

Territorial NEWSLETTER Europe

EEPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



T S Bhasin

European Union, comprising of countries in Western Europe, is the most important region for India in terms of engineering exports. The region, however, is passing through a difficult and challenging time. On 23rd June, United Kingdom passed a historic referendum in favor 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.

With UK being one of the most important countries of the EU region, India needs to come out with a new strategy to cope up with the challenges emerging from BREXIT. While continuing negotiations with the EU, it also needs to strengthen its commercial ties with UK. This edition of Europe newsletter seeks to probe into the possible side effects of BREXIT on Indian trade and investment in both short and long terms. Here we present excerpts from an interview given by the Commerce and Industry Minister, Smt. Nirmala Sitharaman to the Financial Express on July 18, 2016.

I hope that this newsletter will be insightful for our readers and I hope they enjoy reading it.

EU Territorial Committee Chairman's Note



R P Jhalani

In this first edition of the 'Newsletter on Europe', we analyze India's six month engineering export with the EU. I am happy to note that during April-September 2016 period, all the five top countries recorded positive growth in imports of engineering products from India, with Belgium recording highest growth of over 32%. For September 2016, Germany is the only country in top five which registered negative growth. With regard to export in the top 15 panels, it is observed that nine panels recorded positive growth during April-September 2016 period.

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

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

Impact of BREXIT on Indian industry and trade

On 23rd June, United Kingdom passed a historic referendum in favor 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.

Keeping in mind the sensitiveness of the issue, this edition of Europe newsletter probes into the possible side effects of BREXIT on Indian trade and investment in both short and long terms. Here we present excerpts from an interview given by the Commerce and Industry Minister, Smt Nirmala Sitharaman to the Financial Express on July 18, 2016.



Both India and the UK should start talks informally; so, as and when, Britain completes the process with the EU and has the authority to forge treaties, both the parties should be ready for it, said Nirmala Sitharaman. (PTI)

How will you approach trade talks with the UK after BREXIT?

I am happy the UK's business minister (Sajid Javid has now become Communities' Secretary) came and said they would like to start talks informally on a trade pact. The minister said although the time frame to complete (Britain's exit process with the EU) is two years, they expect to complete it sooner than that. So, both India and

the UK should start talks informally; so, as and when Britain completes the process with the EU and has the authority to forge bilateral treaties, both the parties should be ready for it.

What will be the key features of the likely pact with the UK?

Goods will be a key pillar of the talks with Britain. Also, we will be talking as much about services as about goods. The advantage that India has in goods (most nations want greater access to the massive Indian market in goods) will have to be leveraged to get a good bargain in services. Therefore, reciprocity being the guiding principle, I would want a good deal for us in the services domain as much as they would want us to yield on the goods domain (Britain made up for 3.4% of India's goods exports in FY16 and 12% of software services exports in FY15).

Does BREXIT change anything to India's advantage?

The fact that the (UK) minister came and said "let's get things going" suggests a sense of urgency and a desire for quick decision-making, as opposed to the EU, which negotiates on behalf of the 27-28 nations it represents (The EU FTA talks have been going on since 2007). The pact with the UK will be a bilateral one (so that decision-making can be quick).

You say India will recalibrate the FTA strategy with the EU. What specific things are you looking at in talks with the EU?

Even with the EU, our FTA negotiations got to be getting into the details. The FTA shouldn't be worse for us (compared with its scope, pre-BREXIT). But our offers have to be tempered in view of the fact that Britain is out of the bloc now. The EU wants greater access in wines and spirits and automobiles, on which our industry has its own views. We want greater access for our generic drugs and more liberalisation in the services sector. Data security is another issue.

Last week, two US lawmakers introduced in the House of Representatives a piece of legislation which, if approved by the Congress, would prevent Indian companies from recruiting IT professionals on H1B and L1 work visas. Earlier, the US had also raised visa fees, which was estimated to drive up the Indian IT industry's annual visa cost by four times. Are you holding any government-to-government talks to address these issues?

Certainly. Earlier, we had already taken it (visa fee hike) up with the US trade representative. When we (India and the US) hold the strategic commercial dialogue in New Delhi, maybe in September, we will raise all these issues with them. Also, we are mentally ready to challenge the visa issues at the World Trade Organization (dispute settlement appellate body).

Exports contracted in each of the past 18 months (before June). How do you plan to turn the corner?

We want this overriding narrative of export contraction to change. In fact, if you see non-oil and non-bullion export data for 2015-16, it points at underlying robustness. Also, between 2013-14 and 2015-16, the share of manufacturing goods in our export basket has increased. From around 60% in 2013-14, it rose to 63-64% in 2014-15 and it touched 69% in 2015-16. So, this trend needs to be highlighted as well. Also, the rigid exchange rate in all these months dented our competitiveness in the export market. We have already taken up this issue with the Prime Minister's Office and the finance ministry. I believe the exports slowdown has bottomed out.

Has Apple approached you to set up its own stores in India after the government relaxed local sourcing norms for those selling "cutting-edge" technological products?

We have informed Apple about the relaxation. As of now, they have not approached me personally.

How would you ensure a revival of investor interest in special economic zones (SEZs)? Are you still taking up the issues of tax relief with the finance ministry?

The UPA came up with the (18.5%) minimum alternate tax (MAT) and the dividend distribution tax (DDT), seriously denting the spirit of SEZ policy. We have been trying to give relief from such taxes. But you have to understand that once the revenue (department) gets the taste of money coming in; it's difficult for them to recalibrate their strategy quickly. Also, we think the non-processing area rule also needs to be changed to help SEZs. We are in regular talks with the finance ministry to see how best we can do it to revive and boost SEZs.

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.
- ❖ 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>

Trade Trend Analysis in the EU

On the basis of the export data of September 2016, the EU countries which feature in the top 25 export destinations for India include UK, Germany, Czech Republic, Italy, Turkey, France, Spain and Belgium although, UK, Italy. The top 5 EU nations which had the highest demand for Indian engineering products during April-September 2016 in absolute values include:

Table: Top five countries in EU region for Indian exports

Country	Export in September 2015 (USD million)	Export in September 2016 (USD million)	Growth (%)	Export in Apr-Sept 2015 (USD million)	Export in Apr-Sept 2016 (USD million)	Growth (%)
U K	185.32	216.93	17.05	1,164.30	1,237.99	6.33
FRANCE	76.73	203.49	165.18	530.20	701.22	32.26
GERMANY	185.27	170.63	-7.90	1,046.60	1,056.98	0.99
ITALY	122.24	160.83	31.56	755.16	856.28	13.39
BELGIUM	95.31	96.59	1.34	370.88	491.73	32.59

During April-September 2016 period, all the five top countries recorded positive growth in imports of engineering products from India, with Belgium recording highest growth of over 32%. For September 2016, Germany is the only country in top five which registered negative growth.

Trends in panel wise engineering exports to EU between April-September 2016

During April-September 2016, iron & steel remained the most important items of export from India to EU in value terms. It recorded growth of nearly 29% compared to its corresponding period April-September 2016. It is followed by motor vehicles/cars, products of iron & steel and others (see Table below).

Top 15 panels exported to EU during April-September 2016 are provided in Table below.

Table: Top 15 Engineering Panels exported from India to EU region						
Name of the Panel	India's Export in September 2016 (USD million)	India's Export in September 2015 (USD million)	Growth (%)	Export in Apr-Sept 2015 (USD million)	Export in Apr-Sept 2016 (USD million)	Growth (%)
Iron And Steel	40.19	159.89	297.84	728.13	938.33	28.87
Motor Vehicle/ Cars	143.91	134.29	-6.69	607.20	854.43	40.72
Products Of Iron & Steel	87.41	110.67	26.62	821.33	768.01	-6.49
Electric Machinery	70.83	67.10	-5.26	523.79	603.34	15.19
Auto Components/ Part	75.92	54.18	-28.64	428.02	426.86	-0.27
IC Engines & Parts	55.56	52.90	-4.78	392.50	316.55	-19.35
Industrial Machinery	60.43	48.39	-19.93	328.57	335.95	2.25
Aircrafts & Spacecrafts	18.21	34.84	91.39	449.15	636.73	41.76
Aluminum & Products	24.85	30.81	23.99	110.55	164.04	48.39
Medical & Scientific Instruments	17.68	18.77	6.16	145.60	184.24	26.54
Hand Tools Cutting	20.87	17.38	-16.73	104.29	110.28	5.74
Machinery For Atms	14.24	14.13	-0.78	121.18	113.62	-6.24
Other Non Ferrous Metals	13.03	12.06	-7.44	89.55	86.19	-3.75
Air Condition & Refrigerators	11.60	11.74	1.19	70.84	70.70	-0.20
Pumps Of All Types	9.78	9.83	0.52	68.79	73.81	7.29

BREXIT begins to take its toll on engineering sector

A survey by Engineers Ireland showed that nearly a third of engineers in Ireland and the UK said their business has already been impacted by a BREXIT slowdown.

The survey, which canvassed the views of 3,000 Engineers Ireland members operating across both islands, also found over one-quarter of respondents have now changed their plans for hiring or investment, while over 38% have had commercial deals paused or unfavourably altered as a result of BREXIT.

Link: <https://www.irishexaminer.com/ireland/BREXIT-begins-to-take-its-toll-on-engineering-sector-428410.html>

Done deal: Canada, EU sign CETA

A free trade deal with the European Union estimated to be worth \$12 billion annually to Canada has been signed in Brussels.

An agreement that may eclipse North American Free Trade Agreement in scale, the Canada-European Union Comprehensive Trade Economic Trade Agreement (CETA) is said to be the most comprehensive trade deal ever signed by either Canada or the European Union.

Link: <https://www.biv.com/article/2016/10/done-deal-canada-eu-sign-ceta/>

Southern Africa reaps EU trade benefits

FIVE southern African countries – Botswana, Lesotho, Namibia, South Africa and Swaziland – have opened a new chapter in their bilateral relations with the European Union (EU) following the coming into effect of the Economic Partnership Agreement (EPA) on October 10.

Link: <https://southernafrican.news/2016/10/31/southern-africa-reaps-eu-trade-benefits/>

Northern Ireland plans to negotiate separate EU trade deal after BREXIT

First Minister Arlene Foster has repeatedly rejected the idea of a "hard border" with customs at the point where Northern Ireland meets the Republic of Ireland - the only part of the UK EU border.

The politician said she plans to negotiate with the Union over whether or not a special status or relationship will be developed.

Link: <http://www.express.co.uk/news/uk/726969/Post-BREXIT-trade-deal-Northern-Ireland-Arlene-Foster>

Tender Information in EU

Prior information Notices

Location	Date	Summary	Deadline
France	31-Oct-2016	Supply Of Metal Materials Smelting Furnaces	02-Dec-2016
Switzerland	31-Oct-2016	Equipment For Ventilation	07-Dec-2016
Netherlands	31-Oct-2016	Inspection And Maintenance Of Cathodic Protection, Over-voltage And Lightning Protection Systems	12-Dec-2016
Belgium	31-Oct-2016	Supply, Installation, Connection And Commissioning Of Escalators	21-Dec-2016
France	31-Oct-2016	Design, Implementation And Integration Of A Prototype Of Metal Powder Bed Additive Manufacturing System	05-Dec-2016
Germany	29-Oct-2016	Air Conditioning Systems In Accordance With Din 18379, Boiler System And Central Water Heating Systems According To Din 18380, Gas, Water And Drainage Systems In Accordance With Din 18381 (1837-16-b-eo-21).	06-Dec-2016
Germany	29-Oct-2016	Provision Of Hauptfeuerwache Karlsruhe, New Building, Elevator.	06-Dec-2016
Netherlands	29-Oct-2016	Supply Turnout Gear.	08-Dec-2016
Belgium	29-Oct-2016	Supply Tools, Consumables And Epi.	16-Dec-2016
France	29-Oct-2016	Design, Manufacturing And Commissioning Of ~ A New Generation Of Electric	12-Dec-2016

For more contract notices, please follow the link: <http://www.tendersinfo.com/searchresult>

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