

Territorial NEWSLETTER Europe

EPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



On 23rd June, UK held the historical referendum and voted for leaving European Union (EU). The immediate after effect included downfall of both Pound Sterling and Euro, price volatility and a significant lowering of demand in the European as well as global markets. While it has created a major shock for the global markets, Indian businesses are particularly worry as to how this will affect their trade and investment in both EU and UK. This is particularly because UK has acted as a gateway to EU for several countries and many of them have invested significantly in the UK due to this. Keeping their concerns in mind, this edition of Europe newsletter probes into the possible side effects of BREXIT on Indian trade and investment in both short run and long run.

I hope that our members will be benefited by this edition.

T S Bhasin

EU Territorial Committee Chairman's Note



This edition of the newsletter includes a brief note on the possible fall out of BREXIT on India interests in both EU and UK, especially in terms of trade and investment. UK has always served as a gateway to EU therefore Brexit has been a cause of concern for Indian businesses with trade and investment interests in UK and other EU countries.

Further, the newsletter presents the monthly trend analysis in engineering exports from India to the EU. It also covers 'news in focus' and tender information.

I hope our readers will find this edition useful for taking informed business decision.

R P Jhalani

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EU Section: Basic Facts

Countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, United Kingdom (UK), Turkey

Area: 4, 324, 782 Sq. km

Population: 513, 949, 445

GDP: USD 19.18 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 and Its impact on Indian industry and trade

On Thursday, 23rd June, United Kingdom passed a historic referendum in favour of leaving European Union after a long hiatus. The immediate impact of this was a sharp downfall of Pound Sterling and Euro and a collapse of several international stock markets. India's rupee also suffered a decline and so did Sensex. For the Indian industry the concern remains as to how this will affect their fortunes in UK as well as EU.

Experts across the sectors are of opinion that while there may be some negative impact on Indian industry in the short run, in long run this may not affect India and in certain cases it may even have a positive impact on Indian industries trying to make inroads into the UK market.

In short run, the immediate negative impacts will be due to potential slowness in the UK and EU market which will lead to declining demand, there will also be some volatility in prices. Indian sectors such as automobile and auto components and IT are few of the sectors that may get affected due to this. Moreover a sharp downfall of the Pound Sterling and Euro in the global market may make their products cheaper and more competitive compared to India. Also, Indian companies who have already invested in UK with the hope that UK will be their gateway to EU may suffer. They may have to invest again in the EU markets after Brexit.

However, in the long run when currencies become stable and the markets settle down such issues may cease to exist. In case of automobile and auto components sector, Germany will still remain a bigger market so a potential slowdown in the British market may not hamper the Indian manufacturers. As the UK's vehicle export to EU may get affected, there may be some negative impact on companies such as Tata Motor's held JLR operations who have invested heavily in UK and are exporting a large chunk of their production to EU countries.

On the positive side, Brexit may offer some flexibility for India to hold FTA talks with UK. Several studies before the referendum pointed out to the fact that if UK leaves EU, India will be in the position to negotiate a

new trade pact with UK out of the aegis of the India-EU FTA talks. There will be greater flexibility for both the countries in those negotiations and may ultimately be beneficial for India.

Finally it will be too early to predict the exact impact of Brexit on Indian industry and trade since the negotiations between UK and EU are still on. The real impact will only be clear after the conditions of Brexit are finalized by both UK and EU. However, till now it is widely believed that India will not lose much and it may actually work out positively for Indian trade.

Trade Trend Analysis- India-EU

The top 5 EU nations which had the highest demand for Indian engineering products during May 2016 in absolute values include:

Country	Export in May 2015 (USD million)	Export in May 2016 (USD million)	Growth (%)
UK	203.91	190.50	-6.57
Germany	206.41	169.33	-17.96
Italy	116.37	130.14	11.83
Turkey	105.50	110.59	4.82
France	76.51	98.86	29.22

In May 2016, 3 of the top 5 countries registered positive growth in import from India compared to May 2015.

Some trends in engineering exports to EU in May 2016

Exports of engineering products to EU in May 2016 increased by 2.41% compared to May 2015. In value terms, exports increased from USD 1.14 billion to USD 1.17 billion. During May 2016 EU's share in total Indian engineering exports remained at 21.03%

On the basis of the export data of May 2016, the EU countries which feature in the top 25 export destinations for India include UK, Germany, France, Italy, Turkey, Poland, Netherlands, Belgium and France.

Top 10 panels exported to EU in May 2016 include:

Name of the Panel	Export in May 2015 (USD million)	Export in May 2016 (USD million)	Growth (%)
Aircrafts, spacecrafts and parts	212.31	199.50	-6.04
Motor vehicles and cars	88.72	136.37	53.70
Products of iron and steel	131.87	124.38	-5.68
Electrical machinery	94.61	113.09	19.54
Iron and Steel	130.61	108.84	-16.67
Auto components	100.83	97.35	-3.46
IC engines and parts	72.26	77.03	6.60
Industrial machinery	65.68	69.70	6.13
Medical and scientific instruments	24.54	28.71	23.91

Aluminium and products	27.03	24.20	17.01
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Out of the top 10 panels, exports from India to EU realized positive growth in 6 panels, with the highest growth achieved in motor vehicles and cars.

European Free Trade Association (EFTA) Section: Basic Facts

Countries: Iceland, Liechtenstein, Norway, Switzerland.

Area: 5, 29, 600 Sq. km

Population: 13, 589, 956

GDP: USD 623.5 billion

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

Natural resources: Natural gas, petroleum, coal, metals

Trade Trend Analysis- India-EFTA

Country-wise exports of India to the EFTA region are given below. As is evident from the below figure exports to Norway and Liechtenstein experienced a fall.

Country	Export in May 2015 (USD million)	Export in May 2016 (USD million)	Growth (%)
Switzerland	10.10	15.02	48.67
Norway	330.85	4.05	-98.77
Iceland	0.23	0.35	52.57
Liechtenstein	0.019	0.011	-40.58

Between May 2015 and May 2016, engineering exports to EFTA experienced a decline of 94.30% from USD 341.21 million to USD 19.45 million.

Top panels exported to EFTA in May 2016 include:

Name of the Panel	Export in May 2015 (USD million)	Export in May 2016 (USD million)	Growth (%)
Motor Vehicles/cars	0.37	5.47	1377.20
Industrial machinery	2.04	2.66	30.34
Electrical machinery	2.14	1.91	-10.70
Products of Iron and steel	1.48	1.29	-12.80
Aircrafts, spacecrafts and parts	0.09	1.11	11123.52
Medical and scientific instrument	0.74	0.82	10.53

Iron and steel	0.28	0.68	141.50
Aluminium and products	0.41	0.54	32.28
Auto components	0.38	0.45	18.35

Out of the top panels, exports from India to EU realized positive growth in 7 panels, with the highest growth achieved in aircrafts, spacecrafts and parts, though at a very low base.

News in Focus

EU commissioner says Brexit negotiation must precede trade talks

Cecilia Malmström says business between the UK and EU should be conducted under WTO rules before trade deal is signed

Link: <http://www.theguardian.com/politics/2016/jul/01/cecilia-malmstrom-eu-trade-commissioner-brexit-uk-wto>

Uncertainty for UK trade outside EU, says WTO chief

The UK outside the European Union would face uncertain trade relations, according to the World Trade Organization (WTO).

Link: <http://www.bbc.com/news/business-36470809>

The Unexpected Regulatory Threat to Global Trade

EU has included trade finance instruments in list of bank liabilities that could be at risk if a bank goes under

Link: <http://www.wsj.com/articles/european-bail-in-regulation-threatens-banks-trade-business-1465104604>

Upcoming Events in EEA

Date of the event	Name of the Event	Location	Industry
15-16 June	Match Industry MI16	Pori, Finland	Maritime, offshore, automation and energy technologies, industrial equipments
21-24 June	Automatica	Munich, Germany	Automation, Mechatronics
28-30 June	Additive manufacturing Europe	Amsterdam, Netherland	Additive manufacturing
30 June- 4 July	RoboCup	Leipzig, Germany	Robotics
15-16 June	Match Industry MI16	Pori, Finland	Technology, maritime, offshore, automation and energy

Tender Information in EEA

Contract Notices

TED Reference	Title	Link
196742-2016	Norway-Narvik: Suction-sweeper vehicles	http://ted.europa.eu/udl?uri=TED:NOTICE:196742-2016:TEXT:EN:HTML&src=0
196740-2016	Norway-Stjørdal: Devices and instruments for transfusion and infusion	http://ted.europa.eu/udl?uri=TED:NOTICE:196740-2016:TEXT:EN:HTML&src=0
196739-2016	Norway-Trondheim: Pathology dissection instruments and supplies	http://ted.europa.eu/udl?uri=TED:NOTICE:196739-2016:TEXT:EN:HTML&src=0
96925-2016	Former Yugoslav Republic of Macedonia-Skopje: Switchgear	http://ted.europa.eu/udl?uri=TED:NOTICE:96925-2016:TEXT:EN:HTML&src=0
96919-2016	Former Yugoslav Republic of Macedonia-Kumanovo: Insulated wire and cable	http://ted.europa.eu/udl?uri=TED:NOTICE:96919-2016:TEXT:EN:HTML&src=0
96807-2016	Poland-Bydgoszcz: Parts and accessories for vehicles and their engines	http://ted.europa.eu/udl?uri=TED:NOTICE:96807-2016:TEXT:EN:HTML&src=0
96805-2016	Germany-Wuppertal: Railway equipment	http://ted.europa.eu/udl?uri=TED:NOTICE:96805-2016:TEXT:EN:HTML&src=0
96801-2016	France-Strasbourg: Furnace burners	http://ted.europa.eu/udl?uri=TED:NOTICE:96801-2016:TEXT:EN:HTML&src=0
96800-2016	Germany-Berlin: Parts of pumps, compressors, engines or motors	http://ted.europa.eu/udl?uri=TED:NOTICE:96800-2016:TEXT:EN:HTML&src=0
96797-2016	Italy-Milan: Mechanical spare parts except engines and engine parts	http://ted.europa.eu/udl?uri=TED:NOTICE:96797-2016:TEXT:EN:HTML&src=0
96793-2016	Estonia-Tallinn: Public-service buses	http://ted.europa.eu/udl?uri=TED:NOTICE:96793-2016:TEXT:EN:HTML&src=0
96791-2016	France-Marseille: Engines and engine parts	http://ted.europa.eu/udl?uri=TED:NOTICE:96791-2016:TEXT:EN:HTML&src=0
96788-2016	Spain-Madrid: Brakes and brake parts	http://ted.europa.eu/udl?uri=TED:NOTICE:96788-2016:TEXT:EN:HTML&src=0
96787-2016	Germany-Eisenberg: Low-floor buses	http://ted.europa.eu/udl?uri=TED:NOTICE:96787-2016:TEXT:EN:HTML&src=0
96786-2016	Austria-Bregenz: Medium-voltage cable	http://ted.europa.eu/udl?uri=TED:NOTICE:96786-2016:TEXT:EN:HTML&src=0
96779-2016	Greece-Athens: Crane and dumper trucks	http://ted.europa.eu/udl?uri=TED:NOTICE:96779-2016:TEXT:EN:HTML&src=0

For more contract notices and notice by country, Please register with EU Tenders Electronics Daily and follow the link: <http://ted.europa.eu/TED/browse/browseByBO.do>

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