounding India, and will offer business leaders a forum to debate shaping of India as a significant player in an increasingly interdependent world economy. For followers of the India story, this year's Naples conference will be a rigorous discussion about India's future in the globalizing world, and for the newcomers to the India story, it will be an engaging introduction to that which makes India relevant to all. Business leaders representing EICC who will address the event in various plenary sessions and offer their vision of India in the next century include Mr. Sanjay Dalmia, Mr. Ravi Mehrotra, Dr. Mohan Kaul and Mr. Sushil Handa. Several stakeholders of the chamber will attend the meeting and participate in the deliberation. The Chamber's Corporate Member, the Gianni, Origoni, Grippo & Partners, a leading international law firm in Italy is coordinating the preparation of the Conference.

The meeting will also discuss the current economic slowdown in Europe and the opportunities it offers to the Indian companies through sharpening their competitiveness and entrepreneur skill over their counterparts in Europe. What makes Indian corporations different and impressive especially in this current climate is their extraordinary commitment to social goals that extend beyond the interests of their firms. And they do so while maintaining stunningly impressive financial performance. As Indian business goes global, operations across different countries will create a need for dealing with cross-cultural issues in a way that is sensitive to differences and creates organizational cultures with space for a global workforce. The next decade is going to be very different from the last decade for the Indian companies wanting to globalize themselves, and the new decade will see a second and different wave of globalization and India has a historic opportunity to redefine its manufacturing industry. Many critical forces are already aligned - acceptance of 'Made in India' in the global market, growing FDI into the country, major growth in investments in infrastructure to address numerous bottlenecks and reduce transaction costs, and favourable dependency ratio for next 20 years to drive growth in consumption.

European Parliament asks for rapid conclusion of EU-India free trade negotiations

The European Parliament on 11 May voted overwhelmingly in in support of the EU-India Free Trade Agreement and favoured speeding up the negotiation. The MEPs were however disappointed by the slow progress in negotiations for an EU-India free trade agreement, and called on both parties to finish the work by the end of the year. In a resolution passed with 390 votes in favour, 276 against and 10 abstentions, they noted that the overarching goal of the agreement should be full reciprocal duty elimination for all industrial goods, including sensitive sectors such as passenger cars. Parliament also says the agreement should include a chapter on investment, and advocates a compromise to allow essential generic medicines to continue to reach those in need, whilst also setting up a strong intellectual property rights regime to protect patents. The resolution also calls on the Commission to include legally-binding human rights, environmental and social clauses in the agreement. The Chairman of the Europe India Chamber of Commerce (EICC) Mr. Geoffrey Van Orden MEP in a statement said, "I firmly believe that the development of trade between European countries and India must be a top priority in the years ahead. India is not only the world's largest democracy, but is one of the fastest growing economies in the world - averaging over 5 % year-on-year. I hope that the FTA negotiations will soon be finalised and that Parliament will back this ambitious FTA with India, which will be the largest FTA in the world, to date". He added, "I hope that it will facilitate access for British and other European companies to the dynamic Indian market, and that Indian firms will choose to invest and trade more with Europe." The adopted text is at:
http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+MOTION+B7-2011-0291+0+DOC+PDF+V0//EN

India's middle-income population to rise to 70 per cent in 15 years

Nearly 70 per cent of India's population could be in the middle-income group within 15 years if the Indian economy were to maintain the current growth momentum, according to a report of the Asian Development Bank (ADB). With the structural shifts in the pattern of global demand, Asia would be able rely on its own markets for growth rather than those of Europe, Japan or North America, the Manila-based bank said in its report. If the middle-income consumers in Asia could substitute for those in advanced economies, the Asian countries would be able to export to each other, like European economies. According to the report, European countries are significant exporters, with Eurozone exports growing 4.5 per cent every year since 2005, the recent recession notwithstanding. Likewise, all Asian countries could benefit from rapid intra-regional growth without having to rely much on the consumer markets of Europe or North America. "Today, India has a tiny middle class by global standards. But if it continues its growth, 70 per cent of the Indian population could be middle class within 15 years," the ADB report said. India's economy, the third largest in Asia, has been growing above 8 per cent and has contributed significantly to rising prosperity. The rapid economic expansion has also attracted the attention of global companies and investors, with many of them setting up shop in the country. According to the ADB report, the rise of Asia would be led by China, India, Indonesia, Japan, South Korea, Malaysia, and Thailand. By 2050, while the population of these countries is expected to fall to 73 per cent of Asia, their share of GDP would rise to 90 per cent, with these seven economies alone accounting for 45 per cent of global GDP. Their average per capita income of $45,800 (purchasing power parity) would be 25 per cent higher than the global average of $36,600. In 2010 the seven economies had a combined total population of 3.1 billion (78 per cent of Asia) and a GDP of $14.2 trillion (87 per cent of Asia). Asia's gross domestic product could ratchet to $148 trillion by mid-century with sound national and regional policies, the bank's report says. "Asian leaders need to devise bold and innovative national policies while pursuing regional and global cooperation to successfully manage regional public goods, energy security, infrastructure connectivity, food supplies and water resources, and to maintain long-term peace and stability," the ADB said. Asian equities have outpaced the world in the past decade, with the Morgan

Stanley Capital International (MSCI) Asia Pacific Index surging 61 per cent in dollar terms, as against a 22 per cent advance for the MSCI World Index. According to the ADB, Asia must modernise its governance systems and rebuild its institutions to ensure transparency, accountability, and the enforceability of rules and regulations, the ADB said. The region's long-term competitiveness would depend heavily on how it controlled the intensity of its resource use, including water and food, it said.

Indian aerospace market to reach $23.5 billion by 2016

Indian aerospace industry has experienced significant growth during the last five years and is expected to reach $23.5 billion by 2016, said Lucintel, a leading global management consulting and market research in a recently published report. The report says that the growth will be boosted by an increase in disposable income of the country's citizens and the subsequent increase in air travel. According to Lucintel, India's domestic passenger growth is expected to reach a level of 150-180 million passengers by the year 2020. The introduction of the defence offset policy in 2006 and significant liberalization in 2008 has also provided significant opportunities for Indian companies entering the sector. Lucintel has analysed the Indian aerospace and MRO market and published the comprehensive research report, "Opportunities in Indian aerospace and MRO market: 2011-2016". As per the study, increases in fleet size, low labour cost and government support to the industry are the major factors driving the Indian MRO market. The Indian MRO market is expected to reach $1.8 billion by 2016. However there are some challenges in front of Indian MRO players which should be addressed quickly, including infrastructure development and technological advancements. The study points out that India is a promising market for global MRO companies because the Indian aviation industry has high passenger traffic, low cost airlines and an increasing numbers of aircraft. Currently, there are no full MRO service facilities within a five-hour flight of India. The commercial aircraft market is expected to demonstrate strong, positive growth. The demand for business jets will grow with economy, which is poised for robust growth; consequently the business jets market will grow significantly. Additionally, Lucintel estimates that the defence sector will grow with a CAGR of 15% over the next five years.

Indian aerospace industry has witnessed an impressive growth during the past few years, with major contribution from the civil aviation segment. The market has been strongly supported by the government and private sector participation, which fueled domestic and international passenger arrivals and acted as catalyst for the overall industry growth. Availability of skilled manpower along with favorable business environment will position India as one of the most attractive investment destinations in the coming years. According to a research report titled “Indian Aerospace Industry Analysis” by an industry research group, India is the 9th largest aviation market in the world. Although the passenger traffic went into negative growth territory in FY 2009, it posted a remarkable recovery in FY 2010 and grew around 13.6% Y-O-Y, which was amongst the highest globally. Further, the government's open sky policy has attracted many overseas players to enter the market and the industry is growing in terms of both players and the number of aircrafts. On the basis of strong market fundamentals, it is anticipated that the civil aviation market will register more than 16% CAGR during 2010-2013. Additionally, aircraft maintenance, repair and overhaul sector is tremendously developing in the country. Driven by an increasing fleet of newly acquired aircrafts, shortage of trained and experienced professionals and a need to cut aircraft maintenance and operational costs, the MRO market holds plethora of opportunities for players in the technical services outsourcing business. Further, globalization of MRO services, availability of talent, manpower cost competitiveness etc. will make India a potential global as well as regional MRO hub.

Foreign Direct Investment in LLP firms partially allowed

In a move that will help in attracting more foreign investment, the government of India on 11 May allowed FDI in Limited Liability Partnership (LLP) firms in sectors like mining, power and airports. LLPs with FDI, however, will not be allowed to operate in agricultural and plantation activity, print media or real estate business. LLP is a new business structure that has hybrid features of a partnership firm and a corporate body -- a company's limited liability and the flexibility of a partnership firm. The LLP Act, 2008, was notified in April, 2009. As on May 2, as many as 4,679 LLPs were registered with the Ministry of Corporate Affairs. LLPs with FDI will be allowed through the government approval route, in sectors or activities where 100% FDI is allowed through the automatic route and there are no FDI-linked performance related conditions. The government statement further said foreign institutional investors (FIIs) and foreign venture capital investors (FVCIs) will not be permitted to invest in LLPs. LLPs will also not be permitted to avail External Commercial Borrowings (ECBs). The government has also imposed stringent conditions to prevent its misuse. An Indian company having foreign direct investment will be permitted to make downstream investment in LLPs only if both the company as well as the LLP are operating in sectors where 100% FDI is allowed, through the automatic route and there are no FDI-linked performance-related conditions. Foreign participation in the LLPs will be allowed only by way of cash considerations, received by inward remittance through normal banking channels. Foreign Institutional Investors and Foreign Venture Capital Investors will not be permitted to invest in LLPs.

The PwC, the global audit firm reacted positively saying “enabling window for conversion on existing companies to LLPs will give opportunities to foreign investors to restructure their business to migrate to a more efficient entity platform,". The designated partners will be responsible for compliance with the above conditions and liable for all penalties imposed on the LLP for their contravention. Industry analysts say the move will help the country attract foreign capital. Foreign investors will now get a window to operate in a simpler and tax-efficient environment. The policy move comes in the backdrop of the government’s decision to have a simpler regulatory framework to attract FDI inflows, which declined by 25% in the first 11 months of the current financial year to only $18.35 billion in FDI. Foreign investors can now use the flexibility this form of business structure that has less stringent norms on meetings and maintenance of statutory records. It is expected that the changes in the policy would also help Indian partnership firms, especially in consultancy business to corporatise and bring in professional practices. Currently, FDI is not permitted in partnerships firms.

Competition Commission of India eases merger and acquisition rules

India's competition regulator on 11 May announced a new set of regulations for mergers and acquisitions, diluting several of its earlier proposals to address industry concerns that the competition law was intrusive and burdensome. The new rules exempt a host of transactions from the scrutiny of the Competition Commission of India (CCI) and seek much lower merger notification fees than proposed earlier. "We have exempted routine merger and acquisition deals from seeking our nod," CCI Chairman Dhanendra Kumar said in a statement. The commission said the rules would take effect from June 1 and not apply retrospectively. This means they will not cover mergers and acquisitions approved by the boards of companies before this date. Schedule I of the regulations lists a number of transactions that will be exempt from the scrutiny of the competition watchdog. It says if an acquirer has 50% stake in a firm, then further acquisition will not trigger the competition law, except where the acquisition leads to transfer from joint control to single control. Earlier, a company acquiring even one share in a group firm controlled by it was required to notify the Competition Commission if it was meeting the asset or turnover threshold. An acquisition of less than 15% voting right, if it is in the usual course of business or purely an investment, will be exempt. Acquisition of shares or voting rights through bonus issues, stock splits, consolidation of face value of shares or rights issues will be exempt if it does not lead to acquisition of control. A stock market intermediary acquiring shares on behalf of clients will also be exempt from reporting requirements. The CCI has specified certain transactions where companies going in for mergers and acquisitions will have to submit details in Form I, and if the commission is not satisfied, it will have the discretionary power to call for more information in Form II. Interconnected transactions are a series of smaller, individual transactions, which are inter-dependent and eventually lead to a merger. The change ensures that once the viability of a transaction is verified, it would not be required to go through the notification process for subsequent transactions. In the case of mergers between overseas companies that have Indian subsidiaries, only those that have a material impact would attract scrutiny.

Swedish truckmaker Scania AB revs up India plans

Swedish truckmaker Scania AB recently announced the creation of Scania Commercial Vehicles India, which will look after sales of Scania’s heavy haulage trucks, city buses and long-distance coaches in India. In the next one year, the company also plans to set up an assembly plant near Bangalore for completely knocked down (CKD) kits. Scania has been studying the Indian market for a long time and is already selling heavy tippers in association with Larsen & Toubro. It is learnt that the assembly unit will come up within a year and within the next five years, the company expects to be able to achieve annual sales of almost 2,000 trucks, 1,000 buses and 1,500 engines. Scania is looking to broaden its offering to customers and during the second half of 2011, will provide a small number of buses and trucks for test operations to select Indian customers in additional segments.

EU plans to reshape its import scheme for developing countries

The European Commission plans to concentrate its import preferences on those developing countries most in need. It will limit its Generalised System of Preferences (GSP), with which it grants specific tariff preferences to developing countries in the form of reduced or zero tariff rates or quotas, to approximately 80 countries to take into account the emergence of more advanced developing countries which are now globally competitive. At the same time the Commission seeks to encourage more countries to respect core international conventions on human rights, labour standards, environment and good governance in the GSP+ scheme which grants additional trade concessions for trade-vulnerable countries. Key elements of the proposal include: Concentrating GSP preferences on fewer countries; Reinforcing the incentives for the respect of core human and labour rights, environmental and good governance standards; Strengthening the effectiveness of the trade concessions for Least Developed Countries (LDCs), and increasing predictability, transparency and stability. India is a leading beneficiary of the Generalised System of Preferences (GSP), which allows developing countries to export goods to the EU at preferential tariff rates. Negotiations for a free trade Agreement were launched in June 2007.

Trade has been a powerful engine of growth for many countries, lifting hundreds of millions out of poverty. EU trade policy has been designed to help this process. Since 1971, the EU schemes such as the GSP have allowed developing countries to pay lower import tariffs on some or all of their exports to the EU. In 2009, imports that received GSP preferences were worth €60 billion, which represents 4% of total EU imports and 9.3% of the total EU imports from developing countries. Under the revised scheme, imports that will receive GSP preferences are estimated at €37.7 billion. The current GSP scheme covers three elements: the general GSP arrangement which provides import tariff reductions for 176 developing countries and territories, the special incentive arrangement for sustainable development and good governance (known as GSP+). This arrangement offers additional preferences to support vulnerable developing countries in their ratification and implementation of international conventions in the field of human and labour rights, sustainable development and good economic governance. The current GSP+ scheme covers 15 beneficiaries, the Everything But Arms arrangement which provides for complete access (duty-free and quota-free) to the EU market save for arms and armaments for the 49 Least-Developed Countries as defined by the UN. The GSP scheme is implemented over cycles of ten years in order to take into account changing trade patterns. The present cycle began in 2006 and will expire in 2015. The scheme is implemented through successive Regulations applying for 3 years.

EC selects six future and emerging technologies (FET) projects to compete for research funding

Six research projects selected to compete for two top spots in the area of research into future and emerging technologies (FET) were announced on 4 May by the European Commission at the FET11 conference and exhibition in Budapest. The six contenders will receive around €1.5 million each to refine their proposal for one year, after which only two will be selected. The aim of these flagship initiatives will be to deliver major breakthroughs in information and communication technologies (ICT), with the potential to provide solutions to some of society's biggest challenges. The two initiatives selected for long-term funding will run for 10 years, each with a total budget of up to €100 million per year.

Neelie Kroes, European Commission Vice-President for the Digital Agenda, said: "The finalists announced today will plant the seeds for tomorrow's innovation. Europe hosts some of the world's leading researchers in the fascinating and highly inspiring area of future and emerging technologies. By joining forces to address grand challenges, European, national and regional funding can lead to innovations that will tackle problems like neuro-degenerative diseases and climate change."

In 2010 the Commission had invited Europe's scientists to identify challenges and propose projects. From the 21 proposals received, an expert panel selected the six initiatives with the strongest potential for realising scientific breakthroughs, and with the greatest impact on Europe's social and industrial challenges. Future and Emerging Technologies (FET): FET is the incubator and pathfinder for new ideas and themes for long-term research in information and communication technologies (ICT).The programme is managed by the Commission's Information Society & Media Directorate-General. FET's mission is to go beyond the conventional boundaries of ICT and venture into uncharted areas, increasingly relying on collaboration with different scientific disciplines (like biology, chemistry, nanoscience, neuro- and cognitive science, ethnology, social science, economics) the arts and humanities. The Future and Emerging Technologies programme began in 1989. Three recent Nobel Prize-winners, Theodor Hänsch, Albert Fert and Peter Grünberg, were all involved in FET-funded research projects. FET is funded under the EU's Seventh Framework Programme (FP7). The European Commission is increasing the FP7 budget for FET research by 20% per year up from €100 million today, and Member States are invited to match this effort with similar increases. The Commission funds FET research with a total budget of €500 million for 2010-2013. Cutting edge Future and Emerging Technologies are currently in the spotlight at FET 11 in Budapest (www.fet11.eu). This conference and exhibition on visionary, high risk and long-term research in information science and technology will seed new ideas across disciplines that will reshape the future.

The finalists are: (1) FuturICT Knowledge Accelerator and Crisis-Relief System: ICT can analyse vast amounts of data and complex situations so as to better predict natural disasters, or manage and respond to man-made disasters that cross national borders or continents; (2) Graphene Science and technology for ICT and beyond: Graphene is a new substance developed by atomic and molecular scale manipulation that could replace silicon as the wonder material of the 21st century; (3)Guardian Angels for a Smarter Life: tiny devices without batteries that act like autonomous personal assistants, and which can sense, compute and communicate potentially even while travelling through your bloodstream; (4) The Human Brain Project: understanding the way in which the human brain works can bring the benefits of brain-related or brain-inspired developments to computing architectures, neuroscience and medicine; (5) IT Future of Medicine: digital technology has the power to deliver individualised medicine, based on molecular, physiological and anatomical data collected from individual patients and processed on the basis of globally integrated medical knowledge; and (6) Robot Companions for Citizens: soft skinned and intelligent robots have highly developed perceptive, cognitive and emotional skills, and can help people, radically changing the way humans interact with machines.

To break new ground, FET Flagship contenders will have to look beyond traditional ICT research and link up with specialists in other fields like health-, material- and neuro-sciences and neuro-robotics. Successfully tackling such fundamental research challenges will only be possible through the combined efforts of top scientists from all over Europe. Most of the proposals announced today are backed by many companies and research funding agencies and hundreds of scientists. They will also need the combined resources of the EU's Research Framework Programme, national and regional research programmes and industry. By comparison, an earlier initiative to fully map the human genome involved hundreds of scientists across the globe and cost more than US$ 3 billion (roughly €2.1 billion) over 13 years. FET flagship projects face similarly huge challenges, with equally impressive potential benefits.

10 years of the euro, plans designing a commemorative euro coin launched

On 1 January 2012 it will be ten years since euro banknotes and coins were introduced and the euro became part of daily life for people living in euro area countries. A competition open to all euro-area citizens has been launched to design the commemorative 2-euro circulation coin that all 17 euro-area Member States will issue to mark the anniversary. "The euro binds us all together and is an achievement we should be proud of. This design competition for the new commemorative coin is a great opportunity for ordinary people to make their own mark on their currency. The winner's design will appear on millions of euro coins that will circulate throughout the euro area," said Olli Rehn, European Commissioner for Economic and Monetary Affairs. Over 330 million people in 17 EU countries now share one currency, the euro. A common currency makes many things easier, such as comparing prices between countries, travelling and trade, since fees for exchanging money and exchange rate fluctuations having been eliminated. It also reinforces the need for sound economic and financial policies. Normally each euro-area Member State issues its own euro coins with a national design on one side. But at the beginning of 2012 all euro members will issue a single commemorative 2-euro circulation coin with a common design to celebrate 10 years of euro banknotes and coins. It is the first time that the euro area has organised an open design competition on this scale.
