



EICC flagship TIPS 2016 to take place in Brussels in November

Trade and Investment Partnership Summit (TIPS), the flagship of Europe India Chamber of Commerce's annual events, will be held in November. The Summit is dedicated to fostering bilateral trade, investment and economic relations between European Union and India.

Taking into account the issues that were highlighted in TIPS 2015, the EICC will once again focus its objectives for creating greater collaborative approach for mutual economic benefit. The Trade and Investment Partnership Summit (TIPS) 2016 takes place in the background of some important developments: EU-India Summit which took place in Brussels on 30 March 2016 after a lull of four years; India Economic Mission led by Minister-President of Flanders Government from 23-28 April 2016; India becoming the fastest growing major economy in the world and announcing of sweeping liberalization in FDI policies by the government; Socio-economic and political developments in Europe threatening disintegration of the European Union as an institution; lack of coherent policies on migration deepening social malaise of Europe, and continued uncertainty in Europe after the BREXIT referendum.

The preparation of the 'Background Paper' for the EICC Annual Flagship event is on the final stage, and theme of the Trade and Investment Partnership Summit (TIPS) with the theme "**Mutual Benefits, Shared Growth: Leveraging Economic Opportunities by Bringing Business Together**" focusing in opportunities for joint venture, technical collaboration and business opportunities between Indian and European companies in the following specific sectors: Clean Energy, Smart Cities, Digital India, Make in India and Skilling India. The background paper is a reflection of growing mutuality of interest between European and Indian in general and companies in Flanders in particular. The objective behind putting together this paper is also to provide the conceptual background for facilitating discussions on aspect of broader framework of EU-India relations. In addition to EICC's own research and study, this paper has taken note of observations and opinions of expressed o various aspects of economic cooperation.

The TIPS 2015 was held on 30 September in Brussels around the theme "*Changing Dynamics in EU-India Relations: Business & Strategic Implications in the Next Decade*".

The Summit is being organized in collaboration with **Belgo-Indian Chamber of Commerce and Industry (BICC&I)** and **Europe India Foundation for Excellence (EIFE)** and with the support of **Flanders Investment and Trade (FIT)**. A total of specially invited 175 participants from India and European countries will attend. As ever, a diverse group of political leaders and experts from industry, finance, academia and the media are being invited. Eurochambres will be our partnering organization. There is a strong possibility that within the TIPS, the government of India will launch a Roadshow on recent economic and FDI policies.

The TIPS is an annual meeting designed to foster dialogue between European and Indian companies. Every year, between 175-200 policy makers, experts from industry, finance, academia and the media are invited to take part in the conference. For last several years the TIPS has become a forum for informal discussions about major issues facing the EU-India trade and economic relations. However, the TIPS 2016 will see a strategic shift in the policies, programme and approach as this time the focus is to bring Indian and European companies in general and companies in Flanders in particular on one platform to review the prospect of enhancing trade and economic relations with India.

Also, the TIPS 2016 is designed as a follow-up of the India Economic Mission of the Flanders Government which took place from 23-28 April this year in an open and transparent manner with the objective of strengthening business collaboration. European companies that are already engaged with doing business in India or are planning for some collaboration are being invited to share their perspective. Although all economic programmes announced by the Modi government has relevance for European companies, the TIPS 2016 will focus on specific sectors and policy issues in which companies from Europe and India can make presentation of their technology and services in order for Indian and European companies to demonstrate the potentials and opportunities. Following the day long Summit, one full day has been reserved for plant visit, B2B meetings and business negotiations.

Our partner for several years the **Eurochambres** has assured all help and assistance in getting European companies participating in the summit. EICC and Eurochambres plan to launch the **EBTC-II** during the TIPS.

Brexit to hurt Indian businesses with UK arms the most

The biggest hit in India Inc from the UK's vote to leave the European Union will be taken by manufacturing companies in sectors that have set up base in the UK while having substantial exposure to mainland Europe. These include firms in the services sector, especially IT companies with unhedged foreign exchange exposure. The stock market reaction, which mirrored the crash across global bourses before edging up in late trade, saw firms in both these categories take the biggest hit. Companies with significant revenue exposure to the European markets such as Tata Steel (52 per cent of total revenue), Motherson Sumi (86 per cent), Tata Motors (31 per cent) and Mahindra CIE Automotive (68 per cent) were the worst-hit with share prices declining up to 8.5 per cent.

Maintaining that Tata Motors is committed to manufacturing in the UK, a company spokesperson said told The Indian Express, "There will be a significant negotiating period, and we look forward to understanding more about that as details emerge ... negotiations between the UK government and the EU will continue to recognise the importance of car manufacturing to the UK and European economies."

While the Tata Group has 19 independent Tata companies in the UK, with diverse businesses, Tata Sons said each company continuously reviews its strategy and operations in the light of developments, and will continue to do so. It said that access to markets and to a skilled workforce will remain "important considerations".

The Mahindra Group's Mahindra CIE Automotive, which receives close to 70 per cent of its revenue from Europe, played down the impact of the UK vote, with V S Parthasarathy, group chief financial

officer, Mahindra Group, saying that there is "no impact" on M&M Limited and that the impact on the Mahindra Group will be muted.

"The result is uncertainty in the immediate aftermath and will moderate over time ... Brexit will throw up many opportunities as well and we are poised to take advantage of any opportunities that may emerge," he said.

All major Indian IT companies, too, came under pressure at the stock markets even as experts said they are exposed to currency risk, which was the first to play out after the voting results.

While a Bank of America Merrill Lynch report said Brexit could dent IT demand further, hurting the 10-14 per cent revenue growth forecast for the UK businesses of Indian IT companies in FY'17, the revenue break-up for top five IT companies show that the European market accounts for 11-29 per cent of their revenues.

Pankaj Pandey, head of research at ICICI Securities, said, "There is no clarity on when the currency will stabilise, so there will be uncertainty on the operational front for companies. We are not going to chase companies having significant exposure to UK and Europe even though they may witness price correction."

Even several pharmaceutical companies have sizeable exposure to UK and Europe and may continue to remain under pressure.

The UK is the third-largest inward investor into India, after Mauritius and Singapore, with cumulative equity investments of \$23.1 billion from April 2000 to March 2015 - accounting for eight per cent of total foreign direct investment inflows into the country. India, on the other hand, is the third-largest investor in terms of number of projects in the UK.

The number of Indian companies in the UK, growing at more than 10 per cent, has nearly doubled from 36 to 62 firms in a year. The combined turnover of these businesses has increased from £22 billion in 2014 to £26 billion in 2015, according to Grant Thornton UK LLP-Confederation of Indian Industry (CII) estimates.

There is a counterview of those who feel that the Brexit will potentially open up new trading opportunities for India at a time when UK's share in India's global trade is declining.

In 2014-15, UK's share in India's global trade declined to 1.89 per cent from 2.07 per cent a year ago. Trade in services has also eased, with UK service imports from India slowing and making up only about 2 per cent of the total, much lower than with the US and Asia.

According to The Indian Express, experts say that Brexit will open up new trading opportunities with Britain as the UK will seek trade agreements with non-EU partners, including India.

"This will require the UK to sort out its post-exit arrangement with its main trading partner, i.e., the EU, first. Thereafter, for India, a bilateral trade agreement with the UK might become viable as an alternate to the tough and drawn-out negotiations on the EU Free Trade Agreement," said the India research head of a leading global financial services firm, on condition of anonymity.

Meanwhile, RBI governor Raghuram Rajan looked to calm the markets. "The Indian economy has good fundamentals, low short term external debt, and sizeable foreign exchange reserves. These should stand the country in good stead in the days to come. The Reserve Bank of India is continuously maintaining a close vigil on the market developments, both domestically and internationally, and will take all necessary steps, including providing liquidity support (both dollar and INR), to ensure orderly conditions in financial markets," said Rajan.

India announces radical FDI rules; Country the most open economy in the world, says PM Modi

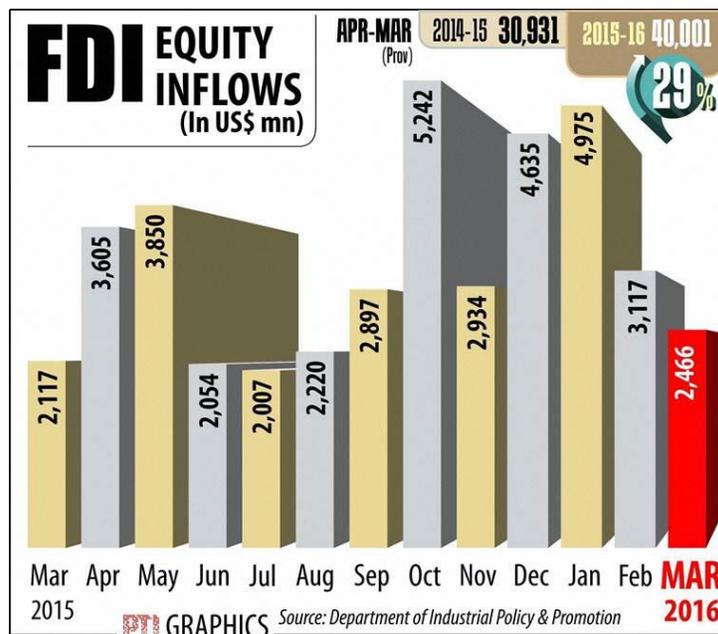
With the objective of providing major impetus to employment and job creation in India, Modi government further eased norms for 100% FDI in aviation. The aviation sector seems to be very happy with this news.

Hailing it as wonderful news KPMG said, "After the path breaking National Civil Aviation Policy (NCAP 2016), this comes like an unexpected icing on the cake. Great day for Indian aviation!". It further added, "The government plans to go for a massive improvement in India's global and domestic connectivity, affordability and ease of doing business. The opening of FDI will help bring in much needed cash, aircraft fleet and best practices. We may see its positive impact over the next 6-12 months." The KPMG is of the opinion that, "The likely increase in competition will bring down prices and enhance air penetration in India – both international and domestic.

Indian carriers can now look for enhanced valuations in case they wish to raise funds or go for partial or complete divestment."

The Centre, on 20 June, introduced changes in its foreign direct investment (FDI) regime. It opened up a few more sectors, where FDI can be pumped in, either via automatic route or through the approval of the government.

Terming the measures to have made India 'most open economy in the world', the government stated that they would help in job creation.



Here is a look at all the changes that have been introduced for different sectors.

Promoting food products manufactured or produced in India: The Centre has decided to allow 100% FDI under government approval for trading food products that are made in India

Defence: Removal of a clause: Investment beyond 49% is now permitted via government approval in cases that result in access to modern technology in the country or for other reasons to be recorded. The condition of access to 'state-of-art' technology in India has been scrapped.

Investment limit for this sector is also applicable to manufacturing of small arms and ammunitions covered under Arms Act 1959.

Carriage Services: Direct to Home (DTH), teleports, cable networks, mobile TV, headend-in-the Sky Broadcasting Service (HITS) has been opened up and 100% FDI through automatic route can now invested.

Pharmaceuticals: Up to 74% investment will be under automatic route, while the rest will need a government approval in brownfield pharma sector. Till now, approval was needed in the entire 100% investment in brownfield pharma.

Aviation: FDI in airports, in case of brownfield projects, is now under automatic route for the entire 100%. Earlier, the automatic route was available till 74% of equity.

Government has increased FDI limit in scheduled air transport service/domestic scheduled passenger airline and regional air transport service to 100% from its current 49% cap. However, FDI up to 49% is permitted under automatic route, while investment beyond that will need government approval. For NRIs, 100% FDI will continue to be allowed under automatic route.

In case of foreign airlines, carriers will be allowed to invest in capital of Indian firms operating scheduled and non-scheduled air-transport services up to the limit of 49% of paid up capital and subject to laid down conditions in the current policy.

Setting up branch office, liaison office or project office: If the principal business of the applicant is defence, telecom, private security or information and broadcasting, the approval of Reserve Bank of India or separate security clearance would not be required in cases where FIPB approval or license/permission by the concerned ministry/regulator has already been granted.

Animal Husbandry: Removal of clause: FDI in animal husbandry (including breeding of dogs), pisciculture, aquaculture and apiculture is allowed up to 100% under automatic route. The Centre has done away with the condition of this investment being under controlled conditions.

Single brand retail trading: The Centre decided to relax local sourcing norms up to three years. It also relaxed sourcing regime for another five years for firms undertaking single brand retail trading of products that have 'state-of-the-art' and 'cutting edge' technology.

India received USD 55 bn in FDI in two years

India has received USD 55 billion in FDI in the last two years, External Affairs Minister Sushma Swaraj said on 19 June, noting enhanced economic engagement with countries across the world has been a major priority area of the government's foreign policy.

Swaraj addressed an hour-long annual press conference in which she highlighted the achievements of the NDA government in the diplomatic sphere in the past one year, dwelling at length on initiatives to expand India's global engagements.

The External Affairs Minister said government had touched base with 140 countries in the past year and listed India's growing ties with nations in the African continent, countries of the Gulf region and Pacific islands as major achievements.

India will reach out to 65 countries to which it will send its ministers. There have not been any ministerial visits to these countries, Swaraj said.

Swaraj said she and Prime Minister Narendra Modi visited six SAARC countries, with the government strongly pursuing its "neighbourhood first" policy.

She said because of the sustained efforts, India has received USD 55 billion (Rs 3.69 lakh crore) in foreign direct investment in the last two years.

"It is an increase of 43 per cent compared to the time when UPA was in power. You have to make effort to get FDI.

Because of our effort, FDI has gone up," Swaraj said, adding various foreign governments are participating in India's flagship programmes like rejuvenation of Ganga and smart cities projects due to MEA's continuous efforts.

The External Affairs Minister said India's ties with the US has improved significantly, adding the government will not undermine national interest while pursuing good relations with that country.

Swaraj touched upon a range of issues including government's engagement with the diaspora, India's position on South China Sea dispute and targeted killing by suspected Islamists in neighbouring Bangladesh.

On the issue of South China Sea, she said India wants peaceful settlement of the dispute. She said India will try to build consensus on Teesta water agreement with Bangladesh for which West Bengal Chief Minister Mamata Banerjee will have to be taken on board.

Talking about cooperation with Japan, Swaraj said the country will be a permanent participant in the Malabar exercise in which only India and the US participated earlier.

USIBC sees \$45-bn opportunity as Modi ignites Indian economy

The US-India Business Council (USIBC) expects India's growing economy to open up investment opportunities to the tune of \$45 billion even as visiting Prime Minister Narendra Modi on said India is poised to contribute as the new engine of global growth and asserted that a larger Indian economy has "multiple benefits" for the world.

Prime Minister Narendra Modi addressing at the 40th AGM of USIBC, in Washington DC, USA on 7 June 2016

"We have begun our journey to transform India," he said, adding that this would transform the world and other countries also.

Earlier, Vikas Swarup, spokesperson of the ministry of external affairs, tweeted that USIBC has indicated that its members are on track to invest \$45 billion more in India.

A statement tweeted by Swarup cited USIBC chairman John Chambers as saying that 20 per cent of its members have invested \$28 billion in India in less than two years.

Over the next two - three years, this momentum is likely to increase as 20 per cent more members are likely to make investments in the country, he said. This, he says, means that the investment will be an additional \$45 billion, which is a conservative estimate.

"Given Prime Minister Modi's track record towards implementing Digital India and key economic reforms, we are optimistic that this number will be dramatically exceeded, perhaps even doubled," Chambers was quoted as saying in the tweeted statement.

"This is the time when the world needs new engine of growth. It would be nice if the new engines are democratic engines," Modi said in his address to the American business community at the annual gala of the US India Business Council (USIBC).

"Today India is poised to contribute as a new engine of global growth. A larger Indian economy has multiple benefits for the world," the prime minister said as he listed out the achievements of his government in economic reforms and liberalisation of policies.

As a result, India has now emerged as the one of the fastest growing economies of the world and urged the American businesses to come and invest in India, set up efficient manufacturing units.

"India is much more than a market," he said, adding that it is a "reliable partner", as he listed out the key features of a resurgent Indian economy that is geared to become "driver of global economy".

The prime minister said that a larger Indian economy has multiple benefits for the world. He said as India marches ahead on the path of development, it needs to learn from the America experience, in particular its entrepreneurship, technological advancement and products which ranges from drugs to drones.

"Indeed, to me America is not just has a great past, but it is a country with an exciting future," the prime minister said. Modi exuded confidence that Indo-US partnership would benefit both the countries.

Modi said his government has taken decisive steps to curb corruption. "We would continue to have disciplined and prudent macroeconomic policies," he told the US corporate leadership.

"We would continue to improve the investment climate and ease of doing business," the Prime Minister said, adding his government wants to make India a destination which not only welcomes businesses but also it is easier to do business.

Modi urged developed countries to open their market. "We see this as a win-win situation," he said.

He assured the US corporate world to make its taxation system transparent. India, he said would continue to open up the defence sector.

"We are exploring a simpler and transparent licensing system. The purchase of six nuclear reactors from Westinghouse which would mark a new era in the field nuclear energy in India," the PM said. Clean Ganga campaign is on the verge of taking off. It is a high priority of the Modi government, he said, adding that his aim is to restore Ganga to its pristine glory.

N-pact with Westinghouse to unleash Rs150 bn industry boom: Ficci

An agreement signed between Nuclear Power Corporation of India Ltd (NPCIL) and US nuclear supplier Westinghouse to initiate preparatory work on six nuclear reactors in India is expected to unleash a \$150 billion nuclear industry in India, thereby creating jobs and ensuring access to clean energy and ensuring our energy security, industry body Ficci said while welcoming the announcement.

The White House said on 7 June that NPCIL and Westinghouse have agreed to begin engineering and site design work immediately for six nuclear reactors in India and conclude contractual arrangements by June 2017.

This agreement, according to the Federation of Indian Chambers of Commerce and Industry, will further cement the strategic relationship between the two nations reaffirming the 'trusted partner' status that has been accorded to India in defence and aerospace.

Ficci feels these positive developments in civil nuclear energy sector will send the right signals for making re-operational the domestic nuclear programme, which has been stalled for last two years on the nuclear liability issue.

The finalisation of the Indian Nuclear Insurance Pool (INIP) policy for the operator augers well in this positive environment, Ficci now hopes that INIP for the supplier gets IRDA approval at the earliest, so the domestic programme can be reinitiated.

Ficci said it has, through its civil nuclear energy working group, been working over the past few months in evolving a consensus amongst all major suppliers of NPCIL, including foreign technology players, to agree on a draft supplier's policy with the aim to put life into the domestic programme which was in coma.

Amazon to invest another \$3 bn in India, takes total to \$5 bn

Amazon founder and chief executive Jeff Bezos has said that the American online retail giant would invest an additional \$3 billion in India, boosting the company's committed investment in the country to \$5 billion.

Amazon's investment decision is seen as a vote of confidence for Indian Prime Minister Narendra Modi who presented the US India Business Council's global leadership awards to Bezos and Sun Pharmaceuticals founder Dilip Shanghvi in Washington.

"This award is a recognition of the fact that we have already created some 45,000 jobs in India and continue to see huge potential in the Indian economy," Bezos told the USIBC summit in Washington headlined by Modi, who also met with President Barack Obama.

"Our Amazon.in team is surpassing even our most ambitious planned milestones, and I'm pleased to announce today that we'll invest an additional US \$3 billion on top of the \$2 billion that we announced in 2014, bringing our total investment in India to over US \$5 billion," he added.

As Amazon stumbles in China, unable to take market share away from Alibaba's home-grown Chinese sites like Taobao and Tmall, India rises as its biggest overseas opportunity. For more than a decade, Amazon has tried with little success to become a big ecommerce player in the world's most populous country, China. Now it's becoming clear that Amazon has its eyes on India.

That's probably part of the reason Amazon is going to pour \$3 billion into its Indian online store which is growing at a tearing pace after being launched in 2013.

A survey in March revealed that consumers in India trust Amazon's brand more than any other web retailer - Amazon competes with Indian ecommerce companies like Flipkart and Snapdeal.

Bezos said Amazon would open a Web Services Cloud Region in India this year and the country would soon become home to the firm's largest software engineering and development centre outside of the US.

"We have barely scratched the surface of this vast country," said Bezos. "Soon India will be home to our largest software engineering development center outside the United States," he said referring to Amazon's planned facility in Hyderabad.

Apple is also setting up its first technology development centre outside the US and has chosen India's IT hub Hyderabad for the same. Meanwhile, Google's Sundar Pichai has said the company plans to open South Asia's biggest campus and its only facility outside the US in Hyderabad in the next few years.

Apple, Amazon, Google, and Uber have queued up to have their second-largest development centres, outside the US, in Hyderabad all within a radius of 10 kilometers.

Amazon's India business is being run by Amit Agarwal, one of only a handful of Amazon employees who have worked as Jeff Bezos's "shadows".

"These shadows, or "technical advisors," work side by side with Bezos and often end up in some of the most critical roles at Amazon after their Bezos master class is over. Agarwal held this role from 2007 to 2009," noted ReCode.

The king of ecommerce also talked about how he had a "soft corner" for small entrepreneurs as he was one too, not very long ago. For nearly a year, Bezos and a crew of five employees worked out of his garage setting up Amazon.com. Bezos is now the world's fourth-richest man.

In keeping with his blueprint to help small entrepreneurs in India, Bezos said Amazon is expanding its Fulfilment by Amazon service, which provides storage, parking and shipping for independent merchants selling products on Amazon's website.

Bezos said Amazon had so far built 21 fulfilment centres with more than 5 million cubic feet of storage space. Bezos said Amazon's link-up with India Post had helped it to reach all serviceable postal codes in the country.

India among top 5 innovation destinations; Bengaluru tops

India has been named among the top five global locations for innovation centres, and Bengaluru has emerged as the most favoured destination within the country, having four such facilities. According to a Capgemini report titled Digital Dynasties: The Rise of Innovation Empires Worldwide, India is becoming a new innovation destination of choice, doubling the number of innovation centres since July 2015 and seeing brands such as Apple, Airbus and Visa locate in Bengaluru.

Silicon Valley, London and Paris were named as the top three locations for innovation centres, followed by Singapore and Bengaluru in the fourth and fifth place, respectively.

"India has been rising in the ranks of favourite destinations to open innovation centres. Our previous research identified eight innovation centres in India in July 2015. India has since seen eight more innovation centres open their doors," the report said.

Bengaluru has been the most favoured city with four new innovation centres. Bengaluru is home to several billion-dollar Indian startups such as Flipkart, InMobi and Mu Sigma, and attracts world-class technology talent and investments.

Among the new innovation centres opened in Bengaluru are Airbus' BizLab, which intends to bring together startups and Airbus' internal entrepreneurs and Visa, whose new technology center will house 1,000 developers accelerating development of next generation payment solutions.

"Global firms are showing interest in other Indian cities as well," the report said adding that TriMas Corporation - a diversified global manufacturer of engineered and applied products - opened an innovation centre in Delhi to focus on driving innovation across its range of packaging solutions, while Puratos, a leading global food ingredient company, launched an innovation centre in Mumbai.

The report noted that though Silicon Valley still remains the hub of the world's most dominant innovation "empire", the innovation centre phenomenon has continued to spread globally, a number of new 'empires' have emerged.

"Over the last year, we witnessed the rapid rise of Asia as a destination for innovation centres. Compared to our previous research, Asia has seen a 29 per cent rise in the number of innovation centres being launched," the report said.

India slips 5 notches to 105th on Human Capital Index

India is ranked at 105th position globally on a worldwide Human Capital Index, which measures countries' ability to nurture, develop and deploy talent for economic growth. The list was topped by Finland.

India ranks much below China's 71st position, while Bangladesh, Bhutan and Sri Lanka are also placed higher on the index, released by the Geneva-based World Economic Forum (WEF) in this Chinese city at its Annual Meeting of New Champions — also known as 'Summer Davos' summit.

Pakistan ranks further lower at 118th place. Giving India 105th rank out of the total 130 countries included in the index, WEF said the country had optimised only 57 per cent of its human capital endowment, placing it in the top of the bottom quartile of the index.

India was ranked 100th last year out of total 124 countries included in the 2015 index.

“Although the country’s educational attainment has improved markedly over the different age groups, its youth literacy rate is still only 90 per cent (103rd in the world), well behind the rates of other leading emerging markets,” it added. “India also ranks poorly on labour force participation, due in part to one of the world’s largest employment gender gaps (121st).”

On the positive side, India has got better rankings on quality of education system (39th), staff training (46th) and ease of finding skilled employees (45th) indicators. This suggests “a primary avenue for improvement for the country consists of expanding access to its numerous learning and employment opportunities”.

The report also showed that India had the largest share in the “global distribution of tertiary degree holders” at nearly 78 million while it was second largest after China on global distribution of recent graduates in STEM subjects (science, technology, engineering and mathematics) at about 2.5 million. Globally also, an average of only 65 per cent of the world’s talent is being optimised through education, skills development and deployment during people’s lifetimes, WEF said. Finland, Norway and Switzerland hold the top three positions, utilising around 85 per cent of their human capital. Japan leads when it comes to 55 year-olds and over.

“Today’s transition to the Fourth Industrial Revolution, combined with a crisis of governance, creates an urgent need for the world’s educators and employers to fundamentally rethink human capital through dialogue and partnerships,” said Klaus Schwab, founder and executive chairman of WEF.

“The adaptation of educational institutions, labour market policy and workplaces are crucial to growth, equality and social stability.”

On the global index, Japan and Sweden have moved up to 4th and 5th places and are followed by New Zealand, Denmark, the Netherlands, Canada and Belgium in the top 10.

Among BRICS countries, India is ranked lowest as against Russia’s 28th, China’s 71st, Brazil’s 83rd and South Africa’s 88th.

Countries ranked below India include Nepal, Myanmar, Haiti, Malawi and Burundi while Mauritania, Yemen, Chad, Nigeria and Mali are placed in the bottom-five with below 50 per cent talent optimisation.
