

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 transformation, more so because of exit of Great Britain in 2016. There is a possibility that such a development could help India and European Union to expedite negotiations for the FTA. A number of contentious issues that hampered negotiations, especially those relating to Great Britain, have apparently come down. Both negotiating parties need to realize that a trade pact is about give and take.

Reports clearly indicate that failure to conclude the EU-India BTIA has a huge opportunity cost. In the emerging global trade dynamics, trade is moving away from the MFN routes and taking bilateral/ regional routes. Trade pacts under negotiations such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) (accounting for two-thirds of global GDP and one third of global imports) are two good examples. Such pacts are setting new trade rules that would be far more difficult to comply with. To mitigate challenges emerging from ongoing trade negotiations which could culminate in a trade pact, India needs to think in a long-term perspective and explore possible option. Signing FTA with the EU is one potential option.

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 present latest trend in India's engineering export to the EU. It is noteworthy that positive trend achieved in March 2017 continues for April 2017. All the top five countries – Germany, UK, Italy, France and Belgium – recorded positive growth in April 2017 in imports of engineering products from India. Cumulatively also, India's export to the Europe is impressive. Out of the top 15 panels, it is observed that 13 panels recorded positive growth during April 2017.

I am hopeful that the positive trend in India's export will continue and the Newsletter will be useful to our readers and help them in taking informed 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

India-EU Free Trade Agreement Rhapsody

The EU has been India's largest trading partner and the two-way trade is likely to swell significantly if the parties could firm up the long-pending FTA, officially called the Broad-based Bilateral Trade and Investment Agreement (BTIA). The EU-India FTA (free trade agreement) negotiations have been ongoing for more than nine years. The two-way trade in goods stood at \$98.5 billion in 2014-15, and India received \$24.91 billion in FDI equity inflows from the European Union (EU) between April 2012 and May 2015.

Negotiations for an ambitious and broad-based FTA were launched in June 2007; after 12 formal rounds and several technical meetings and discussions, these were brought to a de facto standstill in the summer of 2013 due to a mismatch of the level of ambitions and expectations. Negotiations focused on market access for goods (to improve coverage of offers on both sides), services, a meaningful chapter on government procurement and sustainable development. Discussions have resumed since January 2016, with the purpose of assessing whether sufficient progress can be made in key outstanding issues before formally resuming negotiations.

At the EU-India Summit of March 30, President Jean-Claude Juncker of the European Commission took a clear stance in favour of tangible progress in the negotiations, provided there is movement on outstanding issues. In recent past, the EU considered the need to build strategic relationship with emerging economies in trade and investment under its vision "A strategy for smart, sustainable and inclusive growth—Europe 2020." India has a lot to gain from an FTA with the EU, particularly in regard to preferential and duty-free access to the European market. However, it is evident that the negotiations have been tedious and the path to finalising the FTA is fraught with difficulties, given India's high trade-related regulatory barriers and partial access to a few services sectors like professional services, financial services and government procurement.

There are key contentious issues. India wants the EU to give it greater market access in the services (especially Mode 4) and pharmaceuticals sectors, provide data secure nation status (beneficial to India's IT sector) and liberalise visa norms for Indian professionals. On the other hand, the EU wants India to overhaul its financial sector, cut taxes on wines and spirits, reduce tariff on the dairy sector and create a stronger intellectual property regime and reduce duties on automobiles.

High customs duties on European products such as automobiles and alcohol remain key issues. The Indian automobile industry is apprehensive about its level of competitiveness due to high costs of inputs, the rupee's depreciation and the cascading effects of various taxes, apart from the economies of scale the EU auto industry enjoys. The IPR provisions in India-EU draft FTA also raise concerns as they will limit the capacities of both India and the EU to use public health safeguards and flexibilities allowed in WTO's TRIPS Agreement. In addition, negotiations are stuck on the issue of Indian policy on government procurement. India considers government procurement a sensitive issue from a development perspective and is reluctant to make changes in its policy.

The importance of signing the India-EU FTA is immense. Against the backdrop of the changing global trade architecture, with world trade shifting towards mega trade pacts such as the TPP and TTIP, away from the MFN route, it is imperative for India to sign the FTA with the EU at the earliest. India is seriously analysing its FTA policy, though it is fully aware of the consequences of being isolated on the global trade front if it does not act swiftly in concluding some of the FTAs pending for long. Blockages in India's tariff and non-tariff barriers policy and EU's reluctance to open doors to Indian professionals in the IT sector will be hard to overcome. This FTA needs political will from both sides.

A practical solution is to find a midway wherein both the partners can relent on certain issues. For instance, India need not worry about giving access to the European automobile industry, as the Indian automobile sector is hugely competitive and has sufficient demand from within the country. Similarly, the Indian dairy sector should be able to cope with reduction of tariffs on dairy imports from the EU. For the FTA to become a reality by the end of the year, India has to adopt a flexibility approach and iron out differences on crucial issues.

Extract from 'Can the EU-India Free Trade Agreement be revived?' Financial Express, <http://www.financialexpress.com/opinion/political-will-wanted-why-india-must-be-flexible-on-fta-with-eu/290253/>

Trade Trend Analysis in the EU

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

| Table 1: Country wise trend in engineering exports from India to EU | | | |
|---|---------------------------------------|---------------------------------------|-----------------|
| Country | Export in April 2016 (USD million) | Export in April 2017 (USD million) | Growth rate (%) |
| GERMANY | 169.83 | 241.46 | 42.18 |
| U K | 181.21 | 232.24 | 28.16 |

| | | | |
|----------------|--------|--------|--------|
| ITALY | 123.08 | 216.29 | 75.72 |
| FRANCE | 92.03 | 141.99 | 54.28 |
| BELGIUM | 58.27 | 116.89 | 100.60 |

As demonstrated by the table above, in all the five countries, exports of engineering products from India realized positive growth, with Italy and Belgium recording growth of over 75% and over 100% 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 2017

Thirteen out of top 15 panels realized positive growth in April 2017 compared to its corresponding month in 2016. And in some cases, such as aluminium and products (498%) and iron & steel (191%), 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 April 2016 (USD million) | India's Export in April 2017 (USD million) | Growth (%) |
| Iron and Steel | 95.41 | 277.78 | 191.14 |
| Electric Machinery | 80.59 | 188.99 | 134.50 |
| Motor Vehicle/cars | 147.21 | 161.07 | 9.42 |
| Products of Iron | 124.68 | 122.93 | -1.40 |
| Aircrafts & Spacecrafts | 57.54 | 83.89 | 45.79 |
| Aluminium and products | 13.64 | 81.65 | 498.72 |
| Auto Components/Part | 72.99 | 78.76 | 7.90 |
| IC Engines and Parts | 46.14 | 57.07 | 23.69 |
| Industrial Machinery | 53.91 | 51.97 | -3.60 |
| Other Misc. Items | 37.09 | 42.66 | 15.00 |
| Medical and Scientific instruments | 29.45 | 35.09 | 19.12 |
| Machinery for ATMs | 17.63 | 21.60 | 22.47 |
| Hand Tools Cutting | 18.87 | 21.52 | 14.06 |
| Pumps of all types | 13.14 | 17.98 | 36.88 |
| Machine Tools | 9.64 | 15.54 | 61.10 |

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

Post-Brexit trade deal with India 'worth extra £2 billion to British economy'

Britain will be able to increase its exports to India by more than £2 billion per year after Brexit by cutting EU red tape, a new analysis has found.

The UK currently faces significant tariffs on its trade with India because of the European Union's failure to agree a free trade deal.

Link: <http://www.telegraph.co.uk/news/2017/04/09/post-brexit-trade-deal-india-worth-extra-2-billion-british-economy/>

India and EU should firm up FTA to offset concerns over OBOR

Common concern over China's mega 'Belt and Road' initiative should make India and European Union resume talks immediately on the long pending free trade agreement, Germany said today ahead of Prime Minister Narendra Modi's visit to Germany.

German Ambassador Martin Ney said the issue is likely to figure during talks between Modi and German Chancellor, Angela Merkel...

Link: <http://economictimes.indiatimes.com/news/economy/foreign-trade/india-and-eu-should-firm-up-fta-to-offset-concerns-over-obor/articleshow/58810651.cms>

BREXIT could help India-EU FTA: Report

Britain's exit from the European Union is likely to positively impact the economic bloc's long-drawn negotiations over a free trade agreement with India, according to a leaked document drawn up by the members of the EU parliament.

Link: http://economictimes.indiatimes.com/articleshow/57313925.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

What's Holding Back the India-EU FTA?

The EU-28 is ... an important market for India's export of textiles, apparel, pharmaceuticals, gems, jewelry and IT. The EU is also the largest source of FDI inflows to India, accounting for over one-fourth of the total.

Despite several rounds of negotiations that began in 2007, the proposed EU-India Bilateral Trade and Investment Agreement (BTIA), covering trade in merchandise, services, and investment, is still far from being concluded. ...

Link: <http://thediplomat.com/2014/06/whats-holding-back-the-india-eu-fta/>

Tender Information in EU

| Location | Notice Type | Summary | Deadline |
|---------------------------|----------------------|---|-------------|
| Russian Federation | Tender Notice | Purchase Of Spare Parts For Engineering Equipment (TI Ref ID: 40372139) | 04 Jul 2017 |
| Germany | Tender Notice | Indexing System For The Engine Test Stand At The Automotive Center Of The Institute For Automotive System Engineering At Ulm University Of Applied Sciences (TI Ref ID: 40009327) | 07 Jul 2017 |
| Slovenia | Tender Notice | Equipment For The Implementation Of Engineering Support Of Combat Units Of The Slovenian Armed Forces. (TI Ref ID: 39958848) | 05 Jul 2017 |

| | | | |
|-----------------|----------------------|--|-------------|
| Belgium | Tender Notice | Open Multi - Year Market 2017-2020 For The Delivery And Placement Of Bicycle Shelters And Motorcycle Shelters In Various Defense Units. (TI Ref ID: 40414644) | 22 Aug 2017 |
| Finland | Tender Notice | Provision Of City Bikes (TI Ref ID: 40247159) | 07 Aug 2017 |
| Malta | Tender Notice | Tender For The Design, Supply, Installation And Management Of A Public Bicycle-sharing System Including Electrically Assisted Bicycles And Charging Stations (TI Ref ID: 40169739) | 10 Jul 2017 |
| France | Tender Notice | 17010e2 Acquisition And Diversification Of Bicycles For The Service Velhop - Reconsultation. (TI Ref ID: 40110664) | 11 Jul 2017 |
| Latvia | Tender Notice | Motorcycles And Motorcycle Equipment Purchase Of National Police Needs. (TI Ref ID: 40027095) | 06 Jul 2017 |
| Portugal | Tender Notice | Supply Of Conventional Bicycles (TI Ref ID: 39392490) | 03 Jul 2017 |
| Romania | Tender Notice | Purchase Machinery And Construction Equipment, Broken Down Into Lots (TI Ref ID: 40431524) | 27 Jul 2017 |

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