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1st India-EU High Level Dialogue on Trade and Investment held

The 1st High Level Dialogue (HLD), co-chaired by the Minister of Commerce and Industry Shri Piyush Goyal and the European Union Executive Vice-President & Trade Commissioner Mr. Valdis Dombrovskis, was held on 5th February 2021.

Commitment to the establishment of this Dialogue was a major outcome of the 15th India-EU Leader's Summit held in July 2020, with an objective for a Ministerial level guidance towards the bilateral trade and investment relations.

During the discussions, in the HLD, the Ministers emphasized the importance of global cooperation and solidarity in a post COVID-19 era and agreed for further deepening of bilateral trade and investment relationship through a series of regular engagements, aiming at quick deliverable for the businesses in these tough times.

The Ministers also agreed to meet within the next three months, with an objective for reaching consensus on a host of bilateral trade & investment cooperation issues viz. a bilateral Regulatory Dialogue; an India-EU Multilateral Dialogue to explore further possibilities of cooperation; etc.

In a significant step forward, regular interactions for re-initiation of bilateral trade and investment agreements, with an interim agreement, to start with, were also discussed.

The Ministers concluded with the confidence and commitment towards a renewed India-EU commercial and economic partnership reflecting full potential of bilateral commercial relations.

(Press Information Bureau, Govt of India, 6/2/2021)

Both sides showed interest on resuming FTA negotiations: European Union after trade talks with India

The European Union has said its first high-level dialogue on trade with India saw interest by both sides in resuming negotiations for an ambitious, comprehensive and mutually beneficial trade and investment pact once their respective approaches and positions are "close enough".

It said the two sides had "open and constructive" exchanges on a broad range of issues with an aim of enhancing EU-India bilateral trade and investment relations.

The EU said the dialogue covered issues like impact of the coronavirus pandemic as well as production of vaccines and their distribution.

The decision to establish the high-level dialogue mechanism on trade and investment was taken at the 15th EU-India summit in July last.

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Editor: **Secretary General**

The meeting on Friday was co-chaired by Commerce Minister Piyush Goyal and Valdis Dombrovskis, the executive vice-president and commissioner for trade of the EU.

The negotiations between India and the EU on a free trade agreement have been stalled since May 2013, when both sides failed to bridge substantial gaps on crucial issues, including data security status for the IT sector. The negotiations were launched in June 2007.

"Minister Goyal and Executive Vice-President Dombrovskis reiterated their interest in resuming negotiations for ambitious, comprehensive and mutually beneficial trade and investment agreements once their respective approaches and positions are close enough," the EU said in a statement.

"In the meantime, they examined alternative approaches and looked into the possibility of opening new areas of cooperation, for instance in relation to the resilience of global value chains and regulatory cooperation, notably in relation to new technologies," it said.

The statement was released by the EU's office in India on Monday.

"In the run up to the Leaders' Meeting, the co-chairs tasked experts to look into the feasibility of resuming work on trade and investment agreements; new areas of cooperation (regulatory aspects and resilient value chains); as well as enhancing collaboration on WTO reform," the EU said.

"This will be followed by another meeting of the high-level dialogue to take stock of experts' discussions ahead of the Leaders' Meeting," it said.

The EU-India annual summit is expected to be held later this year.

The EU said Dombrovskis and Goyal discussed trade and investment issues with emphasis on the socio-economic impact of the COVID-19 pandemic as well as vaccine production and distribution mechanisms, including value chain linkages.

The two sides exchanged views on "the state of play of EU-India bilateral trade and investment relations, and possible ways forward", it said.

"The two sides recalled their continued attachment to the rules-based multilateral trading system," the EU added.

It said Dombrovskis and Goyal further exchanged views on various key policy developments and market access issues.

"The EU side provided an update on the ongoing review of the Generalised Scheme of Preferences, which expires end of 2023, and on the work towards EU Carbon Border Adjustment Mechanism under the European Green Deal, while the Indian side provided an updated on the 'Make in India' and 'Self-Reliant India' initiatives," the EU said.

(Economic Times, 9/2/2021)

Europe bets big on India after investment pact with China

Europe will be a key focus for India in 2021 as Prime Minister Narendra Modi is planning four trips to the continent, beginning with the EU Summit in May in Lisbon. The PM will visit the UK for the G-7 summit

in June, followed by the G-20 Summit in Italy at October-end and COP-26 in November in the UK, said the people.

Europe is betting big on India after an investment pact with China. While the European Union pushed for early harvest trade and investment deal with India at the maiden high-level dialogue (HLD) held last Friday, UK's secretary of state for international trade Liz Truss's ongoing visit here is aimed at kick-starting a mega trade deal with India in the post-Brexit period.

India and the EU have decided to focus on complementarities including sustainable development, green technologies, transparent regimes and resilient supply chains to boost their economic partnership, said people aware of the matter.

Europe will be a key focus for India in 2021 as Prime Minister Narendra Modi is planning four trips to the continent, beginning with the EU Summit in May in Lisbon. The PM will visit the UK for the G-7 summit in June, followed by the G-20 Summit in Italy at October-end and COP-26 in November in the UK, said the people.

Ahead of PM Modi's trips, they said, several foreign ministers from Europe are expected to be present at the Raisina Dialogue, India's premier foreign policy dialogue, to be held mid-April.

The first HLD with the EU was co-chaired by the commerce and industry minister Piyush Goyal and the European Union executive vice-president and trade commissioner Valdis Dombrovskis.

Commitment to the establishment of the HLD was a major outcome of the 15th India-EU Leaders' Summit held in July 2020. During the discussions in the HLD, the ministers emphasised the importance of global cooperation and solidarity in a post-Covid-19 era and agreed for further deepening of bilateral trade and investment relationship through a series of regular engagements, aiming at quick deliverables for businesses in these tough times, said officials.

The ministers also agreed to meet within the next three months, with an objective for reaching consensus on a host of bilateral trade and investment cooperation issues such as a bilateral regulatory dialogue and an India-EU multilateral dialogue to explore further possibilities of cooperation.

In a significant step forward, regular interactions for re-initiation of bilateral trade and investment agreements, with an interim agreement to start with, were also discussed, said officials.

Negotiations for India-EU Bilateral Trade and Investment Agreement, launched in 2007, were suspended in 2014 following differences over market access for key items such as automobiles, wines and spirits, dairy and also the movement of professionals. Subsequent attempts to restart the talks failed as the EU wanted labour, environment and government procurement issues also to be part of the pact.

Meanwhile, Britain is hoping to seal a bumper trade deal with India. A trade deal with India could be as high as £50-100 billion, given India was the second largest source of foreign direct investment for the UK and the UK has been among the top six investors in India. ET has learnt that Truss, who had been in communication with Goyal ahead of her visit, discussed an early harvest deal with India. The aim is to conclude this at the earliest, said the people cited earlier.

Truss met the commerce and industry minister on Saturday, and her trip follows foreign secretary Dominic Raab's visit in December. Raab had said at the time, "I think we have been too myopically

focused just on Europe. But one of the advantages of leaving the transition period is we gain control over our ability to strike trade deals with India and the rest of the world. And, certainly, if you look at India and the Indo-Pacific and take a long-term view, that is where the growth opportunity of the future will be.”

Prime Minister Boris Johnson was set to be the chief guest at India’s Republic Day celebrations on January 26, but he was forced to cancel his trip due to the imposition of fresh restrictions in the UK on account of Covid-19. He is planning to visit India in the near future

(Economic Times, 8/2/2021)

India has received USD 358.30 billion foreign direct investment in last 6 financial years: Som Parkash Minister of State for Commerce and Industry Som Parkash informed the Lok Sabha that investment outreach activities are being carried out for enhancing international co-operation to promote FDI and improve ease of doing business in the country.

India has received USD 358.3 billion foreign direct investment (FDI) in the last six financial years (2014-20), Minister of State for Commerce and Industry Som Parkash informed the Lok Sabha on Wednesday.

He said that investment outreach activities are being carried out for enhancing international co-operation to promote FDI and improve ease of doing business in the country.

“In the last six financial years (2014-20), India has received FDI inflow worth USD 358.30 billion which is 53 per cent of the FDI reported in the last 20 years (USD 681.87 billion),” he said in a written reply to the Lok Sabha.

Replying to a separate question on gold imports, Minister of State for Commerce and Industry Hardeep Singh Puri said India has imported 306.55 tonnes of the yellow metal during April-December 2020.

The import stood at about 720 tonnes in 2019-20 and 982.71 tonnes in 2018-19, Puri said. Replying to a question on water exports, Puri said India has exported 3,45,511 litres of water (including mineral water and aerated water) during April-November 2020-21. In 2019-20, the exports stood at 5,46,287 litres.

Puri also informed the Lok Sabha that the trade deficit between India and China stood at USD 25.17 billion during April-November 2020.

“The Government of India has made sustained efforts to achieve a more balanced trade with China, including bilateral engagements to address the non-tariff barriers on Indian exports to China,” he said.

On a question regarding the World Trade Organisation (WTO), he said the US and European Union (EU) have flagged certain trade-related issues, including increase in import duties, during the recently held TPR (trade policy review) meetings.

“Some Member countries, including USA and the EU, raised certain questions regarding MFN (most favoured nation) applied tariff rates, agricultural support programme such as MSP (minimum support price) etc. Replies thereto have been given to the WTO,” he added.

(3/2/2021, Financial Express)

India, EU express hope to forge host of bilateral cooperation arrangements

India and the European Union (EU) on Friday expressed hope to forge a host of bilateral cooperation arrangements with a view to boost bilateral trade. At a bilateral meeting with the EU, India shared structural reforms priorities of the country and various steps taken to revive economy hit by COVID-19 crisis.

India and the European Union (EU) on Friday expressed hope to forge a host of bilateral cooperation arrangements with a view to boost bilateral trade. At a bilateral meeting with the EU, India shared structural reforms priorities of the country and various steps taken to revive economy hit by COVID-19 crisis. During the 11th India-EU Macroeconomic dialogue held virtually, the EU informed about the economic challenges and outlook of their economy due to the adverse impact of the COVID-19 pandemic and their recovery plan.

"The dialogue concluded with the hope that both sides would be able to build stronger and deeper relations by entering into various bilateral cooperation arrangements which are of mutual interest to both sides," an official statement said. Both sides have been negotiating on the Bilateral Trade and Investment Agreement (BTIA) for many years but still not reached a consensus. The European Union is seeking greater market access for its automobiles, wines and spirits, and have raised concerns over high duties by India.

The Indian side, led by Economic Affairs Secretary Tarun Bajaj, shared fiscal policy response and medium-term fiscal strategy including financial/structural reforms priorities. "India shared its policy response to COVID-19 crisis and steps taken to revive the economy from COVID-19 impact including well calibrated stimulus packages announced by the Government of India as also the vaccination-related efforts," an official statement said.

The delegation from the EU was led by Maarten Verwey, director general (economic and financial affairs) of European Commission, who informed about the economic challenges and outlook of their economy due to the adverse impact of the COVID-19 pandemic and the recovery plan. "India-EU relationship has evolved into a multifaceted partnership. Today, it covers all dimensions - political, economic, security, trade and investment, environment, research and innovation," it said.

The 27-member EU is one of our largest trading partners, one of the largest investors in India and an important source for technology, innovation and best practices. The dialogue also covered sharing of their experiences to enable both sides on various aspects such as collaboration in the G20 on finance track matters, including through G20 Framework Working Group deliverables, and international taxation of digital economy, it said.

(economic Times, 20/2/2021)

5G is a \$30 billion gold mine for Indian IT firms

Creating 5G solutions is seen as the next big thing for Indian IT firms after cloud computing, one that allows them to expand their scope beyond traditional clients.

IT services providers are preparing to tap a potential \$30 billion opportunity as rollout of 5G telecom services begins globally.

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Developing 5G solutions is expected to be the next big focus area after Cloud as this would allow the IT firms to expand their scope of work with existing clients and work in sectors that have traditionally not been big IT spenders.

The first phase - around network modernisation and equipment creation - is where companies like Tech Mahindra, which has a strong presence in telecom, are working on. However, it is in the subsequent phases - around implementing Internet of Things (IoT)-based solutions on 5G - where the bigger opportunity lies.

“Any change in technology creates opportunities for service providers and equipment manufacturers. This time, there are additional opportunities... with different use cases. There’s a move towards OpenRAN for 5G, similar to the opensource movement in IT, which will create opportunities for system integration, testing,” said Pareekh Jain, founder of Pareekh Consulting.

5G will enable the largest value creation opportunity for enterprises that can reimagine new products and services, develop new capabilities at the intersection of multiple industries, or spawn off new industries, said Kamal Bhadada, president - communication, media and information services industry group, Tata Consultancy Services (TCS).

TCS is working on areas like high-definition video conferencing and Software as a Service-enabled immersive applications for remote healthcare and to personalize immersive learning experiences at scale.

Similarly, Infosys is trying to create immersive experiences around gaming and sporting events, apart from developing IoT use cases on the shopfloor to increase automation and use of automated guided vehicles.

“In countries where there is a spectrum available for public use, private 5G is becoming a viable option to connect remote areas, local establishments, and production facilities – as a wireless broadband capability,” said Nitesh Bansal, Senior Vice President & Global Head of Engineering Services, Infosys.

Asia-Pacific is expected to witness the highest growth rate in overall 5G during 2020-2023, he said, while North America is expected to dominate the 5G services market.

The Bengaluru-based company expects adoption of 5G to pick up in the next two years.

Tech Mahindra, which has a partnership with Japan’s Rakuten on deploying its platform for network operators, also sees significant opportunity beyond networks. It is currently working on pilot projects around medical devices and shopfloor modernisation. “We will see 5G play a significant role in the factory of the future where the factory network will be built over 5G. There would be use cases in remote areas like oil & gas facilities where connectivity is an issue,” said Manoj Bhat, CFO, Tech Mahindra.

Beyond the technology, the transformation will require a change in customer experiences, operating models and more inclusive product designs. 5G is expected to turn connectivity into a ‘horizontal’ in itself and bring about open business models and cross-industry partnerships.

“This involves five key areas of transformation: a shift to modern, programmable software-defined infrastructure, agile, nimble, and rapidly scalable technology offices, interfaces to third-party capabilities through intelligent APIs, engineering products to meet mostly futuristic demands and rendering these solutions/products through immersive touchpoints, such as IoT and AR/VR/MR,” said Sriram Vaithamanithi, global delivery head, communications, media and technology, Cognizant.

5G presents a multi-pronged opportunity, with the early phases focused on infrastructure creation.

“The next opportunity is partnerships with telcos for enterprise use cases of 5G along with IoT, such as smart factories, autonomous driving, smart stadiums, smart malls, smart cities, agri-tech, drones etc, and finally with hyperscalers such as AWS, GCP, Azure for 5G edge use cases,” said Jain of Pareekh Consulting.

The next year and beyond will be about infrastructure modernisation and network rollouts, but the real opportunity in creating solutions is still 12-18 months away.

Hexaware is not focusing on the initial wave of opportunities, said CEO R Srikrishna.

“Creating solutions will be the most sustainable phase and we will use it to deliver a new range of services, but this is still two years away,” he said.

However, challenges like high prices for 5G spectrum and non-availability of 5G in certain areas could delay 5G rollouts. Maturity of technology for business use cases is another challenge, which may further slow things.

(Economic Times, 21/2/2021)

India emerges as Asia's biggest destination for fintech deals

India left China behind in the quarter ended June 2020, a research report said on Wednesday. India has emerged as Asia's biggest destination for financial technology (fintech) deals, leaving behind China in the quarter ended June 2020, a research report said on Wednesday.

With around 33 deals valued at USD 647.5 million, India has the highest investment in the fintech segment compared to China's USD 284.9 million during the quarter ended June 30, 2020, the report released by RBSA Advisors said.

Total investments in India's fintech sector crossed the USD 10 billion mark over the last four and half years (calendar year 2016 to H1 of 2020).

"Amid COVID 19, India has seen a 60 per cent increase in fintech investments to USD 1467 million in H12020 compared to the USD 919 million for the same period last year," the leading valuation, investment banking and transaction advisory firm said in a statement.

Bengaluru and Mumbai remain the top two headquartered cities for fintech companies.

"While the fintech industry is still in its early adoption stage, we believe it is well-positioned to witness long-term growth in the coming years. The changes will be more focused on digital lending (alternative finance) and open banking", RBSA Advisors MD and CEO, Rajeev Shah, said.

Out of total 21 unicorns in India, around one-third are fintech companies, Paytm being the highest valued unicorn, at USD 16 billion.

The fintech market in India was valued at Rs 1,920 billion in 2019 and is expected to reach Rs 6,207 billion by 2025, expanding at a compound annual growth rate (CAGR) of about 22 per cent during the 2020-2025 period.

(Business Standard, 18/2/2021)

EU hopeful for firm economic growth despite virus challenges

Growth in the wider 27-nation EU is predicted to hit 3.7 per cent this year and 3.9 per cent in 2022 following last year's 6.3 per cent slide.

Despite deep uncertainty over a surge in coronavirus cases and the impact of new variants of the disease, senior European Commission officials on Thursday expressed cautious optimism that European economies will rebound later this year and in 2022.

In its winter interim economic forecasts, the European Union's executive body predicts that growth in the 19 nations using the euro will reach 3.8 per cent this year and next after a 6.8 per cent drop in 2020.

Growth in the wider 27-nation EU is predicted to hit 3.7 per cent this year and 3.9 per cent in 2022 following last year's 6.3 per cent slide.

The forecasts hinge on the assumption that coronavirus restrictions will remain tight for most of the first half of this year but ease in late Spring, when most vulnerable people around Europe like the elderly and those with other illnesses are expected to have been vaccinated.

Economy Commissioner Paolo Gentiloni said that there is, at last, light at the end of the tunnel.

Commission Vice-President Valdis Dombrovskis said the prediction provides real hope at a time of great uncertainty for us all. The solid expected pick-up of growth in the second half of this year shows very clearly that we are turning the corner in overcoming this crisis.

But Dombrovskis warned that a strong European response will be crucial to tackle issues such as job losses, a weakened corporate sector and rising inequalities. We will still have a great deal to do to contain the wider socio-economic fallout.

Gentiloni conceded though that the virus is posing major economic and social challenges. None of the member states is expected return in 2022 to the growth path projected before the crisis. In 2022, GDP in the EU and the euro-area will remain about 4 per cent below what pre-pandemic forecasts had projected, he said.

He also noted that much would depend on the way the coronavirus is handled. If restrictions are prolonged, the risk posed by new variants rises and confidence is subdued, "growth in 2021 would remain limited to 2 per cent. But if vaccines are distributed earlier than expected and halt the spread of COVID-19 then growth might increase by a further 1 per cent of GDP.

Despite the slightly upbeat nature of the new forecasts, the eurozone countries are predicted to lag China and the U.S. in bouncing back from the worst of the pandemic.

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Editor: **Secretary General**

A winter wave of coronavirus infections around Europe has meant new restrictions on travel and business activity, although companies in some sectors such as manufacturing have been better able to adjust than services businesses like hotels and restaurants.

On the impact of Britain's departure from the EU with a limited trade agreement, Gentiloni noted that it implies an output loss of around 0.5 percentage points of GDP until the end of 2022 for the EU, and some 2.2 percentage point loss for the U.K. in the same period.

(Financial Express, 12/2/2021)

India-UK bilateral relations to touch new high post Covid: Report

Sandeep Chakravorty, Joint Secretary (Western Europe), Ministry of External Affairs, said, "Besides a free trade agreement, mobility and an interim trade deal, we are working on a 10-year 360 degree roadmap to strengthen our relationship with the UK. Going forward, we see investments in India's clean energy sector coming from the UK."

India-UK bilateral relations will touch a new high in the post-COVID world, as India is likely to be a priority country for the UK, leading to an enhanced economic partnership, according to a report. According to the Britain Meets India report, developed by CII and Grant Thornton Bharat, FDI inflow from the UK to India for a particular year increased from USD 898 million in 2015-16 to USD 1,422 million in 2019-20.

Sandeep Chakravorty, Joint Secretary (Western Europe), Ministry of External Affairs, said, "Besides a free trade agreement, mobility and an interim trade deal, we are working on a 10-year 360 degree roadmap to strengthen our relationship with the UK. Going forward, we see investments in India's clean energy sector coming from the UK."

Pallavi Joshi Bakhru, Partner and India-UK Corridor Leader, Grant Thornton Bharat LLP said, "Our research identified 572 UK companies in India with a combined turnover of around INR 3,390 billion, tax payment of around INR 173 billion and employing 416,121 people directly. This reflects the important contribution made by the UK companies to the Indian economy as a key ally in India's growth story."

The list of 'fastest growing UK companies in India' includes Dyson Technology, Aviva Life Insurance, Diageo Business Services, RMD Kwikform and FMC Technologies, among others, says the report.

The list of 'top 20 UK companies by revenue' includes Vedanta, Vodafone, Hindustan Unilever, United Spirits India, etc. Also, G4S Group, Vedanta Resources and HSBC Holdings feature in 'top UK employers in India'.

Among the states, Maharashtra tops as the leading investment destination for UK companies followed by Haryana, Delhi, Tamil Nadu, Telangana and Karnataka. Moreover, industrial and business services are top sectors being eyed by UK firms.

Gaitri Issar Kumar, High Commissioner of India to UK, said, "The governments of both India and the UK are committed to an enhanced trade partnership. We are developing a roadmap to a free trade agreement with an ambitious target of 100 billion pounds by 2030."

Alex Ellis CMG, High Commissioner of UK to India, noted, "Both India and the UK must think about coming together to create a global impact. Both the economies will have to create a lot of jobs in the next decade and build back in a more sustainable way."

For the purposes of this report, CII and GT Bharat identified 572 companies incorporated in India that are owned or controlled, directly or indirectly from the UK.

Additional benchmarks were an annual turnover of more than Rs 500 million, y-o-y revenue growth of at least 10 per cent and a minimum two-year track record of filings with the Ministry of Corporate Affairs in India.

(Economic Times, 22/2/2021)
