Europe India Chamber of Commerce

Newsletter

Issue: 64 Volume: 6 **July 2013**

1. EICC General Body and Board of Directors Meeting on 15 October 2013 in Brussels
2. Minister-President Mr. Kris Peeters to address TIPS on 16 October
3. Indian Government revises defence procurement procedures
4. Foreign retailers need to invest in fresh infrastructure; may delay entry for foreign, local retailers
5. India set to become hub for Ford, says CEO
6. New FDI rules a setback for foreign, local retailers
7. Indirect tax cost, bureaucracy among trade barriers for MNCs
8. Small gap posing difficulty in finalising India-EU FTA, says Indian Commerce Secretary
9. FDI inflows to India down 29 % in 2012: UNCTAD
10. Sun Pharma in discussion to acquire controlling stake in Meda AB
11. British Indian businessman buys Austrian bank
12. India expands more than China, Russia, Brazil in May: HSBC
13. India probably world's 3rd largest economy: OECD
14. OECD finds Indian economic growth 'below global trend'
15. EU to fine Ranbaxy, others for blocking generic drugs
16. Croatia becomes the 28th Member State of the European Union
17. Foreign citizens accounted for 7% of total employment in the EU27 in 2012
18. EU farm policy after 2014: MEPs, Council and Commission strike a political deal

---

EICC General Body and Board of Directors Meeting on 15 October 2013 in Brussels

Chamber's Board of Directors and General Body will meet in Brussels on 15 October 2013 on the eve of the EICC Trade, Investment and Partnership Summit on 16 October. The meeting will be held in the Hotel Sheraton. The meeting will be held in the HOTEL SHERATON TOWER, Place Rogier 1210 Brussels. The meeting will be held in Room PERMEKE.

In addition to the Secretary General's Report, the meeting will discuss how to make the Governing Board sustainable, effective and participatory. Special discussion will take place on the issue of membership, formation of committees, developing working relationship with bilateral chambers.

As at these meetings essential mechanisms for policy issues on trade, investment, economic cooperation and coordination between Indian and EU business are discussed it is important that all members attend the meeting and share their thoughts. The important topics to be discussed will cover areas of EU-India cooperation, general current issues, programme and future meetings and activities, in addition to other topics.

Minister-President Mr. Kris Peeters to address TIPS on 16 October

Minister-President of Flanders Mr. Kris Peeters will address the Chamber's Trade and Investment Partnership Summit (TIPS) on 16 October in Brussels. The European Business Technology Centre, a programme funded by the European Commission and managed by the EUROCHAMBRES, as main collaborator, will be the main collaborator and both are working closely to see that the Summit meets its objectives. Titled as "***Dynamics of EU-India Relations in a Changing Europe: Challenges and Opportunities for Accelerating Trade and Investment"*** the theme of the Summit will also mark the 50 years of India's engagement with the EU. TIPS will be the largest business event in the context of India

and European business relations of 2013 in Europe and will provide the highest level platform for a concrete and constructive dialogue in the context of improving trade and investment between EU and India and will offer Indian and European companies to build their collaboration. The EU Trade Commissioner Karel De Gucht, Vice-President of the European Commission responsible for the Digital Agenda Ms. Neelie Kroes have been invited to address the summit.

While the fire-brand Indian Parliamentarian Mr. Sitaram Yechury will speak on social and economic aspect of humanizing trade, Dean of the Cornell University Dr. Soumitra Dutta will speak how Indian companies can make its global imprint through innovation. High representative of the OECD will also speak in the summit. The Summit will be held in the Parliament's Conference Room **A5E2** from 9am to 18.30pm. Chamber will host a Networking lunch for the participants and invited guests in the Parliament.

Over the past three months, the Chamber has been hard at work committed to building a sustainable relation, building a strong participatory framework and foundation for closer cooperation between European and Indian business and how together they can enhance EU-India trade. In the quest for meeting is mission objectives with larger participation of business, Chamber's efforts has been very successful. Important business Houses, companies, organisations and agencies who have confirmed their participation include Dalmia Group of Companies (India), Foresight Limited (UK), The FifthVeda Entrepreneurs (India), KHS Machinery (India), Binani Group of Industries (India), Bajoria Group (India), Avantha Group (India), Tata Consultancy Services (India), Poddar Group (India), CMI Group (Belgium), Commonwealth Business Council (UK), IL&FS Limited (India), FIT (Belgium), Deloitte, PwC, Andras House (N. Ireland), AWEX (Belgium), Captiveway (France), LOYENS & LOEFF (The Netherlands), GIANNI, ORIGONI, GRIPPO, CAPPELLI & PARTNERS (Italy), DLA Piper, Uflex Limited (India), McKinsey and Company, Ernst & Young, Indian Chamber of Commerce (India), Alliance for Natural Health International (UK), BNP Paribas (France), Ransat Group (UK), Total (France), Brussels Invest, JBF-RAK (UAE), Meghmani Group (India) and AIA Group (Spain).

The Summit will bring together leaders from various fields to discuss challenges, opportunities and commitment required by companies to enhance business collaboration. TIPS will seek to bridge trade and economic divide between the two countries will bring policy makers, industrialists, business leaders, and high representatives of the European Commission and heads of trade bodies. The summit will attempt to build better and innovative relationship by exploring the dynamics of changing Europe through discussion and exchange of ideas among high profile business leaders, experts from wide range of discipline from Europe and India. The sessions will focus on some of the leading innovative companies sharting their experience, expertise and concerns on the issue of trade and investment between EU and India. The event will also discuss the broader side of the trade related issues such as regulatory and legal framework, taxation policies and other incentives in India and Europe. The TIPS will make comprehensive overview of India-EU relations in content and context and will suggests ways to give it a strategic dimension. The summit will serve as a key platform offering an unparalleled access to a full spectrum of more than 150 industry leaders, business executives, policy makers, representatives of the European Commission to share their views on issues related to trade and investment. The summit will provide an opportunity for the delegates to access important presentations to engage in discussions and network with specialists across a range of topical issues and suggests ways to give it a strategic dimension. Industrial sectors that will be discussed in depth for bilateral cooperation include Pharmaceuticals, Renewable Energy, Infrastructure and Retail.

Indian Government revises defence procurement procedures

The Indian government on 1 June promulgated a new defence procurement policy that aims at expediting procurement of defence equipment and building up a robust indigenous defence sector while ensuring transparency, probity and public accountability.

The `Defence Procurement Procedure 2013', which takes effect from today, lays a strong emphasis on promoting indigenisation and creating a level playing field for the Indian industry in the defence sector.

The new procurement policy explicitly accords higher preference to domestic manufacturers (Buy Indian). In case no local suppliers are available, the next preference would be given to localisation of foreign equipment.

The policy also clearly defines the 'indigenous content' while simplifying the indeginisation process. The requirement of the prescribed 30 per cent indigenous content in the `Buy Indian' category is to be achieved on the overall cost basis, as well as in the core components, ie, basic equipment, manufacturer recommended spares, special tools and test equipments taken together.

In addition, the basic equipment must also have minimum 30 per cent indigenous content at all stages, including the one offered at the trial stage. It has been further stipulated that an indigenisation plan will be provided by the vendor. These stipulations are expected to ensure more meaningful efforts towards indigenisation.

While the policy stipulates a penalty for not achieving the required indigenous content at a given stage, it also provides for making up the deficiency at later stages.

Likewise, in the `Buy and Make Indian' cases, there is no stipulation regarding the minimum indigenous content and the Indian vendor gets enough elbowroom to achieve the prescribed indigenous content in the overall delivery. This Indian vendor will also get enough time to absorb transfer of technology and set up manufacturing facility while concurrently meeting the service requirements.

The policy also offers a method for assessment of indigenous content based on self-certification by vendors while keeping provision for audit by the defence ministry or its nominated agency, if found necessary.

Besides, the validity of the `Acceptance of Necessity' (AoN) has been reduced from two years to one year with a stipulation to freeze the service qualitative requirements (SQRs) before the accord of the AoN. This will bring down the processing time of individual cases significantly.

The simplification of the `Buy and Make Indian' procedure and the extended validity of AoN are expected to bring more projects under the `Buy and Make Indian' category.

The new policy delegates higher financial powers to the service headquarters and the defence procurement board (DPB). Together, these measures are expected to make the procurement procedure more efficient while helping to reduce delays.

The enhanced delegation of powers of the service headquarters from Rs50 crore to Rs150 crore and the power of the DPB from Rs150 crore to Rs300 crore is expected to speed up defence procurement.

Under the `Buy Global' cases, it will now be possible for the Indian vendor to give maintenance contract of technology transfer to another Indian vendor of their choice. The partner maintaining technology transfer is no longer required to be nominated by the DDP.

The payment terms and commercial offer have been recast as 'commercial clauses' and 'evaluation criteria of price bid format', thereby bringing payment terms for Indian bidders on par with those for the foreign bidders, specificity in stages and modes of payment and removal of excise duty.

Other significant changes include incorporation of the new offset policy guidelines, which were promulgated in August 2012, and revision of the chapter on shipbuilding, which had been introduced in the DPP 2011. The ministry has also further simplified the `make' procedures and revision of the `fast track' procedures, which is likely to be completed in the near future.

With these changes, the new procedure is expected to provide the much-needed thrust to the Indian defence industry in the years to come while continuing to meet the defence requirements of the country at an even pace.

Foreign retailers need to invest in fresh infrastructure; may delay entry for foreign, local retailers

Foreign multi-brand retail chains entering India must invest in new supply chain infrastructure, such as warehouses and cold storages, rather than buy existing assets, the government said in a clarification of FDI rules.

''The entire investment in back-end infrastructure has to be an additionality. The entity can invest only in greenfield assets and it will not be possible to acquire supply/chain/backend assets or stakes from an existing entity.

''Such investment in the equity of the existing infrastructure company will not be treated towards the fulfillment of the conditionality of 50 per cent investment in back-end infrastructure,'' the government clarified today.

The investment towards back-end infrastructure can be made across all states irrespective of the fact whether FDI in MBRT is allowed in that state or not.

While FDI in these activities is already allowed throughout the country, as far as multi-brand retail trade is concerned, FDI in non-FDI approved states in back-end infrastructure will be counted provided it is an additionality.

The government allowed global retailers to enter India in September, and stipulated at the time that at least 50 per cent of the investment made by the foreign company must be in supply chain infrastructure.

As per the conditions for wholesale cash and carry trading, such an entity is not permitted to undertake retailing of any form. Therefore, both the businesses have to be kept separate through different entities.

As regards supplies by multi-brand retail company to franchisees run by its partners, it is clarified that the policy envisages multi-brand trading in retail. The MBRT entity is not envisaged to undertake wholesale activity i.e. B2B. The front-end stores set up by MBRT entity will have to be 'company owned and company operated' only.

The wholesale trading/ cash and carry trading cannot be considered to be providing back-end infrastructure. FDI in MBRT will require fresh investment in back-end infrastructure.

The government also said global retailers have to source 30 per cent of their processed goods, not including fresh produce, from small industries and will only be allowed to sell these goods through retail stores, and not wholesale outlets

The 30 per cent sourcing will be reckoned only with reference to the front-end store. As such a multi-brand retailing entity cannot engage in any other form of distribution.

The phrase used in the FDI policy is 'small industries' with maximum investment in plant and machinery at $1 million. The sourcing condition pertains only to manufactured and processed products. Procurement of fresh produce is not covered by this condition.

Suppliers should have some form of authentication to confirm their status as 'small industry'. Certificate issued by District Industries Centre would be adequate authentication to confirm status of supplier as 'small industry'

For determining whether a city has a population of more than 10 lakh, it should not be limited to the data as per the 2011 census. When a city reaches such population level after 2011, it should be allowed to self-certify that it has achieved the population. Further, the population restriction should recognize that twin cities or co-located cities might be eligible based on their combined population.

Census data is the most authoritative source of population data, which is accepted by all the States. Therefore, no other data source or self-certification
can be permissible.

The policy should not give states that have approved FDI in multi-brand retail the ability to change the fundamental rules of the FDI policy, including but not limited to the 30 per cent 'small industry' sourcing and minimum investment in back-end infrastructure requirements.

States, which have opted for inclusion in the FDI policy have already been notified. Any amendment in the policy falls under the domain of the central government. However, state laws/regulations will apply.

FDI policy in MBRT is subject to the applicable state/union territory laws/ regulations. The state governments have the prerogative of imposing additional conditions accordingly.

If the foreign investor approaches a state government not included in the list of states supporting FDI in MBRT, consent from the state government would be sufficient, and a suitable amendment to the policy will be issued by the centre.

The government, however, said the following issues, including sourcing restriction amongst 'group companies', requirement of 50 per cent investment in 'backend infrastructure' within three years of the first tranche of FDI and requirement of 30 per cent sourcing from 'small industry', are under consideration.

India set to become hub for Ford, says CEO

With India leading the small SUV market and attracting majority of investments from Ford Motor Company, the country is set to become a hub for the US automobile major, a top official has said.

“Yes. Absolutely. That is our dream. India is great market and an indicator of about what people really want in vehicles around the world. The (latest SUV from Ford) Ecosport is a really good example”, Ford Motor Company President and Chief Executive Officer, Alan Mulally told reporters in Chennai on 18 June.

Observing that India is one of the important markets for Ford globally, he said, “small SUV segment on the B size platform is the fastest growing segments which is led by India. We are making Ecosport in five locations around the world. And it is going to be most popular vehicle worldwide. So it (The launch) is very important launch for us”.

He said Ford is making long-term commitments on strategies in rolling out products and currently is on a “positive path” on its growth. “We are number one brand in United States and number two in all Americas. In Europe we are the fastest growing brand. We have made tremendous commitment interms of man and money investments”, he said.

Asked about the company’s focus on its Asia-Pacific operations, Mulally said the management has not made any specific time frame on reaping profits, but expects a significant revenue to be contributed from this region. “Clearly, in the next few years,it (Asia Pacific region) is going to be a major contributor to Ford. I think in four- five years, 40 per cent of revenue will come from Asia Pacific. This is the largest growing region in the world”, he said. Currently, Ford has garnered about three per cent market share in the Asia Pacific region. India set to become a hub for Ford, says its CEO.

Elaborating, Ford Group Vice-President and President (Asia Pacific), David Schoch said the company has lined up some strategies in growing the business in the region. “We have got certain plans under construction throughout the Asia Pacific. We have got five plants in China and two in India. We are working hard. This (region) is going to be a major contributor for Ford”, he said.

To a query, Mulally said products to be launched will be based out its popular ‘B’ size segment. Noting that the company was shipping its popular hatchback ‘Figo’ to 38 countries from India, Mulally indicated that they would continue exporting its products in large numbers from India. “We are going to continue export

of more and more vehicles from India. Because India is so competitive. More and more vehicles getting exported is great for India and (also for) Ford", he said.

On the latest SUV -- Ecosport from its stable, Ford India, President and Managing Director, Joginder Singh said "we are on the verge of something exciting for Ford India. We believe it is not only a game changer for Ford in India, but we are going to set a new standard in the industry as well".

Stating that top company executives had visited the plant at Maraimalai Nagar near here, Singh said "our shipments have begun and all our dealers are accepting bookings (for Ecosport) as we speak. We see a very clear milestone in the launch of Ecosport". Currently, Ford India makes Figo, mid-size sedan Classic, premium SUV Endeavour and the premium sedan Fiesta. It also manufactures engines from the Maraimalai Nagar facility**.**

New FDI rules a setback for foreign, local retailers

New rules requiring foreign supermarkets to set up their own warehouses and stores in India are likely to further delay the entry of companies like WalMart Stores Inc, increase costs and hurt cash-strapped local retailers eager to partner with foreign companies.

India allowed foreign chains to enter the country to set up retail stores in September 2012, but ambiguities in the policy means that so far, no foreign company has applied to the government for permission to set up shop in the $500 billion industry.

Under the new rules, the government late on Thursday said global supermarket operators cannot acquire existing assets of Indian companies and said the initial mandatory $100 million investment to set up supply chain infrastructure and stores must be new.

That means any existing supply chains, including those owned by a domestic retailer that a foreign company might look to buy, will not count towards the $100 million minimum.

"In a nutshell this will delay everybody's plans," said Devangshu Dutta, who heads retail consultancy Third Eyesight in Bangalore. "Companies like Wal-Mart, Tesco (TSCO.L) can acquire assets later on but not initially and that means more time to start their operations," he said.

A spokeswoman for a joint venture between Wal-Mart and Bharti Enterprises said the company was studying the government's clarification on retail rules. Bharti Walmart Pvt Ltd is a wholesale joint venture started in 2007.

Companies such as Future Retail Ltd, which runs the Big Bazaar hypermarkets, Shopper's Stop Ltd (SHOP.NS), which runs Hypercity, and Trent Ltd with its Star Bazaar hypermarkets, are all open to selling stakes in their operations to foreign partners in an effort to access funds required for expansion.

"These rules are disappointing and will delay our plans," said the chief executive of an Indian retail firm who did not wish to be named. "It will make it difficult to do business, but obviously this is not the end of the road," the executive said.

Shares in Future Retail fell as much as 3.4 percent on Friday after the announcement. Trent and Shoppers Stop remained flat on low volumes.

Indirect tax cost, bureaucracy among trade barriers for MNCs

Indirect tax costs, formal rules, restrictive regulations and bureaucracy can be barriers to international trade for multinational firms operating in rapid growing markets such as India, Russia, Brazil and Russia, a study by Ernst & Young said recently.

"Multinationals are finding that indirect tax costs, formal rules, restrictive regulations and bureaucracy can be a barrier to international trade," Ernst & Young said in its report on Managing Indirect Taxes in Rapid-

Growth Markets. The report said global firms in these countries are concerned about management of indirect taxes.

“The need for effective management of indirect taxes in rapid growth markets (RGMs) to avoid unnecessary costs and risks and maximise market opportunities is the primary concern for many multinationals,” it said. The report also suggests that Governments in such countries rely on indirect taxes to bolster revenues, reduce fiscal deficits and fund infrastructure projects.

However opportunities exist to improve business outcomes, speed up deliveries and reduce costs, it added. “In countries such as India and Brazil, the application of multiple taxes and the rapidly evolving tax landscape also may increase these difficulties. Effective controls, robust processes/documentation, standardised procedures and the use of appropriate technology can help to improve accuracy and reduce risks,” the report said.

Collaboration across functions and geographies, building relationships with trusted third parties and tax authorities can help make most effective use of scarce resources and avoid costly and protracted disputes, it said. “Most RGMs have a complex indirect structure and India is no exception...This has what lead to demand for GST by stakeholders for the last few years.

“Though recent months has seen positive developments with consensus emerging on several areas between centre and state, implementation stills looks distant and not before the formation of a new government in 2014,” Harishanker Subramaniam, Partner & National Leader –Indirect Tax Services, Ernst & Young, said in the report.

Small gap posing difficulty in finalising India-EU FTA, says Indian Commerce Secretary

The Government on Tuesday said "small gap" is posing problems for conclusion of the proposed India-EU Free Trade Agreement (FTA) that will drastically cut duties on most of the items traded between the two nations.

Asked by when the proposed India-EU FTA is expected to be finalised, Commerce Secretary S R Rao said, "All I can say is we are extremely close to the finalisation, but small gap is also becoming very difficult."

At the moment, inter-sectional meetings are taking place, he told reporters on the sidelines of an Assocham function here.

India and the 27-nation bloc European Union (EU) are negotiating a Broad-based Trade and Investment Agreement (BTIA) since June 2007, but no breakthrough has yet been achieved due to strong differences on several of the issues.

Last week, India had asked European Union to address its concerns on providing data secure status for the IT industry under the pact, to which EU has expressed willingness to set up a Joint Working Group (JWG) to look into these issues.

India's concerns were conveyed by Commerce and Industry Minister Anand Sharma to EU Trade Commissioner Karel De Gucht when the two met on the sidelines of an OECD meeting in Paris on May 30. During

the meeting, they also reviewed the current status of the India-European Union BTIA negotiations.

The two sides have failed to bridge the gap on various crucial issues, including increase in FDI in insurance sector by India and granting of the status of data secure nation by the European Union during the talks between their Chief Negotiators in May.

Data-secure status is a big demand of India as its current lack of status has prevented the flow of sensitive information to India, a big deal for its IT industry.

FDI inflows to India down 29 % in 2012: UNCTAD

Foreign direct investment (FDI) inflows to India declined by 29 per cent to $26 billion in 2012 due to slow economic growth and high inflation, the United Nations Conference on Trade and Development (UNCTAD) has said.

"The Indian economy experienced its slowest growth in a decade in 2012, and also struggled with risks related to high inflation.

"As a result, investor confidence was affected, and FDI inflows into India declined significantly," the UN agency's The World Investment Report 2013' said.

It, however, added that a number of other factors would influence FDI prospects in the country positively.

"Inflows to services are likely to grow, thanks to ongoing efforts to further open economic sectors such as retailing. Flows to manufacturing are expected to increase as well, as a number of major investing countries, including Japan and the Republic of Korea are establishing country or industry specific industrial zones in India," it said.

Stating that the global FDI inflows fell by 18 per cent to $1.35 trillion in 2012, the report, said recovery to more vigorous investment levels would take longer than expected mainly because of global economic fragility and policy uncertainty.

As per UNCTAD forecast, FDI in 2013 will remain close to the level of 2012, with an upper range of $1.45 trillion.

The report finds that for the first time developing economies absorbed more FDI than developing countries, accounting for 52 per cent of global FDI flows.

Sun Pharma in discussion to acquire controlling stake in Meda AB

India's Sun Pharmaceutical Industries is in discussions to acquire a controlling stake in Swedish drugmaker Meda AB for around $5 billion, in a bid to boost its generics business in developed markets, Reuters reported citing two sources.

Meda produces over the counter drugs and branded generics – focused on the same segments as Sun Pharma.

Mumbai-based Sun Pharma had made a series of acquisitions in the past and has been in discussion with banks to raise funds for a possible deal, Reuters said.

With the intent for the acquisition having been signed, the due diligence process would get underway soon and could take anywhere between three to six months, according to one of the two investment bankers who did not wish to be identified, cited by The Wall Street Journal in a report today.

According to the person, it might not be a 100 per cent acquisition, but would be a majority one, with the final deal value being around $3 billion to $3.5 billion.

According to the Journal, the Indian company wanted letters of credit from banks to present to Meda to convince board members that it could complete the deal.

Meanwhile, Meda was up the most in a year in Stockholm trading following the report in The Wall Street Journal.

Meda rose 3.4 per cent to 86.80 kronor at 1:45 pm, giving the company a market value of 26.2 billion kronor ($3.97 billion), with the stock gaining as much as 6.4 per cent, the biggest intraday advance since 9 May, 2012.

Sun, India's biggest drugmaker by market value, had been for expansion in Europe and the US in its bid to extend its geographical reach.

The acquisition of Meda would bring Sun the Dymista allergy medicine, which had been approved in the US last year.

The Swedish drugmaker's products, focused on respiratory, cardiology, dermatology, central-nervous-system, pain and inflammation treatments, generated sales of 12.99 billion Swedish kronor in 2012.

British Indian businessman buys Austrian bank

British Indian businessman and investor Sanjeev Kanoria has acquired the domestic banking unit of Austrian bank Hypo Alpe Adria for around USD 85.5 million.

The nationalised bank agreed to sell Hypo Alpe Adria Bank AG, the unit which operates in the southern Austrian province of Carinthia, to Anadi Financial Holdings, the Klagenfurt-based lender said in a statement.

London-based Kanoria, 49, is the brother of Hemant Kanoria, chairman of Indian group SREI Infrastructure Finance Limited, which had been named by the Austrian media as a potential buyer of the bank.

"New products, additional markets and fostering the core region are the aims of our engagement," Kanoria, who is also a doctor, said in the statement, adding that SREI will provide "financial expertise" to the business.

"The investor is not only the clearly best bidder, but also has first-class experience in international business and convincing connections to leading financial organisations," Hypo Alpe chief executive officer Gottwald Kranebitter added in the statement.

The sale ¿ the first step in the bank's campaign to divest operating units under pressure from the European Commission ¿ is now subject to regulatory approval.

The sale was managed by JPMorgan Chase & Co and TJP Advisory & Management Services, Hypo Alpe said.

The Hypo Group is also in the process of shedding its subsidiaries in south-eastern Europe after it ran into trouble before the global financial crisis because of risky investments.

India expands more than China, Russia, Brazil in May: HSBC

Economic growth in emerging market economies remained sluggish in May, but India expanded at a better rate than the three BRIC peers China, Russia and Brazil, an HSBC survey said today.
During May, the HSBC composite index for India, which maps both manufacturing and services sectors, stood at 52, whereas for China it was 50.9, Brazil (51.2) and Russia (51).

An index measure of above 50 indicates expansion.

"India has been the bright spot among the largest EM countries, while a combination of external headwinds and domestic issues has led to weakening growth in Brazil, China and Russia," Andre Loes HSBC Chief Economist, LATAM said.

Meanwhile, the HSBC Emerging Markets Index (EMI), a monthly indicator derived from the PMI surveys, was unchanged from April at 51.4 in May, indicating a muted rise in global emerging market output.

Growth slowed in China, Brazil and Russia, but accelerated slightly in India on the back of a stronger service sector performance.

However, manufacturing production declined in India, as well as in Taiwan and Vietnam. Chinese production rose only marginally.

New business growth in emerging markets slowed in May, and was the second-weakest in four years. Manufacturing new orders were virtually unchanged since April, weighed down by a second successive drop in new export orders.

Employment rose marginally in May, having been broadly flat in April. This was despite goods producers registering a fractional cut in staffing, HSBC added.

Meanwhile, the HSBC Emerging Markets Future Output Index that tracks firms' expectations for activity in 12 months time rose for the first time in three months in May.

Improved sentiment was driven by the service sector, as manufacturing output expectations were the weakest in five months, HSBC said.

India probably world’s 3rd largest economy: OECD

India has probably surpassed Japan to become the world’s third largest economy after the US and China, Paris-based think-tank OECD said recently even as it lowered the country’s economic growth projection for 2013 to 5.3 per cent.

“China will likely pass the United States as the world’s largest economy in the next few years and India has probably recently surpassed Japan to be third largest,” said the OECD Economic Outlook report.

Until around 2020, China is set to have to highest growth rate among major countries, but could be then surpassed by India, it further said.

OECD also said that by early 2030s, the BRIICS’ (Brazil, Russia, India, Indonesia, China and South Africa) combined GDP should roughly equal that of the OECD (based on current membership), compared with just over half that of OECD now.

“Between now and 2060, GDP per capita is seen to increase more than 8-fold in India and 6-fold in Indonesia and China,” it added.

The Organisation for Economic Cooperation and Development (OECD), which in November had projected India to grow at 5.9 per cent in 2013, cautioned that structural bottlenecks in the country could further constrain investment and growth potential.

“GDP growth is projected to rise gradually over the next two years... Significantly more growth would be forthcoming if structural bottlenecks were swept away by fundamental structural reforms,” the report said.

Looking ahead, it said India is likely to improve growth to 6.7 per cent next year, after having logged a decade’s low of 3.8 per cent in 2012.

OECD said the world real GDP is projected to increase by 3.1 per cent this year and by 4 per cent in 2014. Across OECD countries, GDP is projected to rise by 1.2 per cent this year improve to 2.3 per cent in 2014. Growth in non-OECD countries will rise by 5.5 per cent this year and 6.2 per cent in 2014. In the US, activity is projected to rise by 1.9 per centthis year and by a further 2.8 per cent in 2014, OECD said.

GDP in the euro area is expected to decline by 0.6 per cent this year and then rebound by 1.1 per cent in 2014. Japan’s GDP is expected to grow by 1.6 per cent in 2013 and 1.4 per cent in 2014, it added.

Talking about India’s neighbour China, OECD forecast that its economy would grow 7.8 per cent this year, down from a previous estimate of 8.5 per cent.

Referring to India, it also said the fiscal tightening and the new fiscal consolidation roadmap are "welcome and should allow monetary policy to be eased further".

On-going efforts to better target household transfers are commendable although further progress is needed, OECD said.

It further said that with inflation projected to decline, the Reserve Bank of India could ease monetary policy provided the Government sticks to its fiscal consolidation plans.

"The large Current Account Deficit may, however, make it difficult to cut interest rates significantly," it said. However, subsidies could be better targeted and more revenues could be raised in a less distorted way, it added.

OECD finds Indian economic growth 'below global trend'

India's growth prospects continue to remain "below trend" even as most of the major economies are witnessing moderate improvements, Paris-based think tank Organisation for Economic Cooperation and Development (OECD) said on 11 June.

While economic activities are close to trend rates in China, growth seems to be firming up in the United States and Japan. OECD's conclusions are based on composite leading indicators (CLI) that are designed to anticipate turning points in economic activities.

"The CLIs for the United Kingdom, Canada, China and Brazil point to growth close to trend rates. The CLI indicates that growth is losing momentum in Russia, whereas for India, it continues to indicate growth below trend," OECD said.

India's CLI stood at 97.3 in April, same as in February and March. In January, the reading was better at 97.5.

OECD said that CLIs indicate moderate improvements in growth in most major economies while the United States and Japan are seeing firming economic growth. "In the euro area as a whole, the CLI continues to indicate a gain in growth momentum. In Germany, the CLI shows that growth is returning to trend," it noted

According to OECD Deputy-Secretary General Richard Boucher, India needs another round of reforms for better GDP growth and rid itself of unnecessary regulations to reduce corruption, "Our basic view is that India needs another round of reforms," he said at the sidelines of the World Economic Forum (WEF) on East Asia held in Nay Pyi Taw, Myanmar.

Asked as to what India could do to have improved economic growth, Boucher said, "India needs to do things to increase government efficiency, smoothing the way for projects, reduce regulatory burden on companies and open up some more to competition. So, we think that another round of reforms is necessary."

"It will bring much broader benefits than opening up one specific sector. We are starting now the next economic survey of India which will come out next year. We have had some of the initial discussions and will have much more thorough discussion that will be coming out next year," Boucher added.

Appreciating government's decision to open up FDI in multi-brand retail, he said, "It has a lot of benefits - for farmers, consumers, supply chains and better pricing mechanism. I think that is very important."

On sharing of information among nations to curb tax evasion, Boucher said, "What countries are moving towards is more automatic information exchange. We have been proposing and supporting that this kind of stuff can be very helpful."

Also, he said, OECD is working on, and where India has been a strong contributor, is ‘Base Erosion Profit Shifting’.

The BEPS project is looking at whether, and if so why, the current rules allow for the allocation of taxable profits to locations different from those where the actual business activity takes place.

The OECD is a grouping of mostly rich nations. India’s economic growth slowed to a decade-low of five per cent in the last financial year from 6.2 per cent in the 2010-11 period.

EU to fine Ranbaxy, others for blocking generic drugs

A European regulator will fine Denmark's Lundbeck (LUN.CO), India's Ranbaxy and seven other makers of generic drugs for limiting the supply of cheaper medicines, two people with knowledge of the matter said, its first sanction against "pay-for-delay" deals.

Following an inquiry launched in 2009, the European Union's anti-trust regulator will impose a "significant" fine on Lundbeck and lesser fines on Germany's Merck KGaA (MRCG.DE) this month, the people said. Seven drug firms will also be fined.

The sanctions underscore the determination of EU and U.S. regulators to break agreements that involve brand-name drug companies paying generic manufacturers not to deliver cheaper versions of their drugs to the market, a practice that ultimately harms consumers.

European regulators have estimated that consumers are paying up to 20 percent more for medicines in some cases. Generic versions typically cost a fraction of the price of original medicines in Western markets.

The pharmaceutical industry will be looking for guidance from the case as to what is lawful and what is not, said Koen Platteau, a partner at Brussels-based law firm Olswang.

"The Commission clearly wants to send out a message that in circumstances, this kind of agreement can be restrictive. This is the first case where they will set a precedent," he said.

The European Commission, the EU's antitrust regulator, can fine a company up to 10 percent of its global revenue for breaching competition laws. In the case of Lundbeck, which makes an anti-depressant drug and a treatment for Alzheimer's, that would be up to 240 million euros.

"The fine for Lundbeck is expected to be significant, less so for the others," said one of the people, who declined to be identified because of the sensitivity of the matter.

Lundbeck paid the generics firms to keep its products from the market and bought stocks of the generic anti-depressant drug citalopram to be destroyed, the person said. A spokesman for Lundbeck said the company had not been notified of any fine and believed it had done nothing wrong. Lundbeck shares fell 1.9 percent after Reuters reported the fine. They were trading 1.4 percent lower at 109.2 crowns by 1516 GMT.

The other companies to be fined are Generics UK, Arrow, Resolution Chemicals, Xellia Pharmaceuticals, Alpharma, A.L. Industrier and India's No. 1 pharmaceutical company Ranbaxy (RANB.NS), all of them makers of generic drugs. Ranbaxy declined to comment.

A Merck KGaA spokeswoman said the company, which sold subsidiary Generics UK to U.S. generic drugmaker Mylan (MYL.O) in 2007, does not comment on pending legal issues.

The EU competition authority has two similar cases in the pipeline, involving Israel's Teva (TEVA.TA), French drugmaker Servier, Johnson & Johnson (JNJ.N) and Novartis (NOVN.VX).

The U.S. Federal Trade Commission has battled against such deals in court for more than a decade. The U.S. Supreme Court is expected to decide on the issue by the end of the month after lower courts issued conflicting rulings.

Brand name companies have defended "pay-for-delay" deals in large part to protect patents and avoid costly litigation. In a typical case, a generic rival may challenge the patent of a brand-name competitor, which then pays the rival a sum of money to drop its challenge. Defenders of the practice call it a legitimate means to resolve patent litigation.

Croatia becomes the 28th Member State of the European Union

On Monday 1 July Croatia will become the 28th Member State of the European Union. Croatia's accession marks another milestone in the construction of a united Europe. It also provides fresh evidence of the transformative power of the European Union: torn by conflict only two decades ago, Croatia is now a stable democracy, capable of taking on the obligations of EU membership and of adhering to EU standards.

On the eve of Croatia's accession, President Barroso said: "Croatia's accession to the European Union is a historic event, which returns the country to its rightful place at the heart of Europe. I look forward to Croatia's contribution to the EU, which will be a success story – to the benefit of the Union, of the people of Croatia and of South East Europe as whole."

Croatia's accession shows that the European perspective is real for those countries firmly committed to the EU agenda. It is a clear signal for the region: the EU keeps its commitments if the necessary reforms are delivered and conditions are met.

Foreign citizens accounted for 7% of total employment in the EU27 in 2012

In 2012, 15.2 million foreign citizens worked in the EU27, accounting for 7% of total employment. Among these foreign citizens, 6.6 million were citizens of another EU Member State and 8.6 million were citizens of a country outside the EU. In the EU27, the employment rate1 for citizens of another EU Member State (67.7%) was slightly higher than for nationals (64.6%) and significantly higher than for citizens of a country outside the EU (53.7%).

As regards unemployment, the unemployment rate1 for citizens of another EU Member State (12.5%) was higher than for nationals (9.8%), but significantly lower than for citizens of a country outside the EU (21.3%).

This information comes from a publication2 issued by Eurostat, the statistical office of the European Union, based on the 2012 results of the European Labour Force Survey3. This survey contains data on employment and unemployment, as well as on a large range of other indicators related to the labour market, of which a small selection is shown in this News Release.

Lower unemployment rate for nationals than for foreign citizens

The employment rate for citizens of another EU Member State ranged from 53.2% in Malta to 80.2% in Slovenia, while for nationals it varied from 51.5% in Greece to 75.8% in the Netherlands, and for citizens of a country outside the EU from 36.2% in Belgium to 73.4% in Cyprus.

The unemployment rate for citizens of another EU Member State ranged from 5.5% in the Netherlands to 30.6% in Spain, while for nationals it varied from 3.3% in Luxembourg to 23.4% in Greece, and for citizens of a country outside the EU from 5.1% in the Czech Republic to 38.6% in Spain.

Largest proportion of self-employed in Greece, Italy and Portugal

In the EU27 in 2012, 32.8 million persons were self-employed, accounting for 15% of total employment. Among Member States the proportion of those self-employed was highest in Greece (31.9%), Italy (23.4%), Portugal (21.1%) and Romania (20.1%), and lowest in Estonia (8.3%), Luxembourg (8.4%),

Denmark (8.9%) and Lithuania (9.7%). In some of the Member States with the highest shares of self-employment, e.g. Greece, Portugal, Romania or Poland, self-employment in agriculture has a significant effect.

Just over a quarter (28%) of self-employed persons in the EU27 had employees in 2012, with the largest proportions registered in Hungary (46.5%), Estonia (43.6%), Germany (42.9%) and Austria (41.7%).

In the EU27, a higher proportion of men (19%) were self-employed than women (10%). This was the case in all Member States, with the largest relative differences observed in Ireland (23.6% for men and 6.7% for women), Malta (17.1% and 6.5%), Sweden (14.3% and 5.7%) and Estonia (11.9% and 4.8%).

EU farm policy after 2014: MEPs, Council and Commission strike a political deal

More emphasis on environmental protection, mandatory top-ups for young farmers in all member states, stronger farmers' organisations and less red tape when spending EU funds. These are the main lines of the agreement on farm policy struck on 26 June by Parliament, Council and the Commission. Decisions still need to be taken on capping direct payments to bigger farms and distributing funds between farmers.

The political agreement on the Common Agricultural Policy (CAP) reforms comes after three months of intensive negotiations but still depends on a final agreement on the EU's long-term budget for 2014-2020.

"The political agreement we reached is a victory both for EU farmers and consumers. This is the first time Parliament has been involved in the reform of EU farm policy as a full co-legislator and we proved that we are fully capable of doing the job. We managed to improve the proposals while defending Parliament's mandate," said Agriculture Committee chair and head of Parliament's negotiating team Paolo De Castro (S&D, IT).

"The CAP of the future will be fundamentally different and the dependency culture of the past is now a thing of the past. We have managed to ensure better environmental protection and avoid double funding. The MFF-related issues are still open, as Council did not have a mandate to negotiate on them, but these will be finalised once the EU's new long-term budget is approved," said Luis Manuel Capoulas Santos (S&D, PT), rapporteur for direct payments and rural development.

To ensure that direct payments go only to active farmers, MEPs persuaded Council to draw up a blacklist of entities, such as airports or sports clubs, to be automatically excluded from EU funding unless they prove that farming contributes to a substantial share of their income.

Under the agreement, 30% of member states' budgets for direct payments may be spent only if mandatory greening measures are carried out. However, the measures will be implemented gradually and linked to farm size. The three key measures are crop diversification, maintaining permanent grassland and creating "ecologically-focused areas".

To give an extra boost to greening efforts, Parliament's negotiators won an agreement to earmark 30% of total rural development spending for environment-related measures.

Under the deal, "double funding", i.e. paying farmers twice for delivering the same set of environmental benefits, is scrapped. In addition, farmers who fail to apply mandatory greening measures will face additional sanctions on top of losing their greening subsidies.

"We must allow farmers to familiarise themselves with the new rules before we start applying any sanctions. It is not fair to penalize them from the start. Therefore, no sanctions will be levied in the first two years after the new CAP enters into force. During the third year, the penalty of 20% will apply and one year afterwards it will be raised to 25%," said Giovanni La Via (EPP, IT), rapporteur for the financing, management and monitoring regulation.

To attract more young people into farming, Parliament insisted on a mandatory EU-wide scheme to give farmers under 41 years old an extra 25% in additional top-up payments for their first 25 to 90 hectares. Small farmers could also get more money if member states decide to set up a specific scheme for them.

MEPs insisted throughout the negotiations that farmers' organisations should be given new tools to help farmers cope with market volatility and strengthen their price bargaining position. EU competition rules applicable to the agricultural sector should be made clearer and applied uniformly across the EU.

"Additional tools to strengthen farmers' bargaining positions, but also to anticipate and manage crises, are necessary given the weaker role public authorities play on the EU agricultural market. This was a crucial objective of Parliament and has been largely met," said Michel Dantin (EPP, FR), rapporteur for the common market organisation regulation.

Parliament secured an option for member states to establish a legal framework for the contractual relations governing delivery of farm produce from farmers or processors. They could also choose to establish a supply management system for ham and cheese products registered under a protected designation of origin (PDO) or protected geographical indication (PGI) to improve their quality. Farmers' organisations in sectors including olive oil, beef, milk, cereals and protein crops should be allowed to negotiate supply contracts on behalf of their members.

Sugar quotas will be extended to September 2017 rather than expire in 2015, as originally proposed. Parliament also succeeded in maintaining the current vine-planting regime until 2030.

"I welcome the agreement on sugar and wine but I regret that the other institutions were not able to come on board for further measures to help the dairy sector after the current quota system expires in 2015. Nevertheless, I am looking forward to continuing this debate during the conference organised by the Commission in September to this end," Mr Dantin said.

Remaining issues, upon which the Irish presidency was not willing to negotiate, will be addressed once the EU's long-term budget for 2014-2020 is agreed. They include caps on direct payments to big farms, distributing EU funds more fairly among farmers in different member states and transferring money to and from national budgets for direct payments to rural development programmes.

The Agriculture Committee will vote on the full package of new CAP regulations once EU's long-term budget negotiations are completed. The package has to be approved by both the committee and the full House before it can be submitted to the Council, which must also approve the agreed texts before they can enter into force.