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Budget 2011 and Impact on European Industries

Last month the Indian Finance Minister presented Budget proposals for fiscal 2011-12 in the challenging backdrop of persistent inflationary concerns and sluggish economic growth trends in last two quarters of the current fiscal. Economic Survey (2009-10) projected a nominal GDP growth of approximately 14 percent that would translate into real GDP growth at around 9 percent; FM's budget speech confirmed Economic Survey projections. Budget pegged the current fiscal deficit at 5.1 percent (a much improved performance vis-à-vis Budget 2009 estimate of 5.5 percent); improved macro-economic statistics also helped the FM set ambitious targets for fiscal consolidation with the aim to reduce fiscal deficit to 3 percent by FY '14.

These growth indicators are encouraging for foreign direct investments in India, including from European countries which account for approximately 22 percent of total foreign direct investments into India.

Budget proposes to enhance investment limit for foreign institutional investors (FIIs) in corporate bonds issued by infrastructure companies by USD 20 billion. Proposal to widen portfolio investment route and allow non-FII investments in SEBI registered Mutual Funds is expected to boost equity markets. The FM proposed legislative amendment to pave the way for banking sector reform and indicated that the RBI would issue revised guidelines for fresh banking licenses by March '11.

On tax policy front, the FM reiterated the Executive's commitment to usher in new tax legislations, ie Direct Taxes Code, and Goods & Services Tax during next fiscal. Budget also proposed to introduce a toolbox of measures to counter transactions with non-cooperative countries which do not 'effectively' exchange information with India; whilst these measures would underline significance of financial integrity vis-à-vis sources of investments into India, it vindicates the propriety of compliance robust jurisdictions.

Proposal to tax foreign dividends received by Indian companies at an incentivized rate of 15 percent would encourage repatriation of foreign earnings into India.

While peak rates of customs duty, excise duty and service tax remain unchanged, Budget proposes to broad-base service tax net with a view to mop up additional revenues of INR 4 billion. Substantive changes proposed in the CENVAT credit mechanism, although, would have wider ramification for manufacturers and service providers. Given that service sector alone received more than 21 percent FDI, changes in CENVAT credit rules would be significant. Besides, this is likely to be an important area of challenge and opportunity for European concerns providing services and operating manufacturing facilities in India.

Courtesy: **BMR**

Faced with Rival China, India looks ... East!

Suspicion reigns between India and China. Relations between the two Asian giants, who fought a war which was won by Beijing in 1962, have become ever more strained in the last few years. While the conflict is far from being bloody the stormy atmosphere nevertheless throws a dark cloud on the regional balance resulting in a chain reaction of geopolitical realignment. In its search for new allies, India has moved closer to the United States in a spectacular manner but also tried to make friends with countries in East Asia (Japan, Indonesia ...). These countries share a common worry: the new aggressiveness displayed by a confident Beijing, particularly on its disputed borders.

The Indians are concerned. Three recent developments trouble them. First of all, the rising tension along the 4,000 km common border at the heart of the Himalaya. New Delhi complains about the chronic territorial encroachments by the Peoples Liberation Army (PLA) particularly at the expense of Arunachal Pradesh which is claimed by Beijing.

New Delhi's second worry concerns Beijing's attitude towards Kashmir. Over the last months China has made several attempts to undermine New Delhi by openly demonstrating its support for Pakistan's position and calling into question Delhi's custodianship over this "disputed" territory. In a third and final controversy Beijing has strengthened its nuclear cooperation with Islamabad. Thanks to this support, Pakistan can aspire to strategic parity with India.

Faced with these new pressures from Beijing, New Delhi seeks to widen its diplomatic playing field. Its main initiative has been Delhi's rapprochement with the United States particularly in the field of civil nuclear power. This flirt with America is accompanied by a general opening towards East Asia called the "look East policy". The policy was forged in the early 1990s along with India's fledgling economic reforms. From 2000 onwards, driven by the rise of China the policy has taken a new turn as emerging security challenges have come to complement the hitherto sole economic dimension.

Today India is exploring new complementarities with the Asian nations which, like India, worry about the destabilising effects of a surging China.

China hardly appreciates this new Indian game which it sees aimed at itself. According to Indian analysts Beijing responds by stoking tensions along the Himalayan border and by deepening its support to Pakistan. The objective is to tie New Delhi to South Asia in order to prevent it from assuming a wider global role. In short, China seeks to exhaust India in expensive and inextricable local conflicts. This constrains India to playing in a lower league. The Indo-Chinese rivalry has only just begun. The much awaited conclusion of the free trade agreement with the European Union is likely to reinforce India's global strategic position thus consolidating its status as a regional power vis-à-vis its Eastern rival.

Frédéric Bobin (Le Monde, South Asia correspondent, Delhi)

Macroeconomic Indicators: India

GROSS DOMESTIC PRODUCT (GDP)

	2010-11 (In %)				
	Q1	Q2	Q3	Q4*	(Apr- Mar)*
Overall GDP growth	8.9	8.9	8.2	8.4	8.6

* Estimates

INDEX OF INDUSTRIAL PRODUCTION (IIP)

	2010-11 (In %)			
	(Apr- June)	(Apr- Sep)	(Apr- Nov)	(Apr- Jan)
IIP Index	11.6	10.2	9.5	8.3
Core Infrastructure Index	4.6	4	5	5.6

TAX COLLECTIONS

	2010-11				2010-11*
	Q1	Q2	Q3	Q4*	
Direct taxes (US\$ Bn)	15.3	25.1	26	32.7	99.1
Indirect taxes (In US\$ Bn)	15.2	18.3	19.3	23.1	75.8

*Estimates

INFLATION (MONTHLY WPI AS ON FEBRUARY 2011)

	2009-10 (%)	2010-11 (%)	Weightage (%)
All commodities	9.68	8.31	100
Primary articles	21.73	14.79	20.12
Food articles	21.85	10.65	14.33
Fuel and power	10.16	11.49	14.91
Manufactured products	5.20	4.94	64.97

FISCAL AND MONETARY POLICY CHANGES

	2009-10	2010-11*
Fiscal deficit (%)	6.3	5.1
Repo rate (%)	5	6.75
Reverse repo rate (%)	3.5	5.75
CRR	5.75	6

*Estimates

Foreign Companies get more room in FDI tweak



NEW DELHI: Foreign companies that have an existing joint venture in India will not need the permission of the local partner if they want to set up a wholly-owned subsidiary in the same field of business. The government hopes to attract more foreign direct investment by scrapping of this controversial rule and other simplifications in the foreign direct investment policy. Foreign direct investment in the first eleven months of the fiscal (April-February 2010-11) has dropped 25% from the year-ago period

Maserati to make India debut in April

Italian luxury sports car brand Maserati will make its debut in India next month, challenging the Lamborghinis, Bugattis, Ferraris and Porsches.

The company is yet to announce its Indian partner, but has inked a deal with a Mumbai company to import its models from the next fiscal. It will bring all three marquees of its DNA to India. Its two-seater GranCabrio range will cost around ₹5 crore, Quattroporte sedan will start from ₹3crore while the top-end sporty GranTurismo coupe will be around 4.75 crore.



Audi India to launch A6, A7 & A8

BUOYED by growing luxury car market, German Luxury car maker, Audi has lined up three new launches for the Indian market this year. "We will be adding three more cars to our basket in India in 2011. The Audi A8 model will hit roads beginning February, Audi A7 will be made available by June while Audi A6 can be seen on India roads in the fourth quarter of this year," Michael Perschke, head of Audi India said.

SABMiller to Set Up Brewery in Karnataka

BANSUR (RAJASTHAN) UK - based beer major SABMiller will set up a new brewery in Karnataka by 2013 as it expects its sales to double in the next five years.

Volvo launches S60 sedan with three variants in India

Volvo Auto India launched its S60 luxury sedan with a starting price of 27 lakh (ex-showroom, Mumbai and Delhi). The sedan will be available in three variants from this month onwards and the most expensive one will cost 34 lakh. It will be available in the both petrol and diesel variants in the market and is likely to compete with Audi's A4 sedan and Mercedes-Benz India's C-class sedans.

Adidas to Add 125 stores, Launches New Ad campaign



NEW DELHI German sportswear maker Adidas announced plans to expand its retail reach in India by opening 125 new exclusive stores by the end of this year.

Ferrari Gears Up to Burn Rubber on Indian Roads

Italian super sports car Ferrari will be launched in India. The car will be available in the price band of ₹2.27-3.37 crore. Ferrari, part of Italy's largest car company Fiat Auto, has inked a deal with India's Shreyans group to import and sell these cars by spring this year.

The first showroom will start in Delhi shortly followed by Mumbai in the second half of this year.

News from the EU Delegation

In our last contribution to this newsletter, we reported briefly on the recent revision and updating of the EU's list of priority barriers to trade with India. This exercise was managed by the EU Delegation in consultation with EU Member States in New Delhi and was informed also by inputs from industry stakeholders either directly or indirectly (eg via EU Member State Embassies).

As a result, it has been possible to remove some issues from the list – because the associated problems have been fully resolved or at least sufficiently so to mean that their relative importance has declined – while including other issues that have arisen or gained relative importance only recently. This updated top ten list will be an important reference tool in the ongoing work of the EU Delegation to track and analyse developments, lobby the Indian government for improvements (frequently with individual EU Member States that are particularly affected) and build alliances with third countries facing similar access difficulties.

The ten issues on the updated barriers list are the following:

1. discriminatory internal taxation and other problems affecting market access for **Alcoholic beverages**;
2. MRP labelling requirements on **all packaged products**;
3. **Animal health**-related import requirements going beyond international standards;
4. importation and marketing difficulties as a result of unclear legislation on **Medical Devices**;
5. import restrictions on **Natural and Artificial Stones**;
6. proposed restrictive legislative changes on **Postal and Courier Services**;
7. mandatory certification requirements for **Radial Tyres**;
8. export restrictions on **Raw Materials**;
9. burdensome licensing requirements on **Telecommunication Networks**; and
10. burdensome import requirements affecting **Vegetables, pulses, fruits, flower bulbs, timber and speciality wood**.

It should be noted that this list does not provide a definitive list of all the barriers or other irritants affecting trade and investment relations between India and the EU. It is rather a working tool to focus energies at the country level and support ongoing bilateral inter-action with Indian Government counterparts. Many other very important market access barriers, such as the level of import tariffs, are being addressed in the ongoing FTA negotiations.

To remain relevant, this list will of course need to be updated periodically. An active ongoing dialogue between the Delegation and all relevant EU stakeholders, including in the business community, should be an important contribution to this. We would therefore welcome a more systematic input by EU business stakeholders in India into this exercise. In respect of EBG, for example, that would probably point to a more regular sectoral dialogue, and across a wider range of economic activities than is the case presently.



Courtesy:
Delegation of the European Union to India

Anand Sinha takes charge as RBI deputy governor



ANAND Sinha has taken charge as the fourth deputy governor at the Reserve Bank of India. Mr Sinha, was leading the race for deputy governor's post created after Usha Thorat retired in November last year.

New Appointees at the EU Diplomatic Missions

1. H.E. Ms. Theresa Cutajar, High Commissioner of Malta
2. H.E Mr. Pierre Vaesen, Ambassador of Belgium
3. H.E. Mr. Francisco Javier Elorza Cavengt, Ambassador Designate, Embassy of Spain
4. H.E. Mr. Jorge Roza de Oliveira, Ambassador Designate, Embassy of Portugal

Cultural List of Activities 2011



- **May 2 - 27, 2011:** Sessions of Portuguese Cinema ("Recent Films from Portugal" on Mondays, "Portuguese Classics" on Wednesdays & "Portugal in Indian Cinema" on Fridays) at Instituto Camões-Portuguese Cultural Centre, New Delhi.
- **July 18 - November 30, 2011:** 46th batch of Portuguese Language & Culture Courses at the Instituto Camões - Portuguese Cultural Centre, New Delhi (basic, intermediate & advance levels).
- **July 22 - 23, 2011:** Portuguese Film Festival (4 films) at Jadavpur University, Kolkata, in collaboration with Portuguese language section and Nandan, Kolkata, in collaboration with Cine Central.
- **August 1, 2011:** Writer's Workshop at the Jadavpur University, Kolkata (to be confirmed).

Bird Group- An integrated travel corporation



Bird Group is one of the largest and most diversified entities within the industry in the Indian subcontinent. With businesses as diverse as pioneering back-office processing to being the representative for many of the world's leading airlines; from managing the backbone of the technological framework for airline IT and distribution to managing crucial relationships of international service providers, Bird Group has ensured that a comprehensive portfolio of service offering has been created to add value to an extensive client base and add new potential customers. Bird Group is the leading travel group covering all the aviation aspects and looks at investing to ensure the best in Indian aviation, on ground and in air.

In the space of ground handling, Bird group is a well established player. **Globe Ground India** is India's first licensed Private third Party Ground Handling company and is 100% owned by Bird group. It provides ground Handling

service at the new Bangalore International Airport, currently handling 2200+ flights per month. The company is involved in Passenger & Cargo Handling, Ramp Handling and other Airport Services.

Similarly, **BWFS** does ground handling at the Indira Gandhi International Airport (IGIA), New Delhi licensed by Delhi International Airport Pvt. Ltd. BWFS is a member of the IATA ground handling council 2011. Recently BWFS Delhi recently won the "Best Ground Handler – 2011" award after a safety campaign conducted for a month by Delhi International Airport (DIAL).

Bird group has been a recipient of various accolades from time to time. Some of the recently won accolades are hereby shared with you. Our education wing Bird Academy has once again achieved IATA certification for the "2011 South Asia Top 10 ATCs". In the technology sphere, Amadeus India (wholly owned by Bird group) has recently won 'Best Brand initiative' award. At Bird group, we strive to prove ourselves time and again.

Courtesy: **Bird Group**

Enrol as a European Business Group Member / Renew your Membership

An exclusive invitation to European Companies doing business in India to connect with key stake holders and "who is who" of Indian Government

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The road to Green GDP

“Environment is no longer an elite issue in India”, was the opinion of the union minister for environment and forests, Mr. Jairam Ramesh, while addressing the session “the way to a green GDP” during the recently held Delhi Sustainable Development Summit in New Delhi. According to the facts shared by him during this session, India’s 9% GDP growth rate would be brought down to 6% if environmental factors were adjusted in.

Although different definitions exist for the Green Gross Domestic Product (Green GDP), it is basically an adjustment of traditional GDP Index, where resources and environmental costs are deducted in economic activities. Green GDP emphasizes on improving environmental protection that includes balanced resource utilization and sustainable development. The existing growth Index focuses on increasing GDP above all, which is vital for any economy but bears a significant irreversible cost on environment and sustainability of depleting resources. A green GDP approach does not diminish the importance of economic growth but aims to achieve reasonable economic development while protecting resources and environment.

India is still in its nascence to becoming a green economy. To achieve a sustainable green economy India has to rethink its economic growth policies and measures since economic growth here is resource intensive. In an attempt to bring environmental concerns to the forefront, the government plans to release green GDP data from 2015 onwards and steps are underway to achieve that target. The first step to

adopt a green economy is to measure the resources and environmental costs of a country, which is a difficult task and the government has set up a high level committee to map the natural resources of the country by 2015. Sustainable resource management can only be possible once a model to determine resources is established and when resources are accounted for, new eco friendly policies will have to be implemented to safeguard these resources. Environmental costs such as carbon emissions will have to be substantially reduced, which are a prime cause of the current pattern of economic growth.

Changing outdated environmental policies and constituting new ones is not enough. Laws will have to be enforced to successfully adopt green GDP. India has one of the most progressive environmental laws that are not often enforced. The country needs to change its mind to environments issues and recognize the impending danger with global consequences. Mr. Jairam Ramesh’s statement highlights the prevailing mindset when he says “Indians take great delight in passing laws but greater delight in bypassing them”.

India is one of the few countries characterized by its fast growth but at the same time, is also one of the countries most threatened by the effects of climate change. Natural resources may seem abundant but cannot last forever with the speed and hunger they are being exploited with in the name of growth. A green economy is not a choice but the only chance that we need to embrace now for a chance at long term survival.

Courtesy: **Dassault Systems**

Japan Nuclear Disaster to Change Global Energy Market

Japan’s nuclear disaster is set to bring about a dynamic change in the global energy market, which may force countries to reconsider their fuel options. “Rising energy prices coupled with high interest rates is a toxic for any economy that was last seen in the 1970s”.

Interest rates have already started rising in countries that are not members of the Organisation for Economic Cooperation and Development (OECD) like India, China, Brazil and some European countries. The disaster in Japan will lead to a

slowdown in additional or new nuclear capacity and in the short term, lead to an increase in demand for gas and coal. Since a number of big consumers like US, Japan, China and India have to depend on imported gas, this is expected to give a push to liquefied natural gas (LNG) trade, which had slipped following the global recession and the increased use of shale gas in the US markets.

The nuclear disaster will lead to an increased demand in the short term, which can be met easily. The power reforms in Europe had allowed the utility firms to demand reworked contracts that were not linked to crude.

Courtesy: **Economic Times**



Activities of the European Business Group in the first Quarter of 2011

The first Quarter of the year enabled the EBG members to meet and interact with two of India's most dynamic Chief Ministers. An interactive session with Smt. Sheila Dikshit, Chief Minister of Delhi on 28 January 2011. Smt. Dikshit addressed the members on "Delhi Road Map" followed by an excellent Q&A session.

The second meeting was an Exclusive interactive session with one of India's leading luminary personalities, Shri. Narendra Modi on Friday, 18 March 2011. Shri. Modi addressed the members on "Leadership in an Emerging Nation: Balancing Development and Economic Growth".

The quarter also saw, a visit to the Maruti Factory being organised on 16 February 2011 for the members. Another important event of this quarter was the Annual Union Budget 2011-12. EBG members were invited to the Exclusive Annual Post Budget meeting organised by the Ministry of Finance on 1st March 2011 just a day after the budget was announced.



EBG Bangalore conducts a seminar on 'EU Funding Opportunities' alongside EBTC office launch



The European Business & Technology Center (EBTC) regional office in Bangalore was inaugurated on 17th February 2011 by Her Excellency H.E. Danièle Smadja the Ambassador & Head of the Delegation of the European Union to India and Mr. Alessandro Barberis, President - EUROCHAMBRES, in presence of several other eminent delegates from EBTC, EUROCHAMBRES, European Business Group and diplomatic missions in Bangalore.

On this occasion EBG conducted a seminar on 'EU Funding Opportunities' at ITC Royal Gardenia, Mysore Hall which was well received by key personalities from the industries, institutions and media. The seminar was very well complimented by all and was concluded with a question-answer session. The participants had a great opportunity to interact one to one with the delegates during a networking lunch later.

EBG Additional Membership Benefits

As a membership organisation, we strive to offer our members an innovative range of services. In line with our mission to offer different services to our members, we are very pleased to inform you that we are now offering

- discounted International Air tickets through KLM/ Air France
- 15% off on all meals and soft drinks in Hotel Hyatt Delhi
- 15% off on Ray Ban and other designer glasses

Log on to our website to avail these benefits

Best of all, the service is available to all old and new members of EBG at no extra cost.

If you would like to avail of this service, or learn more about it, please call Neema Kumar at 9811418874 or visit our website www.europeanbusinessgroupindia.com.

Thank you for your continued patronage and we hope to hear from you soon.



The dust of time swirls as thundering hearts applaud galloping hooves.



The winning team with HH Maharaja Gaj Singh II and His Grace, The Duke of Argyll.

The spirit of nobility pays tribute to blue blooded traditions

There comes a moment, in a magical place when legends born of nobility come together to leave the present speechless. And the protagonists who made it happen were a legendary dynasty, an iconic sport and a royal spirit. High passion and haute fashion mingled as The Royal Salute Maharaja of Jodhpur Golden Jubilee Polo Cup captivated its audience. And cheers for Jodhpur rang out louder as the city's Yuvraj Knights rode away with the Cup in its second edition. Celebrations marked the victory with the Royal Salute Golden Jubilee Ball for select guests. Followed by the Maharaja of Jodhpur's famous New Year's Eve procession, culminating in festivities at the Mehrangarh Fort. A night that raised a toast to the Ultimate Tribute.



Dignitaries and other guests enjoying the "sport of kings".



The majestic venue of the Royal Salute Golden Jubilee Ball.



A stunning procession of vintage cars.



The stars dimmed in the light of Umaid Bhawan Palace.



ROYAL SALUTE
MAHARAJA OF JODHPUR
GOLDEN JUBILEE CUP

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Umaid Bhawan Palace
Jodhpur, India