



EU-India FTA: Hanging between expectation and confidence - FROM THE EDITOR'S DESK

The European Union and India held their 10th Summit in New Delhi on 6 November. The Summit was expected to give a decisive political push to narrow down the differences on trade related issues. However, as expected, the negotiations did not make the expected progress presumably due to the high level of rigidity from the European side and the low level of expectation from the Indian side. There also seems lack of negotiating zeal on the Indian side as a result of EU's unexpected and unwarranted actions on many issues such seizure of Indian pharma products in the EU countries. The EU once again showed that it lacked strategic view when negotiating trade with India by bringing in non-trade issue into the negotiations framework. The FTA is an opportunity to re-balance trade rules between them while boosting the economy of the two continents and therefore the present impasse is a lose-lose situation for both. It is estimated that as a result of FTA the trade between them could touch more than 200 billion Euros in the next five years in terms of increased economic activity – and hence prosperity – that could be obtained from tariff liberalisation for industrial and agricultural goods. The two sides have held seven rounds of talks but the negotiations is no where seen coming to any form of mutually agreed framework solution. It is important that EU and India redefine their roles as important trade players within the global economy including in the WTO negotiations and in fact there has never been a better time to be optimistic. 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 €77 billion in trade and goods in 2008. Today, trade with the EU represents almost 24% of India's exports and imports, and the EU, as a bloc, is India's largest trading partner as well as its largest source of foreign direct investment. While enhanced trade cooperation with EU offers India a historic opportunity to become part of a new European consensus in which India has an important place, it also brings new challenges. Although India is opening up faster than one could imagine, in the EU India is still seen as a nation which maintains substantial tariff and non-tariff barriers that hinder trade with the EU countries.

The benefits of an agreement for the two continents are especially hard to quantify given the importance that each places on hard-to-measure gains in areas like investment and services. Nevertheless, India's rapidly expanding role in the global economy makes her an important ally which EU can not afford to ignore. The proposed FTA would make a lot of sense if India is able to get market access for its products such as textiles, pharmaceutical products, leather and processed agricultural goods and other consumer items. While the EU is insisting that open and competitive public procurement as well as clauses on competition policy be a part of the agreement, India seems not very keen on it and it wants EU to cut the high tariff and support on agricultural products. Needless to say a suitable mechanism have to be evolved to address these trade irritants in a more productive and coherent manner. The EU seems to be pursuing an aggressive agenda while at the same time being protectionist about a number of issues. Although India and EU have stepped up efforts to strengthen their relations, there seems to be growing gap between their expectations from each other and their perception of the new world economic order. Both EU and India should move beyond trade and commerce. Trade must not become the only essential part of broader strategic vision of EU-India partnership as trade alone is not a barometer of common perceptions. There is a need to a common vision and a common global ambition between them. The EU needs to move beyond the realm of trade and engage India on issues of deep strategic importance including security and political policies and should strengthen the foundations of the strategic partnership which could have long-term implications on priorities for the Union. They should effectively work to build a meaningful cooperation that will eventually help them to successfully enter into a Free Trade Agreement. Indeed, such an agreement would be an excellent move for both the EU and India helping increasing economic efficiency, encouraging specialization and competition and driving down prices for consumers. Although trade and investment remains the corner stone of EU-India relations, it is not enough that EU is India's largest trading partner and it is also not enough that India has effected several changes in its tariff and custom policies. For both of them there can be significant opportunities for market access

improvement through substantial structural changes in their economic and investment policies. To achieve this, India will need to seize the opportunity to reinforce mutual economic synergy and strategic alignments. Without active Indian efforts in this direction, the India-EU relationship may not live to its full potential for either party. The road ahead promises great rewards for both the EU and India as the driving force behind EU-India relations will continue to be trade and commerce.

PricewaterhouseCoopers and Gianni, Origoni, Grippo & Partners join the EICC Board

The EICC has two new Board Members. The PwC Belgium and GOP of Italy have joined the EICC as Corporate Members and also the Board of Directors of the Chamber. PricewaterhouseCoopers Belgium (PwC Belgium) provides corporate reporting services and offers services that include assurance and business advisory services, tax services, and accounting services. PwC Belgium is based in Zaventem, Belgium and is a member firm of PricewaterhouseCoopers International Limited. Gianni Origoni Grippo & Partners is a corporate and securities law firm. The firm provides legal advice and assistance in areas including mergers and acquisitions; corporate and commercial securities; banking, financing, and capital markets; financial services and insurance; energy and natural resources; telecommunications and media; shipping and aviation; intellectual property; taxation; and antitrust. Gianni Origoni Grippo & Partners was founded in 1988 and is based in Rome, Italy

EICC to appoint experts and consultants

EICC plans to develop its capacity and expertise by appointing experts and consultants to provide services to its members. As it gains confidence and importance to promote trade and economic relations between EU and India, it felt important that the organization produces occasional papers and background documents on trade and economic issues. The pool of experts and consultants will be required to produce research and strategic papers and documents, presentations, help EICC to present comments and other technical input, prepare statements, etc. The areas that will be targeted are: Trade and economic issues, Energy, Infrastructure, Pharmaceutical and Biotech, Corporate Social Responsibility, Retail Industry, Climate and Environment, issues related to the WTO, Financial Services, etc. All such studies and papers will have the European context as the single core element. Documents and input prepared by the consultants will be EICC's intellectual property and will help the organisation to project itself as a major contributor to the emerging issues that are important in the changing scenario. These consultants will be mainly involved in providing objective expertise, advice, and specialist skills with the aim of improving Chambers' performance for maximizing growth. As consultants and experts, they shall also be expected to operate across a wide variety of issues. The qualifications to appoint the consultants may include a business management degree from a reputed university, research related qualifications, and business experience in academic and teaching field, expertise in the specific areas of activity, Think-Tanks etc. These specializations would give the chamber a wide knowledge and thus result into more clients seeking EICC's expert advice. Further, specialization would give the EICC the opportunity to reach many new companies and enterprises. This would help EICC to deliver a flexible service to its members which they might see as effective return.

EICC-FIT Partnership in the offing

The EICC is in consultation process with the Flanders Investment and Trade for a strategic working relationship. The EICC had closely worked with FIT during the India calling 2009 in Brussels and demonstrated its networking capacity and its rising importance in Europe. During the discussion held recently, the FIT has suggested that it would be keen to join the EICC to organize a meeting of Indian Diaspora; those of Indian Diaspora who have settled in economic activities and are engaged in trade and business and other professional activities in Belgium. This event will be to learn their business and how FIT could help them. They have also indicated that they shall be happy to assist the EICC in this field. The FIT has also shown eagerness to work with EICC and join the EICC network in London, EICC plans to open its office in London. The discussion with the FIT also included issues connected with the proposed Princely Mission to India in March 2010. The FIT will inform the EICC of the preparation of the ASEM Summit in October 2010 and how EICC could be involved.

India has ambitious solar power plan

India may be gearing to turn itself into the global leader in solar power generation, a sign that India could become renewable energy hubs to rival Germany and the United States. Called the National Solar

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Mission, the Indian plan outlines a target for 20,000 megawatts of solar capacity by 2020 thus putting green energy targets of developed nations in the shade even as it seeks to reduce its dependence on fossil fuel and oil imports. Asia's third largest energy consumer, India seeks to reduce emissions held responsible for global warming. India is expected to announce a policy statement ahead of next month's climate talks in Copenhagen on a global accord intended to replace the 1997 Kyoto Protocol. Only about two megawatts of solar power is available on the national grid according to the 2008-09 report of the ministry of New and Renewable Energy. Renewable sources of power, including wind energy and small hydroelectric projects, account for about 8 per cent of current capacity, according to the power ministry. Global solar capacity is predicted to be 27GW by then, according to the International Energy Agency, meaning India expects to be producing 75% of this within just 10 years. Four-hundred million Indians have no electricity and the solar power would help spark the country's development and end the power cuts that plague the nation. It would also, say some analysts, assuage international criticism that India is not doing enough to confront its carbon emissions. It is currently heavily reliant on highly polluting coal for power. Of all the Indian state governments, Gujarat has taken bold steps towards 'solarizing' the state – the government is even offering 25-year fixed-rate tariff contracts, and 35,000 sq. km. area of Thar Desert has been set aside for solar power projects. Indian government plans to provide 55% subsidy on solar power installations for homes and offices, according to a senior government official. The subsidy will come from the \$22bn (£13.4bn) that the federal government plans to budget for solar power development to 2030. Government also plans to convert 10,000 villages which do not have electricity into solar-powered settlements 2012, by diverting a part of the subsidy spent on fossil fuel to renewable energy. A German power company plans to set up 2x3,000 MW solar power projects in Gujarat and Rajasthan.

India, EU sign energy pact

India and the European Union have agreed on an ambitious nuclear energy project. The two have also decided to expand their cooperation in countering terrorism and in mitigating the effects of climate change. India and the EU launched negotiations in 2007 for a broad-based trade and investment pact, including a free trade agreement. The EU is already India's largest trading partner, accounting for approximately € 77 billion in trade in goods and services in 2008. The EU accounts for 21 per cent of India's total exports and 16 per cent of India's total imports but India only accounts for 2.4 per cent of EU's total exports and 1.9 per cent of its total imports. The EU has also been the biggest investor in India with a cumulative volume of about € 16 billion since 2000. The 27-member EU agreed to expand cooperation in civil nuclear programme besides increasing interaction between EU's nodal criminal intelligence agency Europol and the Indian agencies. The two sides signed an agreement on India's participation in the International Thermonuclear Experimental Reactor (ITER) project. The euro 10 billion ITER project on fusion energy, one of the costliest experiments of its kind, is expected to operationalise the world's first fusion reactor in Cadarache, France, by 2016. India and the EU have strong scientific and technological links and the two are mobilising their resources and knowledge to support their strategic mutual interests through co-funded research activities launched via coordinated calls for proposals in areas, such as computational material sciences, food and nutrition research, solar energy research and soon water and waste management. The EC and India had also recently proposed to launch a 10 million euro joint research project in the field of solar energy. The EU and India first held their annual bilateral summit in 2000, which matured into a political dialogue between the two global entities by 2004, setting the stage for a strategic partnership between the EU and India. The joint action plan adopted in 2005 and revised in 2008 to reflect the new major global challenges, has significantly reinforced these bilateral ties by setting a roadmap of progress and promoting peace and security, sustainable development, research and technology and people-to-people contacts and cultural exchanges, an EU release said.

India - Canada start FTA Homework, conclude civil nuclear cooperation agreement

India and Canada formally started work on a free trade agreement (FTA) when Canadian Prime Minister visited India early this month. The two sides have decided to set up a joint study group to examine the feasibility of a comprehensive economic cooperation agreement that would free up trade in goods, services and investment. Bilateral trade between India and Canada was about \$3.8 billion in 2008-09 (as per latest RBI figures) with Canada running a trade surplus of a little more than \$1 billion. India is seeking to increase its exports of both industrial and agricultural goods to Canada and seek better opportunities for its service professionals. India's exports to Canada comprise mostly textiles and apparel, jewellery, and chemicals, iron and steel products. Canada's exports to India are aerospace and aircraft parts,

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fertilisers, pulp and paper products, machinery and equipment (electrical and nuclear/boiler), and ores, slag and nickel products.

Canada is a storehouse of mineral and natural resources and a significant player in the world's commodities market. It is also a technology powerhouse, whose companies would only be too willing to locate bases in India, or establish a presence in this significant global market. Canada also has a significant Indian Diaspora, estimated to be more than a million strong. The Indo-Canadian relationship will begin to transform once both nations sign a new agreement on nuclear technology. India has a very ambitious energy development programme and the nuclear component of that programme is critical in helping it achieve its goals. These include the supply of 20,000 MW of electricity by 2020, and 25% of all its electricity from nuclear power by 2050. In Port of Spain last week India and Canada concluded negotiations on a civil nuclear cooperation with Prime Minister Manmohan Singh and his Canadian counterpart Stephen Harper describing the development as a "milestone" opening up "tremendous opportunity" for the two countries. Canada, which is the world's largest producer of uranium, has become the eighth country with which India has reached civil nuclear agreement since the NSG lifted a 34-year-old ban on India to join global nuclear trade in September last year. The other countries with which India has already signed the civil nuclear deal are the US, France, Russia, Mongolia, Kazakhstan, Argentina and Namibia. Nuclear power is India's fast track approach to providing electricity to its power starved industries and populace.

“Expressways” to development

Mile by Mile, India is Paving a smoother road to its future. The government has drawn up an ambitious target to lay 18,637km network of brand new expressways by 2022. These high-speed, access controlled roads will be of the four-lane and six-lane variety with 3,530 km to come up in the next three years. The highways ministry is ready with a Master Plan for the National Expressway Network . The new target of expressway length was projected after receiving observations from 11 states including Madhya Pradesh, Bihar, Gujarat , Karnataka and Uttar Pradesh. Earlier, the final draft report prepared by the highways ministry had proposed to develop 17,661 km of expressway network. The expressways network will not be an upgraded national highway network but will be developed entirely as greenfield projects. These will preferably be built with three-metre high embankments and will have service roads along the stretches where there is a need. The Indian government began a 15-year project in 2005 to widen and pave some 40,000 miles of narrow, decrepit national highways, with the first leg, budgeted at \$6.25 billion. Driven by the ambition to connect the various regions of the country with high quality motorable roads the ministry of surface transport so far has laid down a 52010 km length of national highways in the country distributed over various states. Motorable roads were built much after the period of the popularization of the automobile both in Europe and in the United States. The experimental version of it surfaced in Germany after World War I in 1922 with the six-mile Ayus highway near Berlin. In 1924, in Rome, the first modern automobile-oriented road, the autostrada, was opened to the use of fast traffic in the environs of the city. Speed was assured through limited access.

For India, already one of the world's fastest-growing economies and most rapidly evolving societies, the results may be as radical. At its heart, the redone highway is about grafting Western notions of speed and efficiency onto a civilization that has always taken the long view. A well-knit and coordinated system of transport plays an important role in the sustained economic growth of a country. India has a well-developed transport network comprising rail, road, coastal shipping, air transport etc. The total length of roads in India is over 3 million kilometers including both metalled and unmetalled roads. In terms of road length, India has one of the largest road networks in the world. The national highways account for less than 2% of the total road network but carry 40% of the movement of goods and passengers. The Master Plan document has also phased the expressway development programme for 2012, 2017 and 2022 and this has been done on the basis of financial viability, relative traffic intensity along various corridor segments, network comprehensiveness, connectivity warrants and relative economic potential of each proposed project. The ministry is already in the process of preparing a draft for creation of a National Expressways Authority of India (NEAI) on the lines of NHA and the highway regulator has also got an exclusive wing for the expressway as a stop-gap arrangement.

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