

Territorial NEWSLETTER Europe

EPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



T S Bhasin

From trade and business perspective, it is really disheartening to note that India-EU negotiation for FTA continues to remain deadlocked as it has not been able to make any substantial progress even after 12 rounds of talks over the last nine years. These 12 rounds of negotiations have, however, helped both India and EU to take note of issues and concerns that need to be addressed. Some of these include reduction in import tariffs, providing safeguard to bilateral investments, intellectual property and related issues, protection to domestic industry, immigration and employment.

While the two-way trade is nearly \$100 billion, considering the current state of bilateral trade, potential gains from signing the FTA is huge. A study on impact assessment of India-EU FTA demonstrate that a broad-based FTA (with further removal of non-tariff barriers to trade harmonization) would result in significant benefits to both parties in terms of welfare gains, production, international trade, wage and productivity increases. The study reveals welfare effects amount to an additional 0.3 per cent growth for the Indian economy in the short run and 1.6 per cent growth in the long run.

After BREXIT, the situation might ease a bit. Taking the opportunity, both the sides should come forward and break free trade agreement impasse to sign this much awaited India-EU 'Bilateral Trade and Investment Agreement' popularly known as BTIA.

EU Territorial Committee Chairman's Note



R P Jhalani

This edition of the 'Newsletter on Europe' highlights BREXIT and how it will help expanding India's trade with the UK. The newsletter also analyses India's engineering export trend with the EU for the month of March 2017. It is noteworthy that March 2017 has sustained the positive trend, all the top five countries – UK, Italy, Germany, France and Belgium – recorded positive growth in March 2017 in imports of engineering products from India. Cumulatively also, out of the top 15 panels, it is observed that 11 panels recorded positive growth during 2016-17 periods. Overall trend seems to be quite positive for India; one can consider it a sign of turnaround.

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Basic Facts: EU

Area: 4, 324, 782 Sq. km

Population: 511, 434, 812

GDP: USD 18.15 trillion

Climate: cold temperate; potentially subarctic in the north to temperate; mild wet winters; hot dry summers in the south

Natural resources: Iron ore, natural gas, petroleum, coal, copper, lead, zinc, bauxite, uranium, potash, salt, hydropower, timber

India-Britain expanding trade horizons after BREXIT

India-Britain trade relations are anticipated to grow by more than £2 billion per year by cutting EU red tape after Brexit. The UK currently faces significant tariffs on its trade with India because of the European Union's failure to agree a free trade deal.

The deal has been held up for a decade by European Union regulations on intellectual property and data protection, with which India is refusing to comply. A report by the Commonwealth, whose 52 member nations include India and the UK, says that Brexit will present a significant "opportunity".

The report says: "Given the slow pace of negotiations over [a trade deal] with the EU, Brexit provides a fresh opportunity to India to strengthen its economic relationship with the UK through an India-UK trade and investment agreement." It suggests that the UK will be able to show more "flexibility" than the EU on red tape and increase trade between the two nations as a result.

Iain Duncan Smith, the former Conservative leader, said: "Remainers say it takes forever to get a trade deal. It takes forever if you are 27 countries trying to reach an agreement. When you are dealing one country to another it is much easier. We can do deals in a matter of months. Once we've left the EU we are free to look at this from a parliamentary standpoint and can get rid of EU regulations that aren't in our interests. We can get what's best for Britain."

The report, titled Brexit: Opportunities for India, says that the UK and India can secure a far-reaching deal which will see the value of British exports to India rise from £4.2bn to £6.3bn, an increase of £2.1bn, or 33 per cent. Imports from India to the UK will rise by around £1 billion, meaning the UK's balance of trade will be improved. At present there are significant tariffs on trade between India and the UK. British businesses exporting to India face tariffs worth 14.8 per cent, while Indian exports into the UK face tariffs worth 8.4 per cent on average.

The report's author, Rashmi Banga, suggests the UK will be able to get its free trade agreement (FTA) with India up and running before the EU does, giving Britain a further edge. She writes: "This proposed India-UK FTA may be easier to negotiate than the India-EU FTA, as some of the sticking points in an India-EU FTA may be easier to resolve." The Department for International Trade is currently auditing potential barriers to free trade deals including EU regulations.

Since Theresa May invoked Article 50 last month to begin Britain's withdrawal from the EU, Qatar has said it intends to invest £5bn in Britain over the next five years, and Mrs May has also held trade talks with Jordan and Saudi Arabia. The report suggests that there is significant potential for the growth in the export of pearls and

precious stones from the UK to India, cars and car parts and alcohol. It says that some of the biggest increases in trade are for whisky and gin.

The Prime Minister has highlighted the fact that a free trade deal with India will present a huge opportunity for whisky producers, who currently face 150 per cent tariffs on exports. British businesses say they will benefit hugely when they are freed from rules imposed by Brussels.

Both Philip Hammond, the Chancellor, and Greg Clark, the Business Secretary, have visited India in the past month in an attempt to lay the groundwork for a future free trade deal. Liam Fox, the International Development Secretary, is currently in talks with India about future trade deals as well as China, New Zealand, South Korea, Turkey and the Gulf states.

Extract from '**Post-Brexit trade deal with India worth extra £2 billion to British economy**', The Telegraph, Apr 09, 2017, <http://www.telegraph.co.uk/news/2017/04/09/post-brexit-trade-deal-india-worth-extra-2-billion-britisheconomy>

Trade Trend Analysis in the EU

On the basis of the export data of March 2017, continuing the trend as in February 2017, the EU countries which feature in the top 25 export destinations for India include France, Italy, UK, Germany & Belgium. The top 5 EU nations which had the highest demand for Indian engineering products during March 2017 in absolute value are shown in Table 1.

Table 1: Country wise trend in engineering exports from India to EU			
Country	Export in March 2016 (USD million)	Export in March 2017 (USD million)	Growth rate (%)
FRANCE	99.40	459.65	362.45
ITALY	146.05	309.89	112.18
U K	200.98	281.17	39.90
GERMANY	184.58	218.57	18.41
BELGIUM	57.95	163.19	181.62

As demonstrated by the table above, in all the five countries, exports of engineering products from India realized positive growth, with France and Belgium recording growth of over 362% and over 181% respectively. Export data for the last few months reflect that adverse situation has eased out and the market seems to have attained a recovery path. Positive trend in export is being witnessed in several countries.

Panel wise cumulative trend in engineering exports to EU during April-March 2017

Fourteen out of top 15 panels realized positive growth in March 2017 compared to its corresponding month in 2016. And in some cases, such as aircrafts & spacecrafts (621%), aluminium and products (340%) and iron & steel (310%), growth was significant (see Table 2).

Table 2: Top 15 Engineering Panels exported from India to EU region						
Name of the Panel	India's Export in March 2016 (USD million)	India's Export in March 2017 (USD million)	Growth (%)	Export in Apr 2015-March 2016 (USD million)	Export in Apr 2016-March 2017 (USD million)	Growth (%)

Iron and Steel	105.09	431.02	310.14	1273.03	2528.99	98.66
Aircrafts Spacecrafts	58.73	423.56	621.14	767.09	1514.30	97.41
Products of Iron	133.72	152.55	14.08	1598.17	1537.44	-3.80
Electric Machinery	90.76	150.17	65.46	1000.21	1270.64	27.04
Motor Vehicle/cars	153.99	133.59	-13.25	1226.96	1726.06	40.68
Auto Components/Part	78.28	85.55	9.30	853.59	858.44	0.57
Aluminum and products	18.75	82.58	340.48	213.19	493.37	131.43
Industrial Machinery	58.82	69.13	17.54	653.17	683.14	4.59
IC Engines and Parts	58.21	68.85	18.28	767.23	628.37	-18.10
Other Misc. Items	42.68	48.44	13.48	512.90	622.38	21.35
Medical and Scientific instruments	31.73	43.16	36.03	318.57	405.56	27.31
Machinery for ATMs	19.21	27.01	40.63	251.68	241.48	-4.05
Hand Tools Cutting	18.22	20.41	12.06	210.93	214.36	1.63
Pumps of all types	11.86	17.91	51.04	137.62	157.92	14.75
Other Construction Machinery	17.78	17.80	0.13	159.92	156.71	-2.01

Almost a similar trend is observed on cumulative basis – eleven out of 15 top panels realized positive growth during April-March period of 2016-17 with highest growth achieved by aluminum and products followed by iron & steel and aircrafts & spacecrafts. During the year 2016-17, iron & steel remained the most important items of export from India to EU in value terms at US\$2528.99 million. Growth was also significant, as it recorded growth of nearly 99% compared to its corresponding period April-March 2015-16. Other major export items in value terms include aircrafts & spacecrafts and products of iron.

EU-India – Information Guide

India enjoys trade preferences with EU under generalized scheme of preference.

EU has a website – EU Export helpdesk which provide crucial information on export opportunities provided to the exporters. The website has detailed information on definite product codes which include:

- ❖ Specific requirements for exporting to EU including public health, labeling, etc.
- ❖ EU import procedures
- ❖ Internal taxes (VAT and Excise duties) applicable in the EU countries
- ❖ Relevant laws, national authorities and border inspection posts

The link for the website is given below:

http://www.exporthelp.europa.eu/thdapp/display.htm;jsessionid=2AB732F02EE24ACB09D625E3F11BD3E6?page=au%2fau_AboutUs.html&docType=main&languageId=en

The European Investment Bank also supports a large number of projects in India in assisting the SMEs and Mid-caps in various fields. Till September 2016, the bank has granted a loan to the tune of Euro 1.5 billion. To have more information on the various projects supported by the bank, please go to the below link:

<http://www.eib.org/projects/loans/regions/ala/in.htm>

Some ongoing trade related investigations by EU against India

Table 3: Ongoing EU's Investigations against India

1. Stainless steel bars (certain)	India	Anti-dumping	Measures in force	Investigation ongoing
2. Stainless steel wires (SSW)	India	Anti-dumping	Measures in force	Investigation ongoing

Source:

http://trade.ec.europa.eu/tdi/completed.cfm?number=&prod=steel&code=&scountry=all&proceed=all&status=all&measures=all&measure_type=all&search=ok&c_order=cstat&c_order_dir=Up

News in Focus

Euro zone expands trade surplus despite protectionist calls

The euro zone increased its trade surplus with the rest of the world in March with both exports and imports rising markedly, in a sign that global commerce has so far not been hampered by protectionist calls.

Link: <http://www.reuters.com/article/us-eurozone-economy-trade-idUSKCN18C0W4?il=0>

EU court deals blow to quick trade deals

EU trade deals must endure a potentially bruising process of ratification by all member states, the European Union's highest court ruled yesterday, with possible consequences for Brexit. Britain hopes to win a fast-track trade deal with Europe after it negotiates its divorce from the EU but the decision by the European Court of Justice could cripple that plan.

Link: <https://www.dailysabah.com/economy/2017/05/17/eu-court-deals-blow-to-quick-trade-deals>

Post-Brexit Britain can inherit up to 50 existing EU trade agreements with the rest of the world

THERESA MAY yesterday claimed Britain will be able to inherit as many as 50 existing EU trade agreements with the rest of the world after Brexit. Setting up the first major clash with Brussels, the PM claimed it "will be possible" to simply cut and paste deals with countries such as South Korea, Mexico and Jordan.

But she triggered a backlash yesterday by appearing to admit it could take longer than the two years of divorce talks to finalise a new free trade deal with the EU.

Link: <https://www.thesun.co.uk/news/3258008/theresa-may-says-post-brexit-britain-can-inherit-up-to-50-existing-eu-trade-agreements-with-the-rest-of-the-world/>

India, France to set up Aerospace and Defence Centre of Excellence in Bengaluru

Keeping in mind the Make in India theme and a fast developing ecosystem of aerospace and defence industry, a Centre of Excellence is being set up in Bengaluru in collaboration with a French non-profit for imparting industry-specific, high-end skill training to make the available manpower readily employable.

As part of the centre, two campuses will be started by the government of Karnataka along with French aerospace and defence major Dassault Systems.

Link: <https://yourstory.com/2017/02/aerospace-and-defence-centre-of-excellence/>

Tender Information in EU

Location	Notice Type	Summary	Deadline
France	Tender Notice	Supply Of Self-propelled And Self-towed Mowers For The Gendarmerie Units Of The Defense And Security Zone East. (TI Ref ID: 39712716)	21 Jun 2017
Germany	Tender Notice	Provision Of Silo Spreaders (TI Ref ID: 39699665)	13 Jun 2017
Germany	Tender Notice	Delivery, Assembly And Reception Of Containers (TI Ref ID: 39699445)	31 May 2017
Germany	Tender Notice	Delivery Of 3 Municipal Tractors. (TI Ref ID: 39688644)	19 Jun 2017
Germany	Tender Notice	Delivery Of A Skidder With Crane And Winch (skidder). (TI Ref ID: 39686764)	19 Jun 2017
Germany	Tender Notice	Delivery Of 3 Municipal Tractors (TI Ref ID: 39636655)	19 Jun 2017
Germany	Tender Notice	Tractors With All-wheel Drive (123-02.05-20.0115-17-ii-g) (TI Ref ID: 39633628)	09 Jun 2017
Netherlands	Tender Notice	Delivery Agricultural Engineering Machinery And Equipment Cutlery 2017-19. (TI Ref ID: 39454065)	03 Jul 2017
Germany	Tender Notice	Provision Of Irritant-sprayers. (TI Ref ID: 39448110)	20 Jun 2017
Germany	Tender Notice	Motor Manual Collected. (TI Ref ID: 39448056)	14 Jun 2017

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