



# Europe India Chamber of Commerce

## Newsletter

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### **Flanders in action with Global India Business on agenda**

The Global India Business Meeting (GIBM) to be held in Antwerp on 24-25 June 2012 received a wide coverage in the press and media in India and in Europe when the Minister-President of the Flemish government Mr. Kris Peeters, during his visit to India last fortnight, declared that the GIBM 2012 will be the most important business conclave for European and Indian business of the year 2012. The Flemish government which will host the Horasis business event, often described as the regional version of the World Economic Forum, is collaborating with EICC and other stakeholders in the preparation of the meeting. More than 300 business leaders and industrialists from India and Europe will participate. The Indian Commerce and Industry Minister Mr. Anand Sharma whom Mr. Peeters met in New Delhi will be the chief guest and address the meeting. The trade and economic relations between India and Belgium has been going from strength to strength with India being an important investor in the Flanders with investment of about 1.2 billion Euros. Over 50 Indian companies in the field of ICT, Pharma, Transport and Machinery equipment have established their presence.

Top CEOs and selected business executives will discuss issues like trade and investment, finance, green tech, etc. The GIBM will be held in a very unsettled and fluid global business environment and the Eurozone economic crisis will offer the participant opportunities to debate on the global economy and what solution they think both India and Europe can help tide over the crisis. In this context, for Belgium the GIBM2012 comes at a time when the Flemish government is leading efforts to push for greater business collaboration between Europe and India, and early conclusion of the free trade negotiation between EU and India. Some of the important business leaders and industrialists who have confirmed their participation are 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. Jignesh Shah, CEO of Financial Technologies.

EICC together with Flanders Investment and Trade is coordinating with Horasis on the preparation of the event in collaboration with Voka Chamber and Belgo-Indian Chamber of Commerce and Industry.

### **EICC Chairman addresses India-EU Business Forum in Brussels**

EICC Chairman Mr. Geoffrey Van Orden MEP recently spoke at the India-EU Business Forum 2011 which was held in Brussels. The conference was organized by the Indian Chamber of Commerce in association with EUROCHAMBRES and was attended by senior European and Indian business leaders, European and Indian politicians as well as Brussels-based diplomats. Mr. Van Orden was the key speaker addressed on the session "Business Opportunities between Europe and India". On the current state of Europe-India trade, Mr. Van Orden noted "Europe is currently a more important market for Indian companies than India is for European companies - clearly this needs attention as India should be one of our biggest overseas markets." On European concerns with the free trade agreement, Mr. Van Orden observed that Europe's main concern with the FTA is securing a significant reduction in Indian import tariffs on European vehicles and auto parts and on wines and spirits including opening of the service sector. In due course there should also be access to India's public procurement market at central and state levels. On the issue of increasing trade between Europe and India, Mr. Van Orden said that top priority for increasing trade and investment between India and Europe is completion of a comprehensive free trade agreement (FTA) which is already delayed and more urgency needs to be applied and that he shall continue to press for an FTA that is beneficial to both European and Indian businesses and our economies.

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Editor: **Secretary General**

### **Jorge Martí appointed Honorary Consul of Belgium in Valencia**

Mr. Jorge Martí, Member of the Board of Directors of Europe India Chamber of Commerce has recently been appointed as the Honorary Consul of Belgium in Valencia. In a ceremony attended by His Excellency Ambassador Bock of Belgium to Spain, Mr. Martí was conferred with the honour. Mr. Martí is the managing partner of Uría Menéndez's Valencia office. He joined the firm in 1991 and became a partner in 1996. He opened the firm's London office in 1991 and was resident in London until 1996. Mr. Martí has an extensive corporate, banking and finance and M&A practice and a strong background in European and competition law. He also advises on matters of insurance, energy and private equity practice and holds the position of Secretary on the Boards of Directors of leading companies in all these areas. In November 2007 he was appointed Deputy Director for Seminars at the UIA (Union Internationale des Avocats). He had been Chairman on the organization's Company Law Commission since the UIA Congress held in October 2002.

Mr. Martí has been recognized for his work in M&A and Capital Markets by Global Counsel 3000, Global Counsel Handbooks and Euromoney. During this time, Jorge was assistant lecturer in the Law Department of the College of Europe, Bruges (Belgium), lecturer in Institutional and Constitutional Law and procedures of the European Communities at King's College, in London and since 1999, Mr. Martí has been a tenured lecturer in "Economic International Law" and in "Commercial Law of the EEC" at the Universidad Cardenal Herrera in Valencia, Spain. Mr. Martí joined the board of the EICC in June 2010.

### **Chandramouli speaks at the VINNOVA Innovation Conference**

EICC was recently invited to speak in the Seminar organized by TAFTIE in Brussels on innovation collaboration with India, and EICC Board Member Mr. M S Chandramouli addressed the event as a Panelist. TAFTIE the European Network of Innovation Agencies together with VINNOVA - Sweden's Innovation Agency had invited EICC to share its views on the seminar "Innovation in India: key trends and implications for Europe" and the presentation of the new TAFTIE-report "Innovation hot spots in India". The report offered a better understanding of the industry-related innovation potential in India and highlighted thematic areas that might emerge as useful for European and Indian companies to explore collaboration. In addition to providing an insight into innovation in India, the seminar brought together experts and policymakers to discuss what the example of India says about the increasing internationalization of innovation and its implication for Europe. Others who spoke in the Panel included Mr. Peter Droll of European Commission, Mr. Martin Goller of German Ministry of Education and Mr. Shubham Chatterjee, Management Consultant from India. Mr. Chandramouli was specifically asked his views if there were any elements that the report might have missed. He elaborated the point that the dialogue on innovation was not just a cross-country communication but also a cross-cultural event. Therefore according to Mr. Chandramouli, effective collaboration would require mutual understanding of the cultural dynamics that underpin the Europe - India dialogue. To make his point he stressed about the concept of time in the two cultures. In the Indian way of thinking Time is cyclical but in the European way of thinking Time is linear and these mindsets not stated explicitly often define behavior. Chandramouli suggested that there were many more issues of this nature and perhaps some attention needs to be given to this area too.

### **51% FDI in multi-brand retail: 15-year journey ends**

The Cabinet Committee of the Indian government on Infrastructure on 24 November approved 51 per cent foreign participation in multi-brand retail business. The cabinet panel also decided to raise the cap on foreign investment in single-brand retailing from 51 per cent to 100 per cent. While the decision is music to global retail giants that have long been eyeing India's \$600 billion-a-year retail business it may spell disaster for the kirana stores (small traders/local merchants) where Indians love to shop (Kirana stores are owned and operated on a small scale, usually in a space of 500sq.ft. or less. These places are easily available within residential localities. However, for a supermarket to operate, a minimum of 2000 sq. ft. would be required, and usually, so much space would usually be found in commercial localities). The major factor which makes the kirana stores a favourite is the price factor. The survey by ASSOCHAM says, "Kirana stores provide for cheaper purchases to an extent of 25 per cent and also offer options for avoidance of payment of duties such as VAT and other local levies on articles sold by them."

For all these years, the decision to let in cash-rich global retailers like Walmart, Tesco and Carrefour to open outlet chains in India has been opposed on the ground that it would push millions of small neighbourhood shops across the country out of the trade and create a new breed of unemployed. However, the nod for multi-brand retail comes with some riders: Foreign players should pump 50 per cent of FDI in the back-end infrastructure. The Centre has fixed minimum FDI per project at \$100 million, restricting the entry of small players. Also, foreign retailers will be allowed to set up sales centres only in cities with population more than 1 million. These players will have to source at least 30 per cent of manufactured and processed products from small-scale units. Currently, India allows 51 per cent FDI in single brand retail and 100 per cent FDI in cash and carry format of the business. The decision to open up the sector has however become a major political issue with both political parties and traders divided. inflation.

It has been a long, torturous journey, one that started when the United Front government led by H D Deve Gowda allowed 100% FDI in cash & carry wholesale trade in 1997. Some called it back-door entry for foreign players into India's retail sector. Nonetheless, it was a tentative baby step towards modernising retail business that led to allowing FDI of up to 51% in single brand retailing in January 2006. Department of industrial policy and promotion moved a Cabinet note seeking an increase in the FDI cap. Earlier, it had proposed to increase the ceiling to 74%, but decided to adopt a more aggressive stand. It has argued that companies such as Ikea, which produces mass consumption products and accessories, and prominent luxury brands will set up stores if 100% FDI is permitted. Besides, it has made a case for the increase on the grounds that with full-control over the Indian venture, foreign retailers will have a sizeable presence in India and will be encouraged to source locally. The move is expected to bring precious dollars at a time when the economy is slowing, food prices continue to gallop and the government is being accused of policy paralysis.

#### **TCS wins \$2.2 billion outsourcing deal with Friends Life**

India's largest software services export company Tata Consultancy Services (TCS) has won a mega outsourcing deal - probably the biggest in the company's history. The agreement, effective 1 March 2012 is worth \$2.2 billion or £1.37 billion and spread over 15 years. Diligenta, a leading Business Process Outsourcing (BPO) provider in the UK is a subsidiary of TCS. Diligenta will assume administration responsibility for 3.2 million policies for Friends Life, a provider of pensions, investments and insurance. Diligenta will assume administration responsibility for much of Friends Life's closed book protection business and significant part of its corporate benefits business. Diligenta and TCS will deliver IT infrastructure and IT services with some policies migrating to TCS BaNCS Insurance, a globally recognised industry-leading insurance platform. As a result of this new arrangement a total of approximately 1,900 Friends Life roles across a number of office locations in the UK will transfer under their existing terms of employment to Diligenta. All of those individuals who transfer will continue to service Friends Life's customers ensuring both continuity of service delivery and expertise. Chief Executive Officer and Managing Director of TCS and Chairman of Diligenta, N Chandrasekaran said, "Our domain-centric, platform-based solutions enable us to help companies transform their businesses. Our strong presence in the Insurance segment, track record and the early investments in building products and platforms have contributed to this win." Phiroz Vandrevala, Managing Director & Vice Chairman of Diligenta, and Director, TCS said: "This strategic partnership will allow Friends Life to focus on new opportunities in its corporate markets and grow its business."

TCS representatives in Europe Mr. Abhinav Kumar and Mr. Hem Kiran Gupta serve in the Advisory Board of the Chamber.

#### **Studies show India to be 5th largest economy**

India is all poised to see huge growth opportunities and become the 5th largest economy (nominal GDP) globally at \$4.4 trillion by 2020 (from 9th currently), forecasts a report released by the Boston Consulting Group, the knowledge partner of the Indo-Japan Summit 2011. Betting high on the Indian growth prospects, the report says that the subcontinent's consumption basket which is one third of Japan at present will rise phenomenally to almost twice the size of Japan by the year 2030. Riding on this growth path, the report says, the Indian infrastructure sector is expected to see an investment of up to \$1 trillion

dollars over the next plan with the investments of billions of dollars in sectors such as power, roads, railways, telecom and irrigation.

Japan which currently has 70 per cent of its exports concentrated in US, Europe, China, S Korea and Taiwan is looking forward to tap the huge opportunities for Japanese-Indian cooperation across sectors ranging from infrastructure to the pharmaceuticals. Admitting that Japan is a late entrant in tapping the Indian market, compared to the other European and Asian countries like Korea, Hiroaki Sugita, senior partner and managing director, BCG Japan said that in the last five years there has been a strong rise in the Japanese interest in India which has moved beyond the traditional focus areas of automotive and electronics. Dwelling on the delay in focusing on India, Sugita said, "The initial focus of Japan was on China, since the Chinese growth story preceded the Indian one, by around six or seven years. It was because of this gap that the Japanese attention to India got delayed by a couple of years." Drawing a comparison between the China and India, Hiroaki Sugita said, China is looked at for short term advantage, but India because of certain factors like huge population of young and working people and a vast English speaking base, presents a long term advantage.

Commenting on why Japanese companies have lagged behind in tapping the Indian market in comparison to other Asian countries, Shigeki Ichii, partner and managing director, BCG Japan, felt that it was because of difference between 'speed of penetration' in the Indian market. "Japanese companies so far targeted the top segment and could not fully tap the latent potential of the middle and the lower segments (which the other global giants have successfully done). But, the new initiatives being taken by the major companies will help Japan target the Indian middle class segment, which is emerging as an important factor in the subcontinent's market," Ichii explained. "We have to learn lessons from other global giants, who have made faster inroads into Indian market than us. For that, a greater research on the present market dynamics (rising importance of Indian middle class) will be studied and implemented by the Japanese companies," Ichii said. While the bilateral trade between India and Japan has increased by 2.5 times since 2000-01 to reach to \$10 billion at present, the Foreign Direct Investment (FDI) flow into India has also considerably increased from \$200 million in 2005-06 to \$1600 million in 2010-11, according to the BCG report. Both India and Japan have committed themselves to leverage this opportunity to increase the bilateral trade between two countries to \$25 billion 2014-15 through the comprehensive economic partnership agreement (CEPA), the report highlights.

#### **India signs convention on global tax cooperation**

India on 4 November signed the Convention on Mutual Administrative Assistance in Tax Matters, developed jointly by the Council of Europe and the Organisation for Economic Co-operation and Development (OECD), and opened for signature by the member-states of both organisations on January 25, 1988. All members of the G20 have now become signatories to the Convention. Mr. R. Gopalan, Secretary, Department of Economic Affairs, signed on behalf of the Indian government. The Convention will have to be ratified by the Indian Parliament to become law. "Tax evasion and illicit flows are a serious problem and over the last two years, in order to check this trend, India has negotiated 19 new double taxation avoidance agreements and 17 new tax information exchange agreements," Mr. Gopalan said.

The G20 Summit in April 2009 had called for action "to make it easier for developing countries to secure the benefits of the new cooperative tax environment, including a multilateral approach for the exchange of information." In response, the OECD and the Council of Europe developed a Protocol amending the multilateral Convention on Mutual Administrative Assistance in Tax Matters to bring it in line with the international standard on exchange of information for tax purposes and to open it to all countries.

The Convention facilitates international co-operation for a better operation of national tax laws, while respecting the fundamental rights of taxpayers. The Convention provides for all possible forms of administrative co-operation between states in the assessment and collection of taxes, in particular with a view to combating tax avoidance and evasion. This co-operation ranges from exchange of information, including automatic exchanges, to the recovery of foreign tax claims. The Multilateral Convention on Mutual Administrative Assistance in Tax Matters offers a wide range of tools for cross-border tax co-operation. It includes automatic exchange of information, multilateral simultaneous tax examinations and international assistance in the collection of tax due. At the same time, the Convention imposes

safeguards to protect the confidentiality of the information exchanged. "Today we have taken a major step forward to improve global tax cooperation," said OECD Secretary-General Angel Gurría from the Cannes G20 Summit. "The OECD looks forward to continuing to work with the G20 and other countries to maximise the benefits from this powerful multilateral instrument. Tax co-operation and compliance are of crucial importance for all countries and citizens - and not only in times of a tight fiscal and budgetary environment."

#### **For Airbus India remains a key market**

From selling its first passenger aircraft to India way back in 1974, leading European aircraft manufacturer Airbus has come a long way with nearly 200 of its aircraft being in service today in India which has also emerged as the seventh biggest operator of Airbus planes worldwide. Leading the pack is the best seller single-aisle aircraft from Airbus — the A320 for which the erstwhile state-owned Indian Airlines was the launch customer in 1989 and now low-cost private operators — IndiGo and GoAir — have become the largest fleet operators of A320 airliners. Confident of its future potential, Airbus is also launching a fuel-efficient, advanced version of A-320, called the NEO (New Engine Option) equipped with bigger wingtips 'sharklets'. Airbus has already received nearly 1100 firm orders from 22 customers worldwide for the newer A320 version. Among the Indian operators, IndiGo and GoAir, have placed orders for A320 (NEO) which will result in 15 per cent fuel burn reduction translating into fuel savings of nearly \$2 million a year for airlines. By 2028, Airbus estimates that Indian carries would need some 1,000 new aircraft, including 60 of the size of A380s, to meet the passenger and freight demand.

The A320 has turned out to be the flagship aircraft from the European consortium and is the world's best-selling aircraft with 7,926 firm orders, 4,700 deliveries and a backlog of 2,900 aircraft, Joost Van Der Heijden who heads airline marketing in India and Southeast Asia, told a group of visiting Indian journalists at Airbus headquarters in Toulouse, near Paris. IndiGo, India's largest low-cost carrier which has recently launched its international flights, will be the launch customer for A-320 NEO which would be delivered to it from 2016. The new version will also result in reduction of emissions and lower engine noise. While IndiGo has ordered 150 NEOs, GoAir has placed an order for 72 of such aircraft.

"We are confident of delivering A320 NEOs on time. We are also increasing the production to meet the surge in demand," Joaquin Toro-Prieto, marketing director, A320 family of aircraft, said. The production of A320 is being increased from the current 34 aircraft a month to 42 a month from 2012 onwards. Sounding upbeat about the Indian market, Kiran Rao, Airbus Vice-President (Sales and Marketing), said the consortium valued its long-term cooperation with India where the civil aviation sector poised to grow at 8 per cent annually over the next decade or so. Mr. Rao, who also heads Airbus India, said that while A320 had been a favourite of Indian carriers in the single-aisle 180-seat segment, A-330-300 has emerged as a preferred choice in the double-aisle segment which can carry 300 passengers. However, the A380 has not figured in discussions with any other airline from India. Though A-380 has been operating on top 15 airports across the world, Delhi and Mumbai have remained untouched by the operations of the superjumbo, the world's largest passenger aircraft.

#### **Google India offers free websites for half a million Indian businesses**

Google India announced recently that it would offer free websites to an estimated five hundred thousand small and medium businesses in the country. The Indian unit of the global internet giant said on its official blog that it had launched an 'India Get Your Business Online' programme to provide website, internet domain and web hosting services to small and medium businesses (SMBs) in the country. According to Google India the initiative was aimed to break down the barriers that stopped small businesses from getting online- by offering a quick, easy and free tool to set up a host website. Interested small business owners would be required to submit their PAN (Permanent Account Number) and other tax-related details for verification, following which they would be provided with an online tool for a free website and web hosting service for one year. The service is free for one year initially and businesses would need to pay a charge if they wished to renew their domain name. The programme would also provide free email addresses and other advertising related benefits.

According to Google India while India was home to an estimated 8 million small and medium businesses, only around 5 per cent had a website and as such the programme was designed to bridge the information

gap that existed online due to the lack of presence of local Indian business on the internet. The company has partnered with the US-based web host HostGator for the initiative which would also offer free support for creating, hosting and managing the website for a period of one year with no cost through its toll free call centres. The programme has received support of the Federation of Micro, Small and Medium Enterprises (MSMEs), popularly known as FISME. FISME would work with Google India to help SMBs go online through direct customer outreach and events. Google expects India's internet growth to be driven by mobile users, predicting that they would form the majority of new internet users in the country as low-priced smartphones became available. India now has a base of 100 million internet users, which was less than a tenth of the country's population of 1.2 billion. However this still forms the third largest user base behind China and the US. This number is expected to rise to 300 million over the next three years. It is expected that the next 200 million new users would largely be mobile-first users and of these, around 100 million would be mobile-only users.

### **India has one of world's weakest pension systems**

Greece, India, China and Thailand are home to the weakest national pension systems in the world, crippled by a mix of acute sovereign debt, young retirement ages, high ratios of pensioners to workers and poor pension take-up, a study showed. The Allianz Global Investors Pension Sustainability Index, which tracks the relative sustainability of national pension systems in 44 countries around the world, showed the number of Greek retirees to people of working age remains above the European average. The country has committed to addressing this ratio as part of a series of pension system reforms demanded by the International Monetary Fund and European Central Bank, who are overseeing the distribution of financial aid to Greece.

In India, China and Thailand, roughly 12 per cent of the population contribute to a pension, while the weaknesses of Thailand's pension system are compounded by an average retirement age of 55 years, compared with 65 years in most western European countries. The ratio of retirees aged 65 and older to population aged 15-64 years is expected to top 40 per cent in China and Thailand by 2050, above the rate forecast for Cyprus, Britain, Luxembourg, Norway, Ireland and Denmark.

Comprehensive pension systems remain the exception rather than the rule across Asia, Allianz GI said. But a rapid rise in sovereign debt across more developed economies has pushed the need for pension fund reform up the national agenda in Ireland, France and Spain this year, the index shows. Further afield, Estonia, Hungary, Latvia, Lithuania, Poland and Romania have channeled contributions to privately funded second schemes to the 'pay as you go' public system in order to strengthen fiscal positions. Conversely, Norway and Finland benefited from their comparatively solid public finances.

"The negative impact of the financial crisis on accumulated funds and national economies has tested the resolve of many governments," said Renate Finke, senior economist at AllianzGI. "In central and eastern Europe, for instance, some countries decided to put their hand into the proverbial pension-fund cookie jar in response to the dramatic rise in debt to GDP ratios," the economist said. The world's strongest pension systems can be identified in Sweden, Denmark, New Zealand, the Netherlands and Australia, the study showed. All countries benefit from highly developed, privately funded systems which lessen the potential burden on public finances.

The government of India on 16 November 2011 approved amendments to the Pension Fund Regulatory and Development Authority (PFRDA) Bill 2011, agreeing to allow up to 26 per cent foreign investment in the pension sector and ending the era of assured returns to subscribers. The bill as such does not specifically state the FDI cap in pension sector and the government plans to bring in foreign investment rules through an executive order. The bill provides enough flexibility for changes in the FDI cap through an executive order. The amended PFRDA bill is likely to be taken up for consideration in the winter session of Parliament

### **Opening the world for small and medium sized enterprises to enhance EU growth**

European small and medium sized enterprises (SMEs) should better profit from fast growing emerging markets, such as in China, India, Russia or in regions like South East Asia and Latin America. This is the key issue to overcome the crisis addressed in the European Commission communication 'Small

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Business, Big World - a new partnership to help SMEs seize global opportunities' presented on 9 November. Only 13 % of EU SMEs are internationally active outside the EU through trade, investment or other forms of cooperation with foreign partners. Therefore, the Commission is working to establish a more coherent and effective EU strategy for supporting SMEs in international markets. This could be achieved by reinforcing business support services, improving the coordination and use of existing resources including the Enterprise Europe Network. Thus SMEs have better access to more relevant information and assistance in their attempts to penetrate new markets and search for the right local partners. European Commission Vice-President Antonio Tajani, Commissioner for Industry and Entrepreneurship, said: "Major non-EU markets with strong growth rates represent significant opportunities for EU small enterprises. SMEs are Europe's main economic strength. To help them to better exploit their potential in the global arena is a clear priority to boost competitiveness and create employment."

SMEs face particular obstacles to tapping the global market, not least when it comes to access to market information, locating possible customers and finding the right partners. They also face more complex issues such as compliance with foreign laws, for example mandatory rules of contract law, customs rules, technical regulations and standards, managing technology transfer and protecting intellectual or industrial property rights. In dealing with such challenges SMEs are usually less well equipped with in-house expertise and financial or human resources than larger enterprises. Europe's 23 million SMEs account for two thirds of jobs in the private sector and around 80 % of new jobs over the past five years have been created by SMEs. Sectors such as machinery and equipment or chemicals in Brazil or energy in India have already enabled EU companies to achieve significant results, and many more examples could be given. To pave this way for businesses, Europe needs to boost their internationalisation process and provide the necessary support to SMEs when going international.

This new EU strategy sets out the following actions: Strengthening the existing supply of support services in priority markets; Improving the governance structure of the Enterprise Europe Network to allow better collaboration with hosting organisations and stakeholders; Making support schemes at EU level more consistent to raise their impact (currently there are more than 300 support programmes at national level often focusing on one growing region only whilst in the meantime new growth regions have emerged); Promoting clusters and networks for SME internationalisation; Orchestrating pan-European collaboration in priority markets to make the most of the public funds spent; Creating a single virtual gateway to information for SMEs wishing to do business beyond the UE borders; Leveraging existing EU policies to accelerate the international growth of European SMEs.

Future efforts should focus on how existing service providers can collaborate more effectively, often across national boundaries, and how incentives can be provided to bring this about. Comprehensive 'mapping' of the European supply of support services will lay the foundation for this process. All EU institutions and relevant SME stakeholders, in partnership, will be involved in the implementation of this strategy and should adhere to the priorities and guiding principles set out in this Communication when considering new activities in support of SME internationalisation, in both the short and the longer term. Member States are encouraged to adopt a similar approach and work in close cooperation with the Commission in strengthening the support environment for European SMEs' international growth.

#### **A step closer to an EU patent**

The EU patent "package" moved a step closer to final approval on 22 November, when the Legal Affairs Committee approved a mandate to open formal negotiations with national governments to agree to create unitary patent, so as to cut costs for firms and boost the EU's competitiveness. Parliament will strive to adapt the proposed regime to small firms' needs. The European Parliament's rapporteurs, who will negotiate with national governments, will treat the three proposals (unitary patent, language regime and unified patent court) as a package, meaning none will be agreed without the others. According to the mandate, approved by the committee with 16 votes in favour and 3 against, the MEP negotiators will also ask that the three laws to enter into force at the same time. The aim of creating an EU patent is twofold. First to reduce current patenting costs by up to 80%, so as to improve the competitive position of EU firms vis-à-vis their counterparts in the US and Japan, where patents are substantially cheaper. Second, it should help to avoid the legal confusion created when dealing with differing national patent laws.

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The first piece of legislation in the package is a regulation setting up a unitary patent protection system. The committee endorsed the Commission proposal, and in particular a provision allowing inventors from countries currently outside the procedure to apply for an EU patent. The proposed regime for translating EU patents would make them available in German, English and French, although applications could be submitted in any EU language. Translation costs from a language other than the three official ones would be compensated.

An international agreement is currently being negotiated by Member States participating in the procedure to create a unified patent court so as to reduce costs and uncertainty as to the law due to differing national interpretations. The legislation is being dealt under the so-called "enhanced cooperation procedure", which allows groups of Member States to integrate policies further, even where others do not agree. Spain and Italy have so far opted out of work on the patent proposal, but could join the decision-making process at any time. This procedure was adopted to unblock the file, long stalled over language issues.

### **€2.5 billions to boost business competitiveness and SMEs 2014 - 2020**

Promoting access to finance and encouraging an entrepreneurial culture, including the creation of new enterprises are the core issues of the new financial support programme, tabled by the European Commission in Brussels on 30 November. With a budget of €2.5 billions over the period 2014-2020, the Programme for the Competitiveness of Enterprises and SMEs, COSME is a funding instrument, which is largely continuing the activities under the current Competitiveness and Innovation programme (CIP). The new programme targets in particular: 1) entrepreneurs, in particular SMEs, which will benefit from easier access to funding for their business, 2) citizens who want to become self-employed and face difficulties in setting up or developing their own business, 3) Member States' authorities, which will be better assisted in their efforts to elaborate and implement effective policy reform.

The Programme for the Competitiveness of Enterprises and SMEs, COSME will focus on financial instruments and support to the internationalisation of enterprises and it will be simplified – to make it easier for small businesses to benefit from it. The Programme has the following general objectives:

- Improve access to finance for SMEs in the form of equity and debt: First, an equity facility for growth-phase investment will provide SMEs with commercially-oriented reimbursable equity financing primarily in the form of venture capital through financial intermediaries. Second, a loan facility will provide SMEs with direct or other risk-sharing arrangements with financial intermediaries to cover loans.
- Improve access to markets inside the Union and globally: Growth-oriented business support services will be provided via the Enterprise Europe Network to facilitate business expansion in the Single Market. This programme will also provide SME business support outside the EU. There will also be support for international industrial cooperation, particularly to reduce differences in regulatory and business environments between the EU and its main trading partners.
- Promote entrepreneurship: activities will include developing entrepreneurial skills and attitudes, especially among new entrepreneurs, young people and women.

The Programme is expected to assist yearly 39 000 firms, helping them create or save 29 500 jobs and launch 900 new business products, services or processes, yearly. Access to credit will be easier for entrepreneurs, particularly those willing to launch cross-border activities, with an anticipated €3.5 billion in additional loans and investment for European businesses. The financial envelope for implementing the Programme shall be EUR 2.5 billion, of which EUR 1.4 billion shall be allocated to financial instruments. The remainder will be spent for financing the Enterprise Europe Network, international industry cooperation and entrepreneurship education.

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