

# Territorial NEWSLETTER Europe

**EPCINDIA**  
ENGINEERING THE FUTURE

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## Chairman's Pen



**T S Bhasin**

European Union is passing through a phase of metamorphosis, after the exit of Great Britain in 2016. We understand that this development would help India and European Union to expedite negotiations and push towards signing of the FTA. This is because number of contentious issues that hampered negotiations, especially those relating to Great Britain, would come down. However, a major issue to keep on haunting negotiators is 'Bilateral Investment Treaty (BIT)' for mutual protection and promotion of investments. The existing BIT was allowed by India to lapse recently. While India wants to sign a new BIT as part of the FTA; EU has preference for a separate BIT to be signed first, and FTA to follow later.

As far as bilateral trade between India and EU is concerned, it is far below the potential, even though, India's export to Europe in 2016-17 was much better compared to 2016-17. In eleven out of top 15 panels, India's export increased impressively. With regard to investment, there are numerous emerging areas in India for investment, like infrastructure development, clean and renewable energy, and smart cities. Till now, response from investors from EU for 'Smart Cities' project appears quite appreciable.

This edition of Europe newsletter, besides analyzing trend in engineering trade, also includes a section on major trade destinations in Europe for Indian business communities. I hope that our readers will enjoy reading this newsletter.

## EU Territorial Committee Chairman's Note



**R P Jhalani**

In this edition of the 'Newsletter on Europe', we analyze India's engineering export trend with the EU. 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.

I am hopeful that the Newsletter will give useful information to our readers and help them in taking informed business decisions.

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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

## BREXIT could be a boon for India-EU FTA

Britain's exit from the European Union (EU) is likely to positively impact the economic bloc's long-drawn negotiations over a Free Trade Agreement (FTA) with India, according to a leaked document drawn up by the members of the EU Parliament.



The document, drawn up by Members of the European Parliament (MEPs) in the EU's influential trade committee, points to British Prime Minister Theresa May's stringent visa policy towards Indian professionals as a major stumbling block to the FTA, which has been in the works since 1997.

India's high import tariff on Scotch whisky from Scotland is seen as another hurdle, which would also no longer be a factor post-Brexit, *The Guardian* reported.

### Scotland keen on such FTA

"Scotland has a major interest in an FTA with India: India has the world's largest market for whisky, which is highly protected by prohibitive tariffs. Lowering tariffs for Scottish whisky could present an important market opportunity," the MEPs note.

"In case the U.K. [including Scotland] would leave the EU, this could possibly facilitate FTA negotiations [for the EU] as tariffs on wines and spirits constitute an obstacle. This as well as financial services would then become a bit less of an offensive interest of the EU," they add.

The European parliamentarians also suggest that despite the much-hyped India-United Kingdom ties, Britain is likely to struggle to clinch a new trade deal.

“Given the important Indian diaspora living in the U.K. and the common past, the U.K. tends to attach particular importance to its economic relations to India, however, trading ties are more important with other EU member-states,” say the MEPs.

They point out that as a trading partner of India, Germany is the top EU country (ranked 6th), whereby the U.K. figures only rank 18 between Kuwait and Iran as a trading partner for India.

### Under 2% of India’s exports

While the U.K. makes up 3.4 per cent of India’s overall exports, it accounts only for less than 2 per cent of India’s exports.

In addition, currently the U.K. has by far the largest trade deficit in goods with India of any EU member states accounting for 2,611 million euros, while Belgium and Germany have a large trade surplus with India.

The document adds that the visas India has been seeking for its skilled workers is a “political problem” for the U.K. if it wants a deal: “India has a major interest in mode IV access for its service suppliers to the U.K., which would also prove politically difficult [as most of the Indian service providers would certainly like to enter the U.K. for delivering temporary services].”

The MEPs’ document, leaked to the newspaper, does however see a threat to the EU’s other trade talks in Britain’s withdrawal. In particular, there are concerns that the negotiations with Australia and New Zealand due to start in mid-2017 could be scuppered.

Extract from ‘*BREXIT could help India-European FTA: Report*’, The Hindu, Feb 23, 2017, <http://www.thehindu.com/news/international/BREXIT-INDIA/article17355011.ece>

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