



# Europe India Chamber of Commerce

## Newsletter

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### **Global India Business Meeting calls Indian government to speed up economic reforms**

The 2011 Global India Business Meeting held in Naples from 26-27 June 2011 called upon the government of India to accelerate the pace of economic reforms and take into consideration the inclusive growth to enable the vast majority of Indians to participate in the globalization process. The meeting helped define Indian firms' global growth agenda as Indian CEOs met with their global counterparts to discuss and create new models of cooperation. Prominent senior executives from leading international organizations provided insight on a range of topics including Managing Risks, Reviving Economic Growth. Select group of global leaders gathered to create powerful platform for cooperation between India and the rest of the world. They discussed Indian firms' growing impact on global business. The meeting was organized by Horasis and Europe India Chamber of Commerce and co-hosted by FICCI (Federation of Indian Chambers of Commerce and Industry) and Region of Campania, the Campania Innovazione, and Naples Chamber of Commerce. The Global India Business Meeting brought together a host of business leaders to discuss Indian firms' role in the global economy and how business leaders in Campania and India can forge business partnership. More than 300 delegates from the public and private sectors will convene under the theme "Globalising Indian Firms". With Indian and European business leaders touching the critical issues facing Indian and global firms as they build global and sustainable brands, their thoughts and vision provided the necessary input to engage into broader areas of economic activities. The Quest for Sustainability, Managing Investments in India, Modernising India's Infrastructure, India's Next Generation Technology Pioneers and Innovating Agriculture were some of the diverse economic issues confronting the corporate world were discussed. Horasis also recognized the "2011 Indian Business Leaders of the Year," celebrating outstanding entrepreneurs who have been building and leading successful global Indian firms.

The Global India Business Meeting provides a unique platform for discussion as India increasingly plays a pivotal role in reviving the global economy. In addition to the GIBM, Horasis hosts meetings on China, Russia and the Arab world. Horasis strives to create a global visions community committed to enact visions for a sustainable future, providing a unique opportunity for companies from emerging and developed markets to globalize their organisations. The GIBM is the foremost annual gathering of Indian business leaders and their global counterparts. The event was open to Chief Executive Officers of the world's leading companies. The GIBM convened 300 top decision makers from business and government from India and the rest of the world. The Meeting provided a unique springboard for discussion as India increasingly plays a pivotal role in reviving the global economy. The Meeting offered a unique opportunity for CEOs to gain the latest business and political insight as well as engage in informal dialogue with the Indian leaders of today and tomorrow.

Horasis under its Chairman Dr. Frank Richter has achieved new heights with the format of "Global Business Meeting" and EICC was very pleased to become the main Co-organiser as the objectives of the GIBM very much reflected the mission of the chamber. The concept was brilliant and so was the participation of business leaders and their input and their vision. The idea was also to create a platform for political and economic leaders, let them fly out of their cocoon for days in a completely different continent and blend them with political and economic leaders from the host country. The format of a so called "board room dialogue and plenary" in an intimate setting allowed for a true conversation among the Panelists where the "audience" blended seamlessly in the core challenges for Indian and Italian firms in general. The Board Members who represented the chamber as Speakers and Panelists of the event included Mr. Sanjay Dalmia, Mr. Ravi Mehrotra, Dr. Mohan Kaul, Mr. M S Chandramouli and Mr. Gour Saraff.

Mr. Thomas Gilles, partner in Baker & McKenzie's Frankfurt office, presented the "Indian Business Leaders of the Year"-Award to Mr. Rajan Bharti Mittal, Mr. Malvinder Mohan Singh and Mr. Dhruv

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Editor: **Secretary General**

Sawhney. Mr. Mittal is Vice Chairman and Managing Director of Bharti Enterprises, one of India's leading business groups. Mr. Singh is Group Chairman of Fortis Healthcare, a leading healthcare player in India and Asia Pacific. Mr. Sawhney is the Chairman and Managing Director of Triveni Engineering & Industries Ltd, one of India's largest producers of sugar, co-generated power and ethanol. Triveni is also the third largest global manufacturer of steam turbines. All of the three award-winners had "anticipated the internationalization of the Indian economy, are playing an active role in civil society and possess an enormous entrepreneurial spirit." Outbound mergers and acquisitions (M&A) activities from India are on the rise, 2010 saw an outbound deal-volume of nearly USD 25 billion, making it the most active year in terms of outbound investment. Indian companies will continue to bid for attractive European targets in 2011, attractive valuations and increasing domestic competition being the main deal drivers.

The discussion during the two day sessions revolved through the core policy issues which CEOs described as the most important priority for the government to address: There is a continuing buzz about India in the international business community, the country is rapidly emerging as a preferred destination for foreign investors, economic growth has been impressive in spite of several challenges, Indians companies are globalizing faster than one could have imagined, India is on way to becoming the economic, intellectual and cultural powerhouse. But all these good news also masks some of India's hard realities and a deeper malaise. India is a big challenge.

As recently as two decades ago, the possibility that India might emerge as the next great superpower seemed implausible to many inside and outside the country. India enjoys a demographic advantage in the form of a vast population that is much younger than other major economies such as the United States, China and Japan. That means a larger share of its population has the potential to engage in economically productive activity for a longer period than in other big economies. Moreover, two key drivers of strong economic growth in many emerging economies, trade and manufacturing are relatively underdeveloped in India, suggesting vast new sources of future growth. In recognition of that potential, more foreign companies are investing in India, and Indian companies are venturing abroad to an unprecedented extent. The picture, however, is not all rosy. India faces enormous challenges as it retools its economy to enable greater engagement with, and integration into the global economy. Its infrastructure remains woefully inadequate; income disparities across classes and regions of the country threaten social stability; satisfying energy needs in a sustainable fashion remains a daunting task; and access to a higher education for the country's young population continues to fall far short of demand. The full extent of India's rise, though, involves far more than economic indicators. One intriguing question remains what kind of superpower India will become and how this will reconfigure geopolitical relations in Asia and elsewhere in the world. At the center of that question is how India will balance its own interests with those of the US and China. There are ample opportunities for cooperation, but also competition, in both of these relationships. India's position as the world's largest democracy, moreover, will make it a central player in any debate over political values in Asia's many emerging economies.

During the last two decades, the emerging economies of Asia "peer group" followed a development strategy of export promotion industrialization that encouraged export-oriented labor-intensive manufacturing of apparel, footwear, sporting goods, and toys as well as final assembly of consumer electronics. In contrast, India encouraged knowledge intensive business services and software industries and capital-intensive manufacturing of capital goods and high-tech goods to exploit its comparative advantage in educated, highly skilled, English-speaking workers. This strategy created a developed sector of India's economy that supports 300 million Indians in middle-class lifestyles. Another sector of India's economy is underdeveloped. In the peer group, the economic importance of agriculture declined as workers left the countryside and took more productive, better paying jobs in labor-intensive manufacturing and final assembly in cities. This transition has been slow in India. Although its economy is booming, India must confront a number of challenges to sustain rapid economic growth over the long term. India's knowledge-intensive and capital-intensive industries cannot provide the millions of jobs that India's rapidly growing workforce will need in the future. India should encourage labor-intensive manufacturing to create jobs for these workers. India must overcome a number of challenges to foster labor-intensive manufacturing and broaden economic prosperity. India's electricity supply is costly and undependable, and its transportation system is woefully inadequate. High adult illiteracy prevents many workers from benefiting from India's boom. While India has liberalized its international trade and

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investment regime since 1991, India's economy is still too insulated from international competition. Corruption remains widespread.

India famously protectionist in the past and renowned for formidable tariff and non-tariff barriers, is negotiating bilateral trade agreements with the European Union, Israel, New Zealand, the US, South Africa and Japan. India has already chalked up a number of such agreements. Two of the biggest are with the association of Southeast Asian Nations (ASEAN) regional grouping and with South Korea. India's policies of trade and investment liberalization are reintegrating it into the world economy allowing it to regain an influence it had three centuries ago. Countries that have neglected their trade and investment relationships with India are rushing to catch up.

India still needs to make itself more appealing to international trade and investment. The country features well down on indices for the ease of doing business, anti-corruption measures and transparency. Although India has steadily opened up its economy, its tariffs continue to be high compared with other countries and its investment rules are still restrictive. It maintains caps on foreign investment in many sectors, most controversially the retail sector, while vested interests make it hard for new entrants to prosper. It takes eight documents per shipment to export goods [in India] versus four in Singapore and 17 days versus five in Singapore and accost of SGD1.055 per container versus SGD 456 per container. Keeping up this forward momentum depends on India's ability to improve its infrastructure over the next five years and the buoyancy of the world economy to ward off protectionism.

India's flagship information technology and outsourcing industry, which built a \$ 60 bn (€42bn, £37bn) business largely by targeting Europe and North America, is setting its eyes on new shores. Three decades after some tech-savvy guys in Bangalore stunned the world by setting up back offices for western multinationals. IT majors are now aggressively trying to export their business model in the fast-business model in fast growing emerging markets. Tata Consultancy Services (TCS), Infosys Technologies and Wipro, India's largest IT software services exporters have been investing to expand operations in Latin America, China, the Middle East and Africa.

When it comes to manufacturing, India is always behind China. Most electronic appliances and gadgets seem to have the "Made in China" label these days. However this is changing, as India, already known as the IT back office of the world, is now creating hubs for global manufacturers of small cars, wireless telecom equipment and low-cost innovative products that are developed for broader emerging markets consumer. In the infrastructure and engineering sector, global groups such as Germany's Siemens and South Korea's LG Electronics have spent billions of dollars expanding their operations in the country and developing products that are now being exported globally. The story of India's rise as a key contributor to the global supply chain of consumer goods is very different from the one that has elevated China to "factory of the world". In many ways, India is becoming the world centre for what is known as "frugal engineering" – low-cost products that are also resistant to tough environments such as Indian or African roads and weather and robust quality standards.

India has marked time this year, with ICICI, the big banking group, remaining the sole representative in the top 100 and only Infosys knocking on the door. Still, the IT outsourcer benefited from the overall revival in B2B brands and another rise like this year's - 27 per cent – could well see it make the 2012 Top 100. The Indian Market simply isn't big enough in value yet to create Top 100 brands compared with China's and Brazil's. Both those countries have a bigger middle class and Indian purchasing power is concentrated among a smaller number of people. On the other hand, the Indian brands seem to be, perhaps, a bit more international than the Chinese ones, so maybe they're laying the foundations for something that might change. A further issue is that the BrandZ Top 100 ranks brands, not companies. So the huge and acquisitive Tata Corporation, for example, has a series of brands under its umbrella – including Jaguar Land Rover. None of these are big enough to make it into the Top 100, or even the 13 sectoral categories, individually. Indian businesses have grown exponentially since the economy opened up in 1991. The country's corporate sector has mushroomed both in size – adding nearly 6,000 companies over the past 20 years – and scope as its champions expanded their operations globally. Another growing problem for emerging Indian Companies has been finding skilled labour. A global survey on talent shortage found that 67 per cent of employers in the country had difficulty filling the jobs due to

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lack of available talent. India risks a talent crisis. Multinational and major Indian companies are seeking new talent development strategies in an effort to keep pace with the rapidly shifting reality of India's market. Almost without exception, these strategies seek to address the need for improved global leadership skills within the Indian talent pool. For Indian companies seeking to expand globally and multinationals hoping to maintain their competitive advantage within India, the key is in taking the country's talent to a global level.

Global firms often complain that their divisions in India focus too narrowly on the domestic market alone. As such, many Indian managers show little interest in global or regional strategic thinking. This disconnect between a multinational corporation's global strategy and local operations risks giving non-Indian counterparts the impression that the division is not acting with enough transparency and is not in alignment with the rest of the company. At the same time, multinationals are recruiting more Indian leaders for global roles that involve managing colleagues dispersed around the world. In a parallel trend, Indian firms are setting their sights on global expansion in emerging markets. The remarkable rise of India and its increasing engagement with the rest of the world is tempered as it is by recognition of the constraints and challenges that India faces as an emerging superpower.

India is a very young nation – just over 65 years since independence – setting out on a path of sustained economic growth, for decades to come. In India there is a dearth of quality people in industry, which demands high level of entrepreneurship development programme throughout the country for the growth of Indian economy. The scope of entrepreneurship development in country like India is tremendous especially since there is widespread concern that the acceleration in GDP growth in the post reforms period has not been accompanied by a commensurate expansion in employment. In India, where over 300 million people are living below the poverty line, it is simply impossible for any government to provide means of livelihood to everyone. Such situations surely demand for a continuous effort from the society, where the people are encouraged to come up with their entrepreneurial initiative. In the future, innovation and entrepreneurship needs to be encouraged at Social levels, Governmental levels and Managerial levels. There must be a social attitude that views innovations with positive attitude and reject an innovation only when it is not acceptable. At this level the encouragement will refer to two aspects necessary for entrepreneurship to thrive, one is the provision of venture capital and the other being infrastructural support. A real example is Export Processing Zones which are performing extremely well when given the support. First and foremost, India needs the entrepreneurial spirit. Outside India, this spirit has been very evident in the IT industry. 35% of the start-ups in Silicon Valley are by Indians. India needs to have similar risk-taking ability within the country as well. Entrepreneurs need more than technical talent, more than business savvy. What they need is the indefatigable energy and incurable optimism that enables them to take the road less traveled and convert their dreams into reality. It is a force that beckons an individual to pursue countless opportunities. Entrepreneurs must learn how to overcome the risk of failure, or of vulnerability. The institutions can give them valuable insights and also support them in this.

India has all the requisite technical and knowledge base to take up the entrepreneurial challenge. The success of Indian entrepreneurs in Silicon Valley is evident as proof. The only thing that is lacking is confidence and mental preparation. We are more of a reactive kind of a people. We need to get out of this and become more proactive. What is more important than the skill and knowledge base is the courage to take the plunge. Our problem is we do not stretch ourselves. However, it is appreciative that the current generations of youth do not have hang-ups about the previous legacy and are willing to experiment. These are the people who will bring about entrepreneurship in India. The country has taken important policy initiatives since July 1991 to emerge as a significant player in an increasingly interdependent world economy. The policy reforms provided a free and conducive environment for trade and include various measures which helped to achieve the high export growth rates of recent years. To sustain economic growth at around 10 percent, India must ensure energy security. India currently imports 70 percent of its oil and 50 percent of its gas. By 2025 it is projected that India will have to import 80 percent of its energy needs. It has some of the world's largest reserves of coal, but its use will have severe environmental implications.

India's sustained economic growth, entrepreneurial society and young population have it poised to become an economic superpower within the next 15 years. With its vibrant democracy and free press, the

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country provides an alternative to China, if it can overcome daunting challenges. But what kind of superpower will India become?. As recently as the early 1990s, much of the world thought of India as an exotic land full of saffron-robed priests, snake charmers, cows, maharajahs and the Taj Mahal. The last 15 years have utterly transformed the stereotypes. While India's exotic features remain a part of the country's fabric, it is the economic India that occupies much of the world's attention today. With a GDP growth rate averaging 8 percent over the last decade, India is second only to China as one of the world's fastest-growing large economies. Over the next 10 years and beyond, India's GDP will grow even faster than China's. Three main factors underlie such forecasts. First, India is now investing in infrastructure with the same vigor that China did from 1996. From then to 2005, China spent 8.2 percent of its GDP on infrastructure; India spent only 4 percent. Second, India will benefit from a demographic advantage over China. With a median age of 25 years, India's population is much younger than China's, where the median age is 34 years. As a direct result of its one-child policy, China has now become one of the fastest-aging societies in the world. Third, the days of export-driven growth in China's economy are over. During 2000-2010, China's exports grew at over 20 percent annually, twice the pace of growth in world trade. As a result, China's exports increased their share of world trade from less than 4 percent to about 10 percent, higher than that of any other country. If this trend were to continue over the next 10 years, by 2020 China's export share would increase to 25 percent — a political impossibility.

India's economic policy shift has unleashed entrepreneurship on a grand scale, a phenomenon that continues to gather momentum. A second factor is the country's global advantage in information technology and other knowledge-intensive services. Over the last ten years, India has emerged as the world's No. 1 destination for outsourcing of everything from low-end services such as call centers to high-end work such as pharmaceutical development, data analytics, financial market research and legal services. The third major driver of growth has been a major ramp-up in levels of domestic savings and investment. In the early 1990s, India's gross capital formation stood at only 24 percent of GDP. Since then, it has increased rapidly and now stands at almost 40 percent of GDP, only slightly smaller than China's and almost doubles that of every other large economy in the world. India will benefit from a demographic advantage over China. The days of export-driven growth in China's economy are over. During 2000-2010, China's exports grew at over 20 percent annually, twice the pace of growth in world trade. As a result, China's exports increased their share of world trade from less than 4 percent to about 10 percent, higher than that of any other country. If this trend were to continue over the next 10 years, by 2020 China's export share would increase to 25 percent — a political impossibility. As the growth rate in China's exports slows, India's exports are likely to pick up, a direct result of the infrastructure and manufacturing revolution currently underway.

India faces a curious dilemma. In the next two decades, it will add over 200 million people to its working age - between 18 to 60 years – population, much more than any other country in the world. Even China, seen as the mother lode of the global economy this century, will see its workforce shrink by about 100 million by 2030. Multinational companies operating in India have for long lamented the fact that there is a lack of employable candidates despite there being a large number of graduate and post-graduate colleges in the country. Lack of quality education is one of the factors holding India back from rapid economic growth. Analysts say it raises costs, including salaries as firms vie for the best IT recruits, and reduces firms' competitive edge. More than half India's billion-plus population is below the age of 25, a section referred to as its demographic dividend. But about 40% of its work force of about 400 million people is illiterate and another 40% comprises school dropouts. Demand for graduates over the next five years is likely to be 13.8 million. But with only 13.2 million students graduating over the same period, India will face a shortfall of 600,000 graduates. About 1.3 million unskilled and unqualified workers will also weigh on the economy over the same period, BCG estimates. More than 1 million people lacking the ability to participate in the workforce has the makings of a potential demographic disaster. With a literacy rate of 61 percent, India scores poorly compared to other BRIC nations in terms of average number of years in secondary education. Rival China already produces more than three times the number of PhDs every year. Given the magnitude of the task at hand, the government alone would not be able to address the issue suitably. The private sector should be allowed to play a greater role, even at the primary level, and allow free market forces to come into play. Vocational training should be encouraged, and find greater recognition and acceptance to help trained people find suitable employment.

If India can sustain annual GDP growth of 9-10 percent over the next 15 years, by 2025 it will likely overtake Japan and be the world's third-largest economy after China and the United States. Given the pace and magnitude of the structural transformations in the global economy, it seems appropriate to start speculating now on what kind of a superpower India will be or could be. In looking ahead at the India of 2025, it is important to remember that complex adaptive systems cannot change their stripes once they have evolved. The rules that guide how a system evolves determine its end-state. India's emergence as a superpower will serve as a vivid showcase for the idea that it is possible to lift hundreds of millions of people out of poverty within one generation while embracing pluralism, a free press and vibrant democracy. India's rise will put to rest the idea that a command-and-control political system is the only viable route to economic salvation and that democracy is somehow antithetical to rapid economic growth. India has the potential to serve as a leading example of how to combine rapid economic growth with fairness towards and inclusion of those at the bottom rungs of the ladder. In a democratic system such as India's, where even the poorest people exercise their political rights actively, uplifting not just the better off but also the poorest will be critical for social stability. India will likely emerge as one of the world's leaders in leveraging information technology to boost the effectiveness and efficiency of its institutions — corporations, government and civil society. The country has already emerged as the global leader in the delivery of IT-enabled services to the rest of the world. Industry leaders (Tata Consulting, IBM, Infosys and others) are focusing increasing chunks of their attention on India's domestic market. India is likely to become a world leader in market-driven innovation. Adversity combined with ingenuity has always been the mother of innovation. Think of how Japan emerged as the world leader in lean manufacturing. India in 2025 is also likely to emerge as one of the world's most entrepreneurial societies. Given a culture of individualism, Indians are "born" entrepreneurs. They also benefit from the fact that, relative to China, India's economy depends far more on pure private sector enterprises than on state-led ones. With a growing middle class already the size of the entire US population, India will likely become the single most important overseas market for American goods, services and foreign investment over the long term, as its population and trend rate of economic growth surpass those of China. This effect will be reinforced by India's "demographic dividend," which means that its young population will continue to expand its workforce for several more decades as the demographics of every other major power.

Indian society is evidently segmented and there is a huge disparity between the urban and rural people, between non-agricultural workers and farmers, between the organized sector and un-organized sector employees, between men and women and also between developed states and underdeveloped states. Inclusive growth aims at bridging the gap between these divided sections. All sections of society must get the benefits of our country's growth in full measure and then be able to take this growth forward by participating fully and wholeheartedly. The general consensus during the discussion about inclusive growth was very positive and a lot of prominent figures from various fields expressed that the government has followed policies which would foster inclusive growth but it has not been very enough and very effective. This process and Integration of India's economic activities with world economics has given new opportunities to those who are in well off positions and at the better ends of Income and employment opportunities. However, majority of disempowering masses has become a victim in this process. The growth of the last two decades has not been the expected tide that lifted all boats: some have remained marooned; others may have been lifted, but only marginally, as they see the new global speedboats racing by. This has created marginalization, fragmentation, resentment and a backlash against globalization. Government has a central role to play in building the policy framework required to stimulate more inclusive forms of growth, including through investment in public infrastructure and education. They also need to provide the leadership and good governance required to implement the right policies. Enabling more inclusive growth requires improving access for the poor to participate in the market either as entrepreneurs or employees, i.e. through economic opportunities. Education, health and sanitation, ICT are all key enablers to more productive market participation. The Hole in the Wall initiative developed in India by NIIT and now replicated in other parts of the world is a really excellent model of inclusive growth enabler. The following three main pillars were noticed as the notion of inclusive growth: Sustainable & responsible business where opportunities for those excluded from current growth models are created and where self-empowerment is generated; social progress and human well-being have to be a pivotal element of the model and should be demonstrated by the right metrics, and good governance involves the provision and distribution of adequate public goods. It should sustain and frame robustly the two axes above and provide the necessary secure environment to protect livelihoods.

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The chamber was represented by several stakeholders from across Europe, and for Horasis, the EICC displayed its reach and influence and proved Horasis the most important and trusted partnering organization. The Editorial view of the GIBM mentioned below expresses the importance of the GIBM in for host and guest country and how both can take benefit to enhance their economic relations through the GIBM forum:

*Business leaders of this year's GIBM enjoyed a range of discussions and boardroom seminars. The conference began with an introduction and welcome by Horasis Chairman Dr. Frank Richter and address by EICC Secretary General and FICCI President. There were boardroom panel discussion engaging corporate leaders to highlight the realities of the challenges before Indian business and industry and the potential to drive Indian economy faster. The Horasis which is now a brand and EICC is very proud to have developed the collaboration and which is not going to be confined to Naples but is destined to go beyond, offered global business leaders congregating in the beautiful city Naples.*

*There is no denial of the fact that India faces several challenges in this turbulent economic situation but it is also true that Indian corporate world has demonstrated its unique ability to compete and succeed in the global environment. Today they are far stronger than that they were a decade ago in terms of quality, operating efficiency and corporate governance. As we witness corporate India's rising global recognition in slow motion, we are also witnessing a silent revolution in the form of economic diplomacy under taken by Horasis to bring Indian and global business community together. This Global India Business meeting is a celebration of the success of India's that entrepreneurship, an Indian story in a world of turbulent economic times and recognition "Brand India". The Meeting brought Campania region to the global attention and opened the region's attraction for trade and investment from Indian and global business community. The event also helped both India and Italy to strengthen their ties and promote economic relations. The Meeting attended by more than 300 top CEOs from India, Europe and around the globe discussed the challenges the Guest and the Host country will face in the coming years in terms of trade, investment and economic relations and how they should shape their policies to address the emerging challenges and opportunities. The Meeting enormously helped the business leaders to come together and learn from their experience and share their common vision.*

*Times have been tough recently and business leaders have had to carry the demands of the wider organisation to steer them along the path to recovery. Executives need to integrate with their colleagues across the business to help design and execute business strategy. This Conference was where business transformation, value creation and partnering came in to play. The 2011 GIBM brought together heads of business, finance, human resources, procurement and technology to discuss and debate business transformation strategies and approaches. The conclave provided special networking occasions and was the ideal place to develop new relationships, share knowledge and best practices, debate key transformational and management practices, and network with peers and experts. An inspiring experience because of the diversity and the quality of the business leaders but more importantly the interactive nature of the Board Room and Plenary Discussions thus allowing CEOs for sharing economic and social challenge they think should be addressed. The EICC viewed this as a must do for any executive with a hands-on approach. For us, the dynamics of this partnership with Horasis complements our desire to emerge as a major voice of business advocacy in Europe more so when it institutionalizes a productive, systematic and realistic approach and also for chamber's readiness to share its responsibility with more concrete deliverables on a broader spectrum of issues that are acquiring strategic dimensions and challenges for corporate India in Europe and elsewhere. That is why this Meeting and EICC's participation as a Co-organiser adds new perspective and dimension to deepen working relationship with Horasis. EICC offers its partnership for longer and last cooperation with Horasis.*

*EICC thanks Horasis for giving the chamber opportunity to work together and EICC assures Horasis of its commitment to collaborate extensively in future and participate in the Horasis programmes including offering Horasis to use the potentials of the EICC in its mission. .*

*While a formal official communication is awaited, it was announced that the Government of Flanders, Belgium will host the Global India Business Meeting in 2012 in Antwerp.*

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### **EICC signs MOA with Campania Innovazione in Naples**

On the sidelines of the Global India Business Meeting in Naples, the Europe India Chamber of Commerce signed a Memorandum of Agreement to promote business, trade and technology between Indian and companies in the Campania region. The Agreement between EICC and Campania region was signed on June 27, 2011 in the presence of 300 global CEOs. The agreement is aimed at structuring a synergistic action for the development of a project concerning the promotion of investment and cooperation between Italy and the European Union countries, and India. These are the areas in which, following the Memorandum, the EICC and Campania Innovation will seek to take common action: Investment, research and training in India and Italy for the business community and the Italian and Indian research organization; Research programmes to identify potential partnerships and investments, including commercial, to be implemented in Italy and India; Participation in joint international and European programs. Campania Innovation Agency promotes, organizes and coordinates in the form associated with a network of facilities, infrastructures, laboratories and centers dedicated to research of industrial interest, technology transfer for innovation, the protection of intellectual property. The Agency also functions technostucture operational management programs undertaken by the region's extraordinary intervention. It also aims to foster economic development processes, based on technology transfer to SMEs, creating a stable ecosystem in the area to support innovation, research and regional competitiveness. It offers entrepreneurs and researchers with access to a vast network of expertise in terms of developing technologies in Campania, and information services and guidance to support the creation, development and consolidation of innovative start-ups, spin-offs and traditional SMEs.

### **New manufacturing policy on the anvil with plan to create 100 million jobs by 2025**

A high level committee chaired by India's Prime Minister has approved the draft National Manufacturing Policy that aims at increasing the share of manufacturing in GDP to 25 per cent by 2025 from the current 16 per cent. The creation of National Manufacturing and Investment Zones as mega investment regions, equipped with world-class infrastructure, has been proposed as a major policy instrument. The policy envisages creation of mega industrial zones with world class infrastructure facilities. The draft was prepared by the Department of Industrial Policy and Promotion in consultation with the Planning Commission and National Manufacturing Competitiveness Council. The policy is aimed at the creation of 100 million jobs through boosting of the share of manufacturing in GDP with the setting up of National Investment and Manufacturing Zones (NIMZs), as mega investment regions equipped with world-class infrastructure. The proposed zones would be granted tax concessions, less stringent labour and environment laws, and relaxed compliance. They will also be covered under a special policy regime. Currently, manufacturing provides employment to 12 per cent of the workforce which compares unfavourably with China at 32 per cent, Thailand at 35 per cent, around 30 per cent in Malaysia and around 25 per cent in South Korea. Despite enjoying significant advantage over other countries, the share of manufacturing in the Indian context continues to be low. India was placed at the second spot on manufacturing competence, in the 2010 Global Manufacturing Competitiveness Index, prepared by a consulting firm and the US Council on Competitiveness. According to analysts, the big challenge in implementing the policy would be land acquisition, which has become increasingly difficult. It would also involve massive skills upgradation for workers to enable them to produce world class goods. Manufacturing output has slowed down following a sharp rebound from the global downturn with the quarter ended March 2011, registering growth in output of the manufacturing sector at 5.5 per cent from 15.2 per cent from the year ago period. The policy also lays emphasis on creating a Manufacturing Industry Promotion Board, to ensure coordination between Central and State Government. Besides, it encourages access by Indian companies to foreign know-how and develop indigenous technology through fiscal incentives and subsidies. The Indian economy has registered average annual manufacturing growth from FY92 to FY10 of 8 per cent and while the share of manufacturing in GDP has remained stagnant in the last two decades, that of services has gone up by 10 per cent. Manufacturing provides employment to 58 million people, 12 per cent of the workforce.

### **India Inc FDI more than double to \$43.9 billion**

India Inc's investments abroad have more than doubled in the previous financial year as Indian companies expanded overseas operations, as per data released by the Reserve Bank of India. Foreign direct investment (FDI) by Indian firms was up more than two-folds in financial year 2010-11, at \$43.9

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billion from about \$18 billion in the previous year, according to the data. Overseas investments by Indian corporates stood at \$5.1 billion during the first two months of the current financial year starting April. The Indian government has been liberalising policies governing investment overseas over the years to promote exports and strengthen economic links with other countries. "In the post 2003 period, the policy has enabled corporate entities and registered partnerships to invest in bonafide businesses abroad, currently to the extent of 400 per cent of their net worth, under the automatic route," the RBI said in a statement. India has been facing a decline in foreign institutional investment on account of global risk aversion, as foreign funds have sold nearly \$213 million of local shares so far in June, offloading \$1.16 billion in May. However, FDI flows into India were up again in April on an investment surge in services, construction and auto sectors, reversing a steep drop recorded in the previous financial year. Investments in equity, loans and guarantees issued by Indian firms to their joint ventures or wholly owned subsidiaries (WoS) comprise the FDI by Indian companies. The largest outward investment from India in May this year has come from Gammon India Ltd, which pumped over \$ 1.83 billion into its Panama-based joint venture, Campo Puma Orient SA. Tata Steel invested \$514.57 million in its Singapore-based subsidiary Tata Steel Asia Holdings PTE in May.

### **India among world's top four wealth creators, says Boston Consulting**

India has emerged among the four fastest wealth creator countries in the world and its growth momentum is expected to gather further steam going forward, a global study has said. In its annual Global Wealth Report, management consulting firm Boston Consulting Group has listed the US, China, the UK and India as the nations showing the largest absolute gains in wealth in 2010. Global wealth continued a solid recovery in 2010, driven by growth in nearly every region and registered an increase of \$9 trillion, to a record of \$121.8 trillion. Strong performance of the financial markets accounted for the lion's share (59 per cent) of growth in assets under management. From the end of year 2008 through 2010, the share of wealth held in equities increased from 29 per cent to 35 per cent, BCG said. Japan's wealth, on the contrary, is expected to decrease slightly in 2011 and then pick up momentum, although at a slower pace - due mainly to the recent disaster. North America, the study noted, had \$38.2 trillion in assets under management, nearly one-third of the global wealth in 2010. In Asia Pacific (excluding Japan) wealth grew at the fastest rate, at 17.1 per cent, whereas in the Middle East and Africa, it grew at a slow 8.6 per cent, Latin American wealth grew at 8.2 per cent. The number of millionaire households increased by 12.2 per cent in 2010 to about 12.5 million, BCG said. The US had the largest number of millionaire households (5.2 million), followed by Japan, China, the UK, and Germany, while Singapore continued to have the highest concentration of millionaire households. Qatar, Kuwait and the United Arab Emirates were among the six densest millionaire populations in the Middle East, BEG said in its report. US also has the largest number of ultra-high-net-worth (UHNW) households (with more than \$100 million in assets) at 2,692. Saudi Arabia has highest UHNW concentration at 18 per 100,000 households, followed by Switzerland (10), Hong Kong (9), Kuwait (8), and Austria (8).

### **Indian companies to pass through CCI for mergers and acquisitions**

As from 1 June 2011, all mergers and acquisitions by companies in India are also required to pass muster at the Competition Commission of India (CCI) —an additional layer of compliance. Experts say the new law was long overdue, as almost 85 countries in the world, ranging from developed economies to the BRIC nations (excluding India), have instituted regulators to prevent monopolistic combinations from joining forces. On May 11, the competition regulator had announced the regulations, diluting several of its earlier key proposals in a bid to assuage industry concerns that the competition law was bureaucratic and could delay crucial moves by corporates where timing was the essence. CCI's promulgation of new rules earlier this month exempted a host of transactions from scrutiny and sought much lower merger notification fees than proposed before. The commission had also, in a placatory move, deemed that the rules would take effect from June 1 and not apply retrospectively. This meant they will not cover mergers and acquisitions approved by the boards of companies before this date. Following the announcement, many Indian companies going for acquisitions have rushed through with their deals before the new laws could take effect. But, going by experts tracking M&A deals, their fears may be unfounded as the main objective of the CCI is to safeguard the interest of consumers and ensure freedom of trade. Countries such as Russia, Brazil and South Africa have similar laws that have worked well.

### **European exporters to benefit from FTA between EU and South Korea from 1 July**

The EU-South Korea Free Trade Agreement (FTA), the EU's first trade deal with an Asian country, will apply as of 1 July 2011. It is unprecedented in terms of the scope and speed of tariff liberalisation and breaks new ground in tackling significant non-tariff barriers across all sectors, including automotive, pharmaceutical and consumer electronics. South Korea and the EU will eliminate 98.7% of duties in trade value within 5 years from the entry into force of the FTA. By the end of the transitional periods, import tariffs will be eliminated on all industrial products, and most agricultural products, with a few exceptions, such as rice. "This Free Trade Agreement is the most ambitious trade deal ever concluded by the EU and should become a game-changer for our trade relations with Asia", said EU Trade Commissioner Karel De Gucht. "We will slash import duties so European exporters will save €850 million in duties in the first year alone. This figure should double once all duties will be eliminated." One study estimates that the deal will more than double the bilateral EU-South Korea trade in the next 20 years compared to a scenario without the FTA; another study projects that EU exports will go up by €19 billion thanks to the FTA. The FTA will also create new market access in services and investment and will make major advances in areas such as intellectual property, procurement, competition policy and trade and sustainable development. The negotiations for the EU-South Korea FTA started in April 2007 and took 8 rounds of negotiation until the agreement was ready for initialling on 15 October 2009. The Agreement was signed on 6 October 2010 and was backed by the European Parliament on 17 February 2011. It provisionally enters into force on 1st July 2011. This means that the FTA will apply immediately; pending full entry into force once all Member States have ratified the agreement according to their own laws and procedures. EU-South Korea goods trade was worth around €66 billion in 2010. The EU currently runs a deficit with South Korea in goods trade, although trends suggest that the Korean market offers significant growth potential. For products like chemicals, pharmaceuticals, auto parts, industrial machinery, shoes, medical equipment, non-ferrous metals, iron and steel, leather and fur, wood, ceramics, and glass, the EU enjoys a solid trade surplus. Similarly, for agricultural products South Korea is one of the more valuable export markets globally for EU farmers, with annual sales of over €1 billion. On services, the EU has a surplus with South Korea of €2.1 billion, with exports of €6 billion in 2009 and imports of €3.9 billion.

### **Helping EU industries to speed up carbon efficiency**

Energy-intensive manufacturing industries are facing significant additional costs for their green house gas (GHG) emissions with the entry into force of the revised EU Emissions Trading Scheme (EU ETS) as of 1 January 2013. To help GHG intensive installations to cut ETS costs by reducing emissions the European Commission has launched a call for proposals in the context of the new Sustainable Industry Low Carbon initiative. It consists of a set of sector-specific industrial projects aiming to find innovation measures to reduce the carbon-intensity industries. Each project will be carried out by a consortium of industrial stakeholders. The EU will provide co-financing up to 75% in form of grant agreements. European Commission Vice-President Antonio Tajani, responsible for industry and entrepreneurship said: "We need to tackle the problem of Climate Change, but we cannot renounce on industrial production in Europe. Therefore, our initiative intends to help industry to adapt and modernise becoming more energy efficient and competitive on the global markets and to keep employment in the EU." Typical innovation measures include the switch to alternative fuels, the development of abatement techniques or the wider deployment of best practices through smart educational tools. The SILC initiative has a particular focus on 25 'traditional' manufacturing and process activities of the energy-intensive industry<sup>1</sup>. In focus are technological and/or non-technological innovation measures which will reduce the carbon-intensity of existing installations covered by the EU ETS and which can be implemented in the short term (i.e. immediately to 3 year time horizon) whilst not requiring a further pilot- or demonstration step before their industrial implementation. Energy-intensive processes and manufacturing industries consume high quantities of natural resources and energy whilst producing significant amounts of CO<sub>2</sub> and other greenhouse gas (GHG) emissions. At the same time, the EU ETS intends to drive investment into low-carbon technologies by putting a price on each tonne of greenhouse gases emitted and introducing the principle of auctioning of emission allowances.

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