



# Europe India Chamber of Commerce

## Newsletter

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### **India Calling 2009: SPECIAL REPORT FROM THE EDITOR'S DESK**

A journey of preparations of over 7 months came to a flying start when the India Calling 2009 was formally inaugurated in Brussels on 30<sup>th</sup> September in the Hotel Conrad. Speakers during the Inaugural Session included Minister of Overseas Indian Affairs Mr. Vayalar Ravi and the Foreign Minister of Belgium Mr. Yves Leterme. While Mr. Ravi spoke of the long economic and trade relations between Europe and India and the opportunities India offers in the current global economic slowdown, Mr. Leterme spoke of the rising importance of Belgo-Indian relations and the role of the Indian Diaspora in the development of Belgian economy. Minister Ravi called upon the European Union to strengthen its "strategic economic engagement" with India. He also said "I stand before you to invite you to develop a medium to long-term strategic economic engagement with a country that offers immense opportunities." and added "The investment requirement in infrastructure alone over the next three years is projected to the tune of \$435 billion." He went on to assure that the investors' money was absolutely safe and secured in India. It was a conference that included speakers of such calibre as President of the IMC Mr. Gul Kripalani, Vice President Mr. Dilip Dandekar, President of EICC Mr. Nirj Deva, MEP and Vice President of the BICC&I Ms. Virginie Michielsen.

Some said the Conference opened new doors to dialogue between Europe and India; some said it was a Conference Brussels will remember for a long time, some said that Europe needs such Conference every year, also some also said it was "a turning point" on the road to better trade and economic relations between EU and India. Well, only time will tell if this is so but what's certain is that the three day India Calling 2009 conference, packed with business leaders and thinkers, with corporate representatives and lawyers – from Italy to Belgium; from Spain to Luxemburg, simply sent a message to EU and European countries that it was now India's century and accept it or reject it India is emerging as a global economic power. This was also very well demonstrated when Belgium's Economy Minister Mr. Vincent Van Quickenborne while releasing the Knowledge Paper of the KPMG prepared for this occasion, said that India is the hope and aspiration for Europe and no matter what world economy has experienced during the last one year, India has demonstrated that it stands fully behind Europe's economic recovery. Well, I was very happy to have three ministers from India and Belgium participating in the event but what was more important for me was the seriousness of speakers and participants from Europe who had the genuine desire not to be left out when India was offering 1.2 billion opportunities.

The conference brought together 51 speakers with as many as presentations from around Europe and India to discuss trade and economic relationship - a major step forward in re-establishing or shall I say re-cementing EU-India bilateral relations. The conference proceedings were packed with humour too. While Nirj Deva spoke about demographic catastrophe in Europe and also the lack of "energy and responsibility" amongst Europeans to have children the ever attractive Ms. Virginie Michielsen was quick to respond with public proof of fulfilling her responsibility to thwart the demographic challenges facing Europe.

With an economy that's still growing nearly 7% a year despite the global economic slowdown, India is the answer for business profit questions from Europe. This Conference provided valuable insider information to the business on how to profit in India's growing economy. In this context, the focus of the conference was immensely relevant to the EU and Indian policy makers, who confront a number of intertwined issues in their effort to achieve sustainable development in this changing world. The objective of the conference was to bring together a significant body of information to illuminate the economic and global impacts of economic crisis and related policy issues and particularly the role of India in the changing world order. EICC speakers Mr. Ravi Mehrotra, Mr. Sushil Handa and Dr. Ajit Shetty were as usual at their best in terms of content and context in their respective presentations. Spain was visible everywhere and Mr. Gour Saraff, Resident Director of the EICC in Spain who led a 20-member delegation was most sought

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for by everyone. Ms. Fancesca Cesca of Gianni, Origoni, Grippo & Partners stole many hearts with her presentation, her beauty and intelligence, yet she was composed and combative. Representatives from PricewaterhouseCoopers under the leadership of Mr. Laurens Naraina were clever enough to show their advisory expertise on tax matters, professionalism on doing business and their knowledge on Indian economy. The Director of the European Commission from the DG Trade Mr. Ignacio Bercero was good in "tutoring" the benefits of the Free Trade Agreement and the bottlenecks in the negotiations so far.

Main topics for discussion included economic and business climate in India, current state of the Indian industry, investment potentials in some key states in India; what attracts foreign investment and business dealing with India; emerging investment opportunities; legal aspects of investing, outsourcing in India; financing operations, etc. Opportunities in India's infrastructure sector, engineering and manufacturing and IT and BPO in India were the most attractive topics that attracted everyone.

The presence of HRH Prince Philippe on the 1<sup>st</sup> October evening in the Academy of Arts demonstrated that he was keen to see better trade and economic relations between Belgium and India and that he was taking his proposed trade mission to India slated for March 2010 very seriously. His interaction with some selected industrialists and business leaders proved that he meant business and only business.

Many speakers and participants throughout the Conference expressed a passionate plea that relations between India and Europe are historic and Indian business and economy offers unique opportunity for Europe to deal with the current economic crisis. Everyone saw in this Conference unparalleled opportunity to strengthen ties between EU and India and participants were convinced that they now have a better understanding of the issues facing Europe and India and how these can be tackled.

One of the most attractive aspects and most talked about event of the whole Conference was a special event dedicated to the power of women entrepreneurship under the theme "*21<sup>st</sup> Century Business Women: Cross Boarder Networking for Success*". This event was coordinated and arranged by the powerful PricewaterhouseCoopers. The message emanating from the Workshop was that women are great at turning a challenge into an opportunity and they are able to make bold strokes and in guiding transformation of any business to success. To change and grow businesses and to learn innovative ways of succeeding requires creative thinking and concepts on which women entrepreneurs are best. Experiences shared by women entrepreneurs were rich and varied.

Some of the important issues that came up for discussion during the conference can be summarised as follows:

As the world's two largest democracies, India and EU share many common values and their relationship is maturing everyday. Both are strengthening their relations in the direction of trade, investment, science, technology, culture, energy not only because EU is India's largest trading partner and India is an emerging global power, but also because they both tacitly believe that strengthening of this relationship will lead to the adoption and recognition of the values of diplomacy and bilateral relations they both have developed over the last many years.

As the depth of EU-India relations has grown over the years, so too has the level of EU-India trade – rising from €4.4 billion in 1980 to over €58 billion in 2008 which is more than 1 billion Euros a week. Today, trade with EU represents almost 24% of India's exports and imports, and EU, as a bloc, is India's largest trading partner as well as its largest source of foreign direct investment. For Europe, India combines a sizable and growing market of more than 1.2 billion people with a growth rate between 6-7 % even in this recession hit economy.

Although India is opening up faster than one could imagine, India is still seen as a nation which maintains substantial tariff and non-tariff barriers that hinder trade with the EU countries. However, in India there is a feeling that EU is pursuing an aggressive agenda, while at the same time being protectionist about a number of issues. The proposed FTA would make a lot of sense if India is able to get market access for its products such as textiles, pharmaceutical, leather and processed agricultural goods and other consumer items. The FTA could also help provide a strong boost to the Indian manufacturing sector

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through new access to the European market as well as help attract new EU investment to India especially in the infrastructure sector.

There is an urgent need to quickly move into the areas where India and EU can mutually facilitate trade benefits and enhance better cooperation. India should also create greater awareness among Indian businessmen about EU's trade and competition policies and other standards as the awareness level among Indian business about EU is very low. There is also a need to formulate an institutional framework to address the areas which divide cultural compatibility and trust between the two partners. The session on the role of Indian Diaspora in the trade and economic relations saw business leaders, bureaucrats and social workers speak about developing the partnership. More than 2.5 million Indian Diaspora have made Europe their home.

The growing presence of Indian corporate in Europe is a welcoming sign of their maturity to integrate into the global economy. In the coming months and years, emerging competition, both at national and at international level particularly for those Indian companies which have joint ventures will be a challenging one. They will have to learn fast the ways of working in European and international environment and under different marketing and competitive policies.

The "Bollywood" dance show was not very impressive yet it made many legs shake. However, the evening reception hosted by ING Bank and Baron Dilip Mehta made everyone feel at home.

Our Ambassador H.E. Dr. Jaimini Bhagwati was extremely helpful in providing his valuable support through out the preparation of the conference. The "Thank You" dinner at the Embassy on the 3<sup>rd</sup> October evening was the perfect send off to our Indian friends and guests. My lasting impression of the India Calling Conference is enrichment on a personal level and an expanded sense of connectedness towards a larger business world. Leading a fairly new (only five years old) Chamber of Commerce, it was an adventure diving directly into the agitated waves of thoughts and perceptions and disbelief of working with 103 years old chamber, the IMC. The EICC and IMC team showed that they had the capacity and expertise to host even Royals. The inking of the Memorandum of Understanding between EICC and Gujarat Chamber of Commerce and Industry during the conference further added to the EICC's rising importance; we promise to live up to the GCC&I's expectations. Everyone was "**Mogrefied**" by the hardworking and dedicated Chief Advisor of the IMC and his supporting staff. It was a pleasure working with them and knowing them personally. The conference also afforded the EICC and BICC&I an opportunity to establish good working relations and work together. The event gave me a lot to think about and, more importantly, to learn. I think I speak for most of the attendees and of organisers when I say that the conference was outstanding, and if we need to organize again in any part of Europe we shall do so again.

In essence, my view is that after projecting its cultural supremacy, now it was time for India to project its economic supremacy – that is what the India Calling 2009 did try to do in Brussels. Whenever the next India Calling comes to Europe again, never will it beat the success and satire of Brussels 2009. Before I close my thoughts, let me thank for the much appreciated support which all my Board Members provided to me at all times during the preparation of the event. Without it, the achievements and progress of the last few months would most likely not have been so surely secured. I am also grateful to Minister Mr. Ravi who insisted visiting my office and sat down with me to share some emotional issues and stories of his beloved wife Mercy's association with Brussels. I have had the privilege of knowing Mercy who passed away in September. Through the support of our ever smiling Media Adviser and journalist Mr. Nawab Khan, the Conference got global publicity, even during its preparation; I dedicate the success of this conference to the participants, to the sponsors, to the organisers and to the leadership of the three organisations; EICC, IMC and BICC&I. We however missed our Co-Chairman Mr. Sanjay Dalmia who could not make it due to some unexpected business engagement in Switzerland.

#### **The Netherlands follows Belgium in inking Social Security Agreement with India**

The long-awaited Bilateral Social Security Agreement between the Republic of India and the Kingdom of the Netherlands was concluded on 22<sup>nd</sup> October 2009 in New Delhi when the Minister of Overseas Indian Affairs Mr. Vayalar Ravi and the Dutch Minister of Social Affairs & Employment Mr. P.H. Donner inked it.

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During the Pravasi Bhartiya Divas (PBD) – Europe Convention on 19<sup>th</sup> September 2009, Mr. Vayalar Ravi and the Dutch Minister Mr. Piet Hein Donner had announced the signing of the agreement. In 2002, when the Dutch Government passed a bill to restrict the export of social security benefit to a country with which the Netherlands do not have bilateral social security agreement. Mr. Wahid Saleh, member of the Board of Directors of the Europe India Chamber of Commerce and a prominent Indian in Holland had raised the matter with the Government of India about the new Dutch law and asked for negotiating a suitable agreement to address the emerging issues. The Agreement will prevent double coverage and avoid non-coverage of social security benefits and will allow export of social security benefits to the nationals of both countries moving and working in each other's territories. Further, the Agreement will guarantee equal treatment of nationals of the Contracting States under the respective laws of both countries; and regulate the co-operation between the two Contracting States to ensure the enforcement of the Agreement. The Agreement also provides a special provision for exemption of social security contribution to the contracting State by employees of the other contracting State for a maximum duration of up to 60 months. The agreement shall apply with respect to the Kingdom of the Netherlands, to the Netherlands' legislation concerning the following branches of social insurance: sickness and maternity benefits, disablement benefits for employed persons, sailors of the merchant marine; disablement benefit for self-employed persons; Old-age pensions, Survivors' benefits; Child benefits. As regards India, the Agreement shall apply to all legislations concerning old age and survivors' pension for employed persons; the Permanent Total Disability pension for employed persons. The signing and implementation of Bilateral Social Security Agreement will go a long way in encouraging and cementing the mobility of human resources between the two contracting States. There are about 21,000 Indians in the Netherlands and over 850 Dutch nationals are working in India. The agreement follows similar agreements India has signed with Belgium, France, Germany, Switzerland and Luxembourg.

#### **AAR ruling shakes tax regulators on foreign entities in India**

Having a worksite and sub-contracted activities in the country alone are not reason enough to tax a foreign entity, according to the Authority for Advance Ruling (AAR), whose judgement is binding on tax authorities. The verdict was given on a petition filed by German safety products maker Pintsch Bamag (PB), which was contracted by the Tuticorin Port Trust to carry out some projects. PB sub-contracted most of the works to Delhi-based Asian Navigation Aids (ANA) and supervised the installation of equipment. The revenue department argued that ANA should be considered the German firm's permanent establishment, as it is undertaking work contracted to Pintsch Bamag. According to laws governing cross-border taxation, having a permanent establishment is a ground for levying tax on a non-resident entity. AAR observed that Article 5 of the Indo-German DTAA refers to fixed place of business, as "one through which the business of an enterprise is carried on". It said the activities of ANA do not suggest that Pintsch Bamag's main business is carried out through the Indian firm's workshop. The authority held that the major part of Pintsch Bamag's work such as designing of fairway buoys, mooring gears, solar-operated navigational equipment and supply of critical components to ANA were carried out at its unit in Germany. AAR also rejected the revenue department's argument that ANA should be seen as a permanent establishment of Pintsch Bamag under Article 5(2)(1), which says business-related activities carried out for more than six months could be a sufficient ground to presume that a PE existed for a non-resident entity. Pintsch Bamag's supervisory activities when two of its engineers oversaw the installation of equipment in the country did not exceed 60 days, it pointed out.

#### **Euro zone economy shrinks by 0.2%**

The economic activity in the 16-nation euro zone shrank 0.2 per cent in the second quarter of 2009, higher than projected earlier. The GDP in the euro zone - 16 nations which share the common currency euro - was anticipated to contract just 0.1 per cent for the three months ended June. Further, the European Union economy comprising 27 nations shrank 0.3 per cent in the second quarter, again more than the earlier estimate of 0.2 per cent. According to Eurostat, the official statistical agency of the European communities, in the second quarter, euro zone and EU GDP fell 0.2 per cent and 0.3 per cent, respectively. Significant declines in investments and exports were the main factors for the GDP contraction. "Investments fell by 1.5 per cent in the euro area and by 2.3 per cent in the EU. Exports fell by 1.5 per cent in the euro area and by 1.7 per cent in the EU," Eurostat said in a statement today. In the first quarter of 2009, the euro zone GDP dropped 2.5 per cent, while that of EU fell by 2.4 per cent.

Interestingly, recovery hopes gained momentum after the region's two major economies - Germany and France — exited recession. Europe has been severely hit by the ongoing financial meltdown, pushing many of the countries into deep economic slump.

#### **Pavers Foresight wins the best UK entry into India**

The Pavers Foresight Smart Ventures was awarded the best UK Entry into India for its innovative marketing strategy and business foresight. The UK Trade & Investment India Business Awards 2009 uniquely celebrated India-UK business partnerships in terms of inward investment, collaborations, entrepreneurship and innovation, which was the theme of the Awards this year. The Award was given in Mumbai last month. A spokesperson for the British Deputy High Commission in Mumbai said Britain's bilateral trade with India was worth over 12 billion pounds and had seen double-digit growth last year. Britain is the biggest European investor in India while India is the biggest Asian investor in the country with over 600 Indian firms represented, including about 70 percent in the IT and software sector. Last year, Britain's exports to India were up almost 30 percent to 5.9 billion pounds and imports were up 17 percent to 6.2 billion pounds. Indian investments helped create almost 4,000 new jobs in Britain.

Foresight is a USD 600 million London based conglomerate founded by its chairman Mr R. K. Mehrotra C.B.E. The group is aggressively pursuing interests in Shipping, Oil Drilling and Exploration, Hospitality & Leisure, Cruises, Retail, Real Estate and Manufacturing. Right from its formation in the autumn of 1984, Foresight has diversified and expanded geographically. Foresight is today spread across the globe with offices in London, Cyprus, Venice, UAE, China and India. Mr. Mehrotra is the Co-Chairman of the EICC

#### **Abellon CleanEnergy Ltd. In the Stuttgart trade show**

Abellon CleanEnergy Ltd. participated in Interpellets 2009, Europe's largest pellet technology trade show at Stuttgart, Germany from October 7 -9, 2009. A total of 138 exhibitors, more than 6000 visitors and 535 industry experts from 35 countries were gathered at the event. The visitors included members of most prominent manufacturers, suppliers, wholesalers and service providers of the pellet industry.

A team of 8 representatives from Abellon were present in the exhibition, and more than 500 meetings with 1500 visitors were conducted. The company received an overwhelming response from the visitors, and their unique plans for the clean energy segment. Some unique innovations initiated by Abellon, like pellets made from agricultural residue were appreciated greatly. The event provided Abellon a perfect platform for networking and building relationship within the industry." The Chairman of the company Mr. Sushil Handa is the member of the Board of Directors of the EICC.

#### **Hispano Carrocera goes to Tata Motors**

India's largest auto maker Tata Motors has announced that it has acquired full control of Spanish bus and coach manufacturer Hispano Carrocera by acquiring the remaining 79 per cent stake in the firm by way of exercise of the existing call option, through mutual agreement with other share-holder, Investelia SA Spain. Tata Motors said that the acquisition will help strengthen its ongoing initiatives to improve operational efficiencies such as productivity, cost reduction and development of new products, to increase market share and enhance brand value. Based in Zaragoza (Aragon), in Spain, Hispano Carrocera SA is one of the largest manufacturers of bus and coach cabins in Europe. Tata Motors said that it was confident that Hispano will now emerge even stronger force in the Spanish as well as global bus and coach markets. Tata Motors, which last year bought loss-making British motoring icons Jaguar and Land Rover, has owned a stake in Hispano Carrocera since 2005. Cooperation gave Tata's access to Hispano's design and technology in bus manufacturing. Tata Motors is India's largest vehicle company, with consolidated revenues of 14 billion dollars in 2008-09. It is the world's second-largest bus manufacturer and fourth-largest truck manufacturer.

#### **Indian companies best in terms of employee satisfaction: Study**

Even in the midst of economic crisis, Indian companies rank top among global peers in employee satisfaction, reflecting their successful business practices, says a study. The findings are part of a report, 'Driving Success Through Performance Excellence and Employee Engagement,' by research arm of leading global HR solutions provider Kenexa. The report is based on two employee-based indicators of business success, which can be used to measure and monitor a firm's state --the Performance Excellence Index (PEI) and the Employee Engagement Index (EEI). "The higher the scores on these two

indices, the better positioned employees are to deliver the organisation's value proposition. India ranks highest with 76 per cent on country-level PEI index of 14 countries. The index tracks employees' views of product and service quality and the firm's focus on customer service, quality, training and employee involvement. Other than India, Russia also ranks high at 67 per cent, while Japan has reported the lowest score at 45 per cent. Besides, the EEI index measures an employee's pride in his/her firm, willingness to advocate the employer, whether they intend to stay and their overall satisfaction. India ranks the highest in the country-level EEI index as well, with a percentage of 73 per cent and is followed by Brazil (65 per cent). While Japan has the lowest score in this index at 36 per cent, the report revealed. Kenexa Research Institute has introduced organisational model for high performance and employee engagement and includes practical insights that would have a positive impact on individual and organisational productivity, customer satisfaction and bottom-line financial results. "Having a high performing organisation and an engaged workforce are complementary goals but they involve different leadership practices. Managers should pursue both goals in tandem as this has positive, synergistic effect," the report said. The report also provided an analysis of the financial impact that performance excellence and employee engagement can have impact on an organisation. It shows that performance excellence and employee engagement are major contributors to an organisation's 'total shareholder return'. It further stated "Given the recent economic conditions, many organisations and employees are feeling particularly battered.

### **India Inc skeptical about overseas acquisitions**

Once bitten, twice shy. Indian companies appear to have treaded cautiously on overseas acquisitions this year, though India-centric deals are showing some sign of revival. Recent data from Grant Thornton, an accounting and consulting firm, showed that the total value of outbound deals by Indian companies shrank to \$537 million in the first eight months of 2009 from \$11,973 million in the same period last year, while the number of deals plunged from 145 to 41. The problems faced by some of the large buys of previous years and funding constraints may have dictated this trend. Grant Thornton's data show that so far from January to August 2009, the average size of an outbound deal has shrunk to \$13.1 million from \$82.6 million in the same period last year. The action on India-centric (inbound) deals, on the other hand, has shown a revival. For the first eight months of 2009, 44 of these deals were clinched for a total value of \$1.97 billion. While this is smaller than last year's 63 deals totaling \$4.97 billion, the 2009 numbers appear in better light when the \$4.6-billion Daiichi-Ranbaxy deal of last year is excluded.

The data also show acceleration in deal-making post-June this year, with July and August 2009 seeing a jump in deal value (over \$1,000 million) compared with the same months of last year (\$202 million). So, what has triggered the increased interest in India-centric deals? Global companies trying to get a foothold in the growing Indian market, the sale of assets or stakes by Indian companies either out of distress or to bring in foreign expertise have been key triggers. It is also learnt that US-bound transactions from India have dropped significantly this year over the previous year. Despite several acquisitions of distress assets in the US by Indian companies, there were only 10 US-bound transactions in the first three quarters of 2009. There were 46 transactions in the same period of 2008 and 53 in the same period of 2007. This represents a 78 per cent decline in terms of volume vis-a-vis last year.

### **\$100 billion FDI milestone for India**

India has crossed the \$100 billion milestone in foreign direct investment through equity since 2000 up to July this year testifying the country's increasing profile as a safe and sound investment destination in the midst of the global financial crisis. As much as 44 per cent of the money came through the Mauritius route, apparently because the investors wanted to take advantage of India's double taxation avoidance treaty with the island nation. The cumulative FDI inflows since 2000 and up to July 2009 amounted to \$100.33 billion. The inflow in the first four months of the current financial year was \$10.49 billion, according to data compiled by the Department of Industrial Policy and Promotion. The other big investors included Singapore, the US, UK and the Netherlands. Commenting on the \$100 billion milestone, economists said India is being perceived as a safe and dynamic destination for global investors. "This is a reflection that India is being taken as a safe and dynamic destination for investment as the economy is growing at 6 per cent. The investors also want to diversify their portfolio from China by investing here," economic think-tank ICRIER said. The FDI would further improve if the economic recovery continues.