



NEWSLETTER - JULY 2009

CONTENTS

BUDGET 2009	2	CAFFEE PASCUCCI, A LEADING ITALIAN COFFEE BRAND, ANNOUNCES ITS FORAY INTO INDIA	18
ECONOMIC SURVEY 2008-09	6	FERRERO HAS THE BEST REPUTATION IN THE WORLD	18
PM PITCHES FOR INDIA	7	OUR DESKS & THEIR REPRESENTATIVES	19
EXPORTERS TO GET MORE INCENTIVES IN FTP	8	FROM FINANCIAL TIMES	
EPF SCHEME FOR EXPATRIATE EMPLOYEES	8	EU FACES PERMANENT LOSS OF OUTPUT	20
INDIA EASES RULES ON FIRMS' FOREIGN BORROWING	10	WHAT INDIA MUST DO IF IT IS TO BE AN AFFLUENT COUNTRY	21
ABOLITION ON TAX – THE ITALIAN RECIPE	10	ECONOMIC NEWS	
EU MAY CUT IMPORT DUTIES ON MORE ITEMS IN CEPA	11	INDIAN ECONOMY AT A GLANCE	24
INDIAN COMPANIES MULLING FRESH INVESTMENTS IN EUROPE: FICCI	12	ITALIAN ECONOMY AT A GLANCE	24
ITALIAN BANK INKS PACT WITH SBI	12	FAIRS IN ITALY AND INDIA	24
FIAT BRINGS GRANDE PUNTO TO INDIA	13	CHAMBER NEWS	
PIAGGIO TO MAKE SCOOTERS IN INDIA	13	TORINO EVENTS	26
FIAT, GUANGZHOU AUTOMOTIVE SIGN CHINA JV	14	EXHIBITIONS IN MILAN	29
TORINO, MIRA OFFER LOW-COST DESIGN	14	ITALIAN LANGUAGE COURSES IN MUMBAI	29
ITALIAN CO TO MAKE WIND TURBINES AT CHENNAI PLANT	15	BUSINESS ENQUIRIES FROM INDIA	30
GRUPPO COIN SAYS JUNE FLAT	15	BUSINESS ENQUIRIES FROM ITALY	31
DLF BRANDS EXITS JV WITH ITALY'S PIQUADRO	17		
ANNUAL MEETING OF SECRETARIES GENERAL	17		
DEADLINE FOR INDIAN FILM FESTIVAL IN ITALY	18		



INDIA'S BUDGET 2009–10

The Indo-Italian Chamber invited its members on Monday, 6 July, to attend a presentation on the Union Budget for 2009–10, which was tabled before parliament earlier that day by the Finance Minister, Pranab Mukherjee, in Delhi. The presentation, made by PricewaterhouseCoopers, was organised by the British Business Group and R&P Edelman, in collaboration with our Chamber, at the Trident Hotel in Mumbai.

The event, which was extremely well attended by several hundred people, including leading business personalities of the city, was introduced by Jairaj Purandare, Senior Executive Director, PwC, who declared that the total outlay of the Budget exceeded Rs 10 tr. Remarking on the high expectations set by the Economic Survey unfolded the week before, he pointed out that the Finance Minister had the significant challenge of drawing up a fine balance “between growth, inclusion, reforms and fiscal discipline”, and that he had clearly “veered in the area of growth”.

Leading industrialist Adi Godrej in his keynote address also drew attention to the Economic Survey, saying that it was “spot on”, but he did not think that was the case with the Budget. Mr Godrej conceded, however, that probably more “meat” might be uncovered when the Budget is passed rather than in the bare proposals set out. He commended the “excellent plans for expenditure” that would result in “urban renewal, social sector and rural development”, which would provide a strong stimulus for consumption.”

“Consumption,” added Mr Godrej, “is key to economic revival – if you want to get back to 8–9 per cent growth, consumption needs to be encouraged and economic revival is key to reduction in fiscal deficit, because it is only if GDP growth is high, will we collect the taxes to solve the fiscal deficit problem.”

KEY FEATURES OF THE BUDGET

GDP growth rate set at 9 per cent per annum

BUDGET ESTIMATE 2009–10

- Total expenditure of Rs 10.2 tr, an increase of 36 per cent.
- Subsidies raised to Rs 1.1 tr.
- Outlay for Defence raised to Rs 1.05 tr.
- Gross tax receipts budgeted at Rs 6.41 tr, compared to Rs 6.87 tr in 2008–09.
- Non-tax revenue receipts estimated at Rs 1.40 tr, compared to Rs 957.85 bn 2008–09.
- Revenue deficit projected at 4.8 per cent of GDP, compared to 1 per cent in 2008–09, and 4.6 per cent according to provisional accounts of 2008–09.
- Fiscal deficit as a percentage of GDP projected at 6.8 per cent compared to 2.5 per cent in 2008–09 and 6.2 per cent according to provisional accounts 2008–09.

TAX PROPOSALS

- Centre's Tax–GDP ratio increased to 11.5 per cent in 2008–09 from a low of 9.2 per cent in 2003–04. Share of direct taxes in the Centre's tax revenues increased to 56 per cent in 2008–09 from 41 per cent in 2003–04.
- The Centre and the States will each legislate, levy and administer the Central and State Goods and Services Tax (GST) respectively.
- Tax proposals on direct taxes to be revenue neutral. On indirect taxes, estimated net gain to be Rs 20 bn.



Direct Taxes

- No changes made in the Corporate Tax rates.
- Exemption limit in personal income tax raised by Rs 15,000 from Rs 225,000 to Rs 240,000 for senior citizens; by Rs 10,000 from Rs 180,000 to Rs 190,000 for women tax payers; and by Rs 10,000 from Rs 150,000 to Rs 160,000 for all other categories of individual taxpayers.
- Surcharge of 10 per cent on personal income-tax eliminated.
- Fringe Benefit Tax on employers to be abolished.
- Weighted deduction of 150 per cent on expenditure incurred on in-house R&D to all manufacturing businesses extended.
- Investment linked tax exemptions rather than profit linked exemptions for incentives to businesses.
- Minimum Alternate Tax (MAT) to be increased to 15 per cent of book profits from 10 per cent. The period allowed to carry forward the tax credit under MAT to be extended from seven years to ten years.
- New Pension System (NPS) to continue to be subjected to the Exempt-Exempt-Taxed (EET) method of tax treatment of savings. Income of the NPS Trust to be exempted from income tax and any dividend to be paid into this Trust from Dividend Distribution Tax. All purchase and sale of equity shares and derivatives by the NPS Trust also to be exempt from the Securities Transaction Tax. Self employed persons to be enabled to participate in the NPS and to avail of the tax benefits available thereto.
- Alternative dispute resolution mechanism to be created within the Income Tax Department for the resolution of transfer pricing disputes. Central Board of Direct Taxes (CBDT) to be empowered to formulate 'safe harbour' rules to reduce the impact of judgemental errors in determining transfer price in international transactions.
- Commodity Transaction Tax (CTT) to be abolished.
- Donations to electoral trusts to be allowed as a 100 per cent deduction in the computation of the income of the donor.
- Anonymous donations received by charitable organisations to the extent of 5 per cent of their total income or a sum of Rs 100,000, whichever is higher, not to be taxed.
- Presumptive taxation to be extended to all small businesses with a turnover upto Rs 4 m, who will have option to declare their income from business at the rate of 8 per cent of their turnover and simultaneously enjoy exemption from the compliance burden of maintaining books of accounts. Also exempted from advance tax and allowed to pay their entire tax liability from business at the time of filing their return as of 2010-11.
- Tax holiday available to profits arising from the commercial production or refining of natural gas.

Indirect Taxes

Customs duties

- 5 per cent on Set Top Box for television broadcasting.
- Duty on LCD Panels for manufacture of LCD televisions to be reduced from 10 per cent to 5 per cent.
- Full exemption from 4 per cent special CVD (Countervailing Duty) on parts for manufacture of mobile phones and accessories to be reintroduced for one year.
- List of specified raw materials and equipment imported by manufacturer-exporters of sports goods, leather goods, textile products and footwear industry which are fully exempt from customs duty, subject to specified conditions, to be expanded.
- Customs duty on unworked corals to be reduced from 5 per cent to per cent.
- Customs duty on 10 specified life saving drugs / vaccine and their bulk drugs to be reduced from 10 per cent to 5 per cent.
- Customs duty on specified heart devices, namely artificial heart and PDA / ASD occlusion device, to be reduced from 7.5 per cent to 5 per cent.



- Customs duty on bio-diesel to be reduced from 7.5 per cent to 2.5 per cent.
- Concessional customs duty of 5 per cent on specified machinery for tea, coffee and rubber plantations to be reintroduced for one year.
- Customs duty on serially numbered gold bars (other than tola bars) and gold coins to be increased from Rs 100 per 10 gram to Rs 200 per 10 gram. Customs duty on other forms of gold to be increased from Rs 250 per 10 gram to Rs 500 per 10 gram. Customs duty on silver to be increased from Rs 500 per kg. to Rs 1000 per kg. These increases also to be applicable when gold and silver (including ornaments) are imported as personal baggage.
- On packaged or canned software, CVD exemption to be provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions.
- Customs duty on inflatable rafts, snow-skis, water skis, surf-boats, sail-boards and other water sports equipment to be fully exempted.

Central excise duties

- Excise duty rate on items currently attracting 4 per cent to be raised to 8 per cent except on: • Specified food items • Drugs and pharmaceutical products falling under Chapter 30 • Medical equipment • Certain varieties of paper • Paraxylene • Power driven pumps for handling water • Footwear of retail selling price (RSP) exceeding Rs 250 but not exceeding Rs 750 per pair • Pressure cookers • Vacuum and gas filled bulbs of RSP not exceeding Rs 20 per bulb • Compact Fluorescent Lamps • Cars for physically handicapped
- Specific component of excise duty applicable to large cars / utility vehicles of engine capacity 2000 cc and above to be reduced from Rs 20,000 per vehicle to Rs 15,000 per vehicle.
- Excise duty on petrol driven trucks / lorries to be reduced from 20 per cent to 8 per cent.
- Excise duty on naphtha to be reduced to 14 per cent.
- Duty paid High Speed Diesel blended with upto 20 per cent bio-diesel to be fully exempt from excise duties.
- The ad valorem component of excise duty of 6 per cent on petrol and diesel intended for sale with a brand name to be converted into a specific rate.
- Excise duty on manmade fibre and yarn to be increased from 4 per cent to 8 per cent.
- Excise duty on polyester chips to be increased from 4 per cent to 8 per cent.
- Optional excise duty of 4 per cent for pure cotton to be restored.
- Excise duty for man-made and natural fibres other than pure cotton, beyond the fibre and yarn stage, to be increased from 4 per cent to 8 per cent.
- Suitable adjustments to be made in the rates of duty applicable to double taxation agreement (DTA) clearances of textile goods made by Export Oriented Units using indigenous raw materials / inputs for manufacture of such goods.
- Full exemption from excise duty to be provided on goods of Chapter 68 of Central Excise Tariff manufactured at the site of construction for use in construction work at such site.
- Optional excise duty exemption on 'recorded smart cards' and 'recorded proximity cards and tags'.
- Excise duty exemption to be provided on the portion of the value of packaged or canned software that represents the consideration for transfer of the right to use such software.
- Excise duty on branded articles of jewellery to be reduced from 2 per cent to nil.

Service tax

- Service Tax to be imposed on the following services: • Transport of goods by rail • Transport of coastal cargo; and goods through inland water including National Waterways • Advice, consultancy or technical assistance provided in the field of law (not applicable where the service provider or service receiver is an individual) • Cosmetic and plastic surgery service
- Exemption from service tax for inter-state or intra-state transportation of passengers in a vehicle bearing 'Contract Carriage Permit' with specified conditions.



- Exemption from service tax (leviable under banking and other financial services or under foreign exchange broking service) being provided to inter-bank purchase and sale of foreign currency between scheduled banks.
- Transport of goods through road and commission paid to foreign agents to be exempt from service tax, with certain conditions.
- For other services received by exporters, service tax exemption to be operated through the existing refund mechanism based on self-certification of the documents where such refund is below 0.25 per cent of free on board (FOB) value, and certification of documents by a Chartered Accountant for value of refund exceeding the above limit.
- Export Promotion Councils and the Federation of Indian Export Organizations (FIEO) to be exempt from service tax on the membership and other fees collected by them till 31 March 2010.

PRINCIPAL EXPENDITURE

Infrastructure Development

- India Infrastructure Finance Company Ltd (IIFCL) to refinance 60 per cent of commercial bank loans for PPP (Public–Private Partnership) projects in critical sectors over the next 15 to 18 months, for total investment of Rs1 tr.

Highway and Railways

- Allocation to national highways increased by 23 per cent, and allocation for railways increased to Rs 1.58 bn.

Urban Infrastructure

- Allocation stepped up by 87 per cent to Rs1.288 bn.

Agriculture development

- Target for agriculture credit flow set at Rs 3.25 tr for 2009–10, up 13.24 per cent from Rs 2.87 tr in 2008–09.

Debt Relief for Farmers

- Debt Waiver and Debt Relief Scheme extended from 30 June 2009 to 31 December 2009.

Restoring export growth

- Enhanced Export Credit and Guarantee Corporation (ECGC) cover to badly hit sectors extended upto March 2010.
- Rs 40 bn to refinance Micro and small Enterprises.

Medium term sustainability

- To bring fiscal deficit under control through institutional reform measures.

Petroleum and Diesel pricing Policy

- Almost three quarters of oil consumption is met through imports. Government to set up an expert group to advise on a viable and sustainable system of pricing petroleum products in sync with global prices.

People's ownership of PSUs

- While retaining at least 51 per cent Government equity in Public Sector Undertakings, people's participation in disinvestment programmes to be encouraged.
- Public Sector Enterprises such as banks and insurance companies to remain in public sector and be given full support including capital infusion.

Financial Sector

- To provide banking facilities in under-banked / unbanked areas in the next three years.

Towards inclusive development

National Rural Employment Guarantee Scheme (NREGS)

- Allocation increased by 144 per cent to Rs 391 bn.



National Food Security Act

- To ensure entitlement of 25 kg of rice or wheat per month at Rs 3 per kilo to every family living below the poverty line in rural or urban areas.

Rural Infrastructure

- Total allocation of Rs 121 bn, through various schemes.

Empowerment of weaker sections

- Universal application of National Rural Livelihood Mission for poverty eradication by 2014–15. As well as capital subsidy at enhanced rate, interest subsidy to poor households to be provided for loans upto Rs100,000 from banks.

Integrated Child Development Services (ICDS)

- All services to be extended to every child under the age of six by March 2012.

Towards building accountable institutions

Improving Delivery of Public Services

- Allocation of Rs 1.2 bn towards Unique Identification Authority of India (UIDAI) online data base with identity and biometric details of Indian residents.
- First set of unique identity number to be rolled out in 12–18 months.

Education

- The overall budget for higher education to be increased by Rs 20 bn.

Commonwealth Games, 2010

- Outlays to be stepped up to Rs 34.72 bn.

Srilankan Tamils

- Rs 5 bn for rehabilitation of internally displaced persons and reconstruction of the northern and eastern areas of Sri Lanka.

Cyclone Aila

- Rs10 bn allocated for programme for rebuilding the damaged infrastructure caused due to cyclone Aila in West Bengal.

ECONOMIC SURVEY 2008–09

The Economic Survey of India – which is released annually just prior to the announcement of the Union Budget – was presented on 3 July, for the year 2008-09. Projecting difficult times to continue in 2009 for the country's exporting community, the Economic Survey suggested the government to rationalise the tax structure, prepare a specific policy on Comprehensive Economic Cooperation Agreements (CECAs) and focus on export infrastructure to improve foreign trade.

Interestingly, the Survey has also suggested that the proliferation of special economic zones being cleared by the government be checked. The government has given formal approval to 568 SEZs and notified 318 SEZs as of 13 May 2009.

India's merchandise exports grew a scanty 3.4% to \$168.7 bn, lower than the downwardly revised target of \$175 bn. Imports of goods rose 14.3% to \$287.76 bn against \$251.65 bn, increasing the deficit from \$88.52 bn to \$119 bn.

Quoting IMF's forecast of negative world trade volume of 11%, the Survey stated, "The outlook for Indian trade



sector in 2009 is not very encouraging. With import demand falling from our major trading partners, India's exports of goods and services is expected to be impacted." In April-May 2009, exports fell 31.2% to \$21.75 bn. The recovery is expected in 2010, as the world output is likely to rise 1.9% and trade volume to grow 0.6%. However, India needs to better its tax structure including specific duties and evolve a "clear-cut policy for beneficial CECAs even with developed countries instead of free trade agreements and preferential trading agreements," the Survey stated.

Among the tax and duty rationalisation measures, the Survey suggested continuation of the reduction in customs and excise duty to make exports competitive keeping in mind the levels in trading partner countries and weeding out unnecessary customs duty exemptions. As part of stimulus measures, the government had restored customs duty on pig iron, non-alloy steel items, zinc and ferro alloys to 5% in December 2008. Also, there is a need to "guard against protectionist measures originating from our trading partners", the Survey recommended. It added "negotiating for streamlining the domestic regulations in our major trading partners could help in increasing our market access" to improve services exports. The US-one of the major trading partner for India-recently announced plans to change tax rules that may withdraw benefits to companies outsourcing work to India.

According to RBI data, software exports registered 28.2% growth at \$32.3 bn during April-December 2008 vis-à-vis \$25.2 bn in the corresponding period a year ago. During the third quarter (October-December) of 2008-09, when many sectors were reeling under the effect of global financial crisis, the software exports increased to \$10.2 bn as against \$8.8 bn during the same quarter of 2007-08, indicated 16.1% growth over the year.

PM PITCHES FOR INDIA'S PLACE IN EMERGING WORLD ORDER

Ahead of the G8 summit in Italy, Prime Minister Manmohan Singh made a vigorous pitch for reform of the UN Security Council and underlined that India would seek its due place in the emerging international order. "The structure of United Nations Security Council must evolve to become a true representative of the global community," the Prime Minister argued in an article he wrote for 'The Vision of Emerging Powers – India', published in the compendium brought out by the G8 nations on the eve of the summit in Italy on 8 July.

Contending that the present veto power system is outdated, the Prime Minister wrote: "The system of two-tiered membership, which gives a veto to the five permanent members ie the nations that emerged victorious after the Second World War, is clearly anachronistic."

"Germany and Japan, which have significantly larger economies than Britain and France, both permanent members, are excluded. China is the only developing country in the P-5 and it is there for historical reasons, not as a large and economically important developing country," he wrote.

"It is obvious that if the system were being designed today it would be very different," he said while critiquing the sluggish movement in the crucial area of reforms of international institutions.

Making a case for the inclusion of emerging and developing countries in the Security Council and global financial institutions, the Prime Minister outlined his vision of India's place in the international order.



“India has been an active member in global institutions – the United Nations, Bretton Woods Institutions, World Trade Organisation, International Atomic Energy Agency and so on. It will continue to be so in the decades ahead, based on commitment to principles and values that define these institutions.”

“India will seek its due place, play its destined role and share its assigned responsibility, giving voice to the hopes and aspirations of a billion people in South Asia,” the Prime Minister underlined.

Manmohan Singh stressed that India will continue to strive for UN reforms to make it more democratic and address a host of global issues, including international terrorism, piracy on the high seas, climate change, creating a new financial architecture and an early conclusion of the Doha Round of trade negotiations.

—HINDUSTAN TIMES

EXPORTERS TO GET MORE INCENTIVES IN FTP

The Indian government has said that it will look at providing more incentives to exporters battling demand recession in the major markets of the US and Europe, in the Foreign Trade Policy (FTP) to be unveiled in August. Commerce and Industry Minister Anand Sharma said that the Finance Minister, Pranab Mukherjee, has accepted most of the recommendations made by the ministry, such as, extension of interest subsidy, insurance scheme till March 2010 and abolition of Fringe Benefit Tax in the Budget presented on 6 July.

Sharma said announcements made in the Budget are important decisions, which would have a positive impact on exports in the months to come. After registering a handsome growth rate of over 30 per cent in the first half of the current fiscal, India's exports entered the negative zone in October 2008. In the previous fiscal, the overseas shipments grew barely by 3.4 per cent to \$168.7 bn.

Sharma said the ministry would review India's export performance by the end of the year.

—PTI

EPF SCHEME FOR EXPATRIATE EMPLOYEES: CLARIFICATION REQUIRED

Government of India, with reference to two separate notifications dated 1 October 2008, has extended the Employees' Provident Fund and Pension Scheme to all “international workers”.

The term international worker includes a foreign employee working for an establishment in India to which PF Act applies. Thus, the expatriate employees will normally fall in the definition of international worker.

Prior to this amendment, it was optional for an expatriate employee to participate in the EPF scheme. However, after amendment every expatriate employee employed with an establishment to whom EPF scheme applies, irrespective of the salary earned by him, is required to participate in the EPF scheme.

The EPF contribution will be calculated on the total salary earned by the employee, whether received in or outside India. Expatriate employees will be required to contribute 12% (8.33% to PF and 3.67% to Pension



Scheme) of their base pay and similar amount will be contributed by employer.

In the context of the EPF scheme, the Social Security Agreements (SSA) entered by India with other countries assume special importance.

At present India has made SSA with three countries only, namely Germany, France and Belgium. Labour Ministry is working towards securing SSAs with various countries such as Netherlands, USA, Australia, Switzerland, Norway, Sweden, Luxembourg etc.

Implications of SSA on Provident Fund Scheme and Pension Scheme are as under:

a) Where employee belongs to a country with whom India has SSA :

(i) Participation in Provident Fund Scheme — Expatriate employee is exempted from participating in the Indian EPF scheme provided such expatriate employee is participating in the social security scheme in his country of origin.

(ii) Circumstances permitting withdrawal of accumulated fund - In case expatriate employee participates in EPF Scheme, he shall be entitled to benefit as prescribed in relevant SSA. Implications on Pension Scheme: Where the concerned person is a member and has not rendered the prescribed eligible service on the date of exit or on attaining the 58 years of age, whichever is earlier, he shall be entitled to benefit as prescribed in the relevant SSA.

b) Where employee belongs to a country with whom India does not have SSA:

(i) Participation in Provident Fund Scheme — It is mandatory to participate in Indian PF Scheme irrespective of the fact whether he is participating in his country of origin or not.

(ii) Circumstances permitting withdrawal of accumulated fund — There is no specific provision as to when an expatriate employee can withdraw the fund in the amended scheme.

Implications on pension scheme:

Where the person concerned is a member and has not rendered the prescribed eligible service on the date of exit or on attaining the 58 years of age, whichever is earlier, he shall be entitled to withdrawal benefit, as may be available to the Indian employees in that country. This, in such cases, principle of reciprocity will be followed. A careful reading of the amended scheme clearly shows that whereas the scheme is reasonably worded and fairly clear in those cases where an expatriate employee belongs to a country with which India has signed SSA. But there is neither clarity nor adequate provisions in those cases where an employee belongs to a country with whom India does not have SSA. This issue is particularly significant because India at present has signed SSA only with three countries.

Due to aforesaid reason, expatriate employees are facing serious problems in India particularly because 24% of their salary gets blocked in the EPF scheme.

It is therefore, necessary that the Government should immediately review the EPF notifications to make them reasonable for all expatriate employees, whether they belong to SSA countries or not.

Further, the entire scheme should be so devised that expatriate employees should be able to either withdraw the contributions made by them or transfer the said contribution to their country of origin when they leave the service in India.

—H P Agrawal (The author is a Partner in S S Kothari Mehta & Co.)/ BUSINESS STANDARD



INDIA EASES RULES ON FIRMS' FOREIGN BORROWING

India eased overseas borrowing rules for firms on 30 June to speed up work at infrastructure projects as the cash-strapped government tries to boost a slowing economy.

Separately, data showed the current account swung into a surplus in the January-March quarter, but this failed to prevent a wider deficit for the full 2008-09 fiscal year as oil imports rose and exports fell sharply due to the global slump.

Analysts said portfolio inflows into local equities and the relaxation in overseas borrowing rules could help the rupee to appreciate gradually this year.

Foreign portfolio flows of a net \$7.3 bn into local shares since mid-March have helped the rupee to rebound from a record low of 52.2 to the dollar hit in early March.

On 30 June, the finance ministry said it had eased overseas borrowing rules for developers of tax-free special economic zones, township projects and non-banking finance firms engaged in funding infrastructure projects.

"The relaxation in overseas borrowing rules will have a positive impact ... Right now the probability of appreciation in the rupee is high," said DK Joshi, principal economist at rating agency Crisil.

—LIVEMINT.COM

ABOLITION OF TAX – THE ITALIAN RECIPE FOR COUNTERACTING THE ECONOMIC CRISIS

"This morning CIPE (Committee of Interministerial Economic Programming) and the Council of Ministers took a series of very important decisions to reinstate investment and bring back confidence to companies and citizens, and to intensify the counteracting of the crisis," Claudio Scajola, Minister of Economic Development, announced on Friday, 26 June.

He also added that the Council of Ministers had especially enacted "the abolition of tax on profits reinvested in industrial machinery, bonuses for companies that avoid redundancies, bonuses for workers whose jobs have been made redundant who decide to start their own business, measures for accelerating payment for public administration, and increased support for export companies".

Regarding energy, the Minister added, "To enlarge the market and reduce prices, we have enacted measures to unblock investment in electricity networks and also enacted an important norm to control gas prices to the advantage of companies. Next winter, 2009–10, 5 bn cu m of gas will be put in the market at prices aligned with the average European price, which will be assigned according to open public auction to consumers who are frequent users of gas." Scajola continued: "The Council of Ministers has also approved a regulation for a single desk for companies, which contains measures for greater administrative simplification. The regulation, whose final approval will depend on the State Council, introduces an entirely computerised model which guarantees a strong reduction in time compared to the past, and brings about a saving to the companies worth 400 euros for each application."



Scatjola concluded: “Before the Ministers’ Council, the CIPE meeting assigned 300 m euros for new contracts for programs to favour investment in production, particularly in the South. Amongst these program contracts are those foreseen for Fiat establishments, Merloni in the Marche region, and for ITR in Molise.

Regarding Abruzzo, CIPE has examined a production relaunch plan for the area affected by the earthquake and has expressed the intention of assigning up to a fifth of the sum allocated for reconstruction to the manufacturing centres of Abruzzo. The precise figure will be defined in the next CIPE meeting at the start of July, when the estimates for the reconstruction of buildings will be reviewed.

The next CIPE meeting will also define the modes for starting up broadband Internet, based on the resources presently set aside. These, with the project financing method, will bring Internet connections up to 20 MB to companies and citizens that are currently deprived.”

—NEWS ITALIA PRESS

EU MAY CUT IMPORT DUTIES ON MORE ITEMS IN CEPA

The European Union may cut import duties on more items as compared to India in the proposed Comprehensive Economic Partnership Agreement (CEPA), which is being currently negotiated by both the sides. The pact covers free trade of goods, services and investment between the two blocs.

The duty cut move will allow Indian exporters greater access to the EU market. India has asked for protecting 10 per cent of the nearly 5,000 goods that are being traded between the two sides by bringing them under the “sensitive list” which will see lesser or no duty cuts. At the same time, it has asked EU to do the same for half the amount of items.

Government officials said the EU was “willing” to consider India’s demand for more protection. Both the sides have exchanged the possible list of items that could be put in the sensitive list, where duties will not be completely slashed

The EU already has one-fourth of its total goods traded at zero duty. Thus the economic bloc will have to bring down duties in the rest of the goods. At the same time, India will have to bring down duties in a greater number of items. “Due to this inherent asymmetry in trade (where EU has large number of items already in zero duty), we have asked for reconsideration of the sensitive list,” said a senior commerce ministry official.

In a bid to capture the views of the Indian industry, the commerce ministry earlier this month had carried out an extensive exercise in collaboration with the United Nations Conference for Trade and Development (Unctad) to finalise a comprehensive list of items to be identified as sensitive. India’s sensitive list comprises primarily dairy and agri products, chemical, leather and automobile components.

The EU sensitive mostly contains farm products, as well as chemicals and textiles items. The official said complementarities need to be chalked out on agri-products.

Talks on the treaty started in 2007. Six rounds of negotiations have since been held but the two sides have not been able to arrive at a consensus on the level of trade to be covered under the FTA, which will eventually



eliminate duties on goods traded

According to the Department of Commerce, the EU is India's largest trading partner and total bilateral trade stood at over \$70 bn in 2008-09.

—*BUSINESS STANDARD*

INDIAN COMPANIES MULLING FRESH INVESTMENTS IN EUROPE: FICCI

Nearly half of the companies surveyed by industry chamber Ficci said they would consider making fresh investments in Europe as they expect markets there to stabilise and recover in the next six to 12 months.

The survey said the Indian investments in the EU during the current year may not reach the 2008 mark of Euro 2.4 bn due to global economic slowdown.

The survey covered 30 companies including Wockhardt, Suzlon Energy, HCL Technologies, Apollo Tyres and ONGC, out of which 12 firms were positive about the European markets and said they would consider making fresh investments there.

A majority of the firms said the planned deal size is less than USD 100 m on an average as they are not willing to go for large-sized buys because of the current economic environment, the study said.

It said the rush to acquire companies in Europe reached its peak in 2007 when the total investments reached a high of Euro 9.5 bn, while the investment dropped to Euro 2.4 bn in 2008.

European countries emerged as a favoured destination for Indian companies, who were seeking growth in size and scale of operations, increased market access, better technologies and research and development facilities.

—*THE ECONOMIC TIMES*

ITALIAN BANK INKS PACT WITH SBI

Italian bank, Banca Popolare di Vicenza (BPVI), has signed an agreement with State Bank of India (SBI) for closer co-operation and growth of bilateral trade.

"BPVI has become the first Italian bank to sign a co-operation agreement with State Bank of India, the largest Indian commercial bank. The bank expects this will help us in helping each other's customers in exploring opportunities in Indian and Italian markets," BPVI Chief Executive & General Manager Samuele Sorato told reporters in Mumbai on 26 June.

BPVI's focus on small-and-medium-sized companies in Italy has helped the bank in improving results in the last fiscal despite turbulence in financial markets, Sorato said.

The BPVI's aim for the next few years is to consolidate its acquisitions and focus on traditional banking to offer services both to private and corporate customers, the CEO said.



The bank is happy with the progress it has achieved in India in the last three years. The bank's business has grown manifold in this period, BPVI Manager, International Relations & Correspondent Banking, Fausto Maritan, said.

He hoped that after the agreement with SBI, BPVI will be able to assist more Indian and Italian entrepreneurs interested in forging ties with companies in the European country.

—*FINANCIAL EXPRESS*

FIAT BRINGS GRANDE PUNTO TO INDIA

Italian car manufacturer Fiat launched in India its premium hatchback Grande Punto on 17 June. The car will be available in both multi-jet diesel and 'fully integrated robotised engine' (FIRE) petrol engine. With three models — newly-launched sedan Linea and hatchbacks Palio Stile and Grande Punto — Fiat hopes to boost its sales in India and increase its exports.

Grande Punto, which is popular in Italy, Germany and Brazil and having sold over 16-lakh units globally, comes with latest safety and comfort features. The Euro-IV-ready hatchback will be manufactured at Fiat's state-of-the-art Ranjangaon plant near Pune.

The company plans to export Grande Punto and also sedan Linea from this month-end, starting from South Africa, Pakistan and Sri Lanka.

Addressing a press conference here, Fiat India Automobiles Ltd (FIAL) CEO Rajeev Kapoor said: "The launch of the Grande Punto marks a new milestone for Fiat in India as we bring the quintessentially Italian design to Indian shores. Grande Punto is unique and is designed to be the new benchmark in terms of style".

Stating that the company planned to sell around 2,500 Grande Punto every month and grab 11-12 per cent market share in the premium hatchback segment, Mr. Kapoor said: "We believe that the 'B plus' (premium hatchback) segment in India has been under-tapped and consumers are increasingly looking forward to driving world renowned international brands on Indian roads."

—*THE HINDU*

PIAGGIO TO MAKE SCOOTERS IN INDIA

Italian auto company Piaggio, manufacturer of the iconic Vespa scooter, is to start production in India as part of plans to expand its operations on Asian markets, the company said on 3 July. Presenting its 2009–2012 strategic plan, the company said it would "produce also in India" after opening a Vespa scooter plant in Vietnam last month.

The group said it planned to invest between 90 m and 100 m euros (126 m and 140 m dollars) a year around the world over the next four years and would aim to increase its turnover by 20 per cent by 2012.

—*THE ECONOMIC TIMES*



FIAT, GUANGZHOU AUTOMOTIVE SIGN CHINA JV

Guangzhou Automobile Group and Italy's Fiat SpA (F.MI) have agreed to set up a joint venture to start making economy cars from May 2011, they said on 6 July, giving Fiat a much-needed manufacturing presence in China.

Fiat has struggled to find a joint venture partner in China.

The joint venture will initially make 140,000 cars a year, and could later be increased to up to 250,000, Fiat said in a statement. It will invest euro 400 m to build a new factory in Changsha, China.

The first model to be launched will be the C-segment Linea sedan. The first engines will be the Fire 1.4 liter 120 horsepower and 150 horsepower T-Jet engine.

The agreement "is very important as part of Fiat's overall expansion," Italy's Industry Minister Claudio Scajola said on 6 July.

Fiat recently took a 20% stake in U.S. automaker Chrysler LLC.

Guangzhou Automotive Group's Vice Chairman and President Zeng Qinghong said 6 July. Fiat's technology in the economy car segment had made it an attractive partner, adding that the new joint venture won't harm its existing operations with Japanese firms Honda Motor Co. Ltd. and Toyota Motor Corp.

"The impact on Fiat's numbers is minimal, but it's still a first step in an extremely difficult market like China," said Serge Escude, an analyst at Cassa Lombarda.

—*Wsj.com*

TORINO, MIRA OFFER LOW-COST DESIGN

Italian design house Torino Design and global development partner MIRA have signed a collaboration agreement. It delivers a turnkey design, development and certification service to global automakers including manufacturers in India, targeted at providing the highest quality design and engineering. The collaboration is founded on a lean business model that offers world-class service at a very competitive cost.

While development budgets in India still remain under pressure, the Torino Design and MIRA collaboration is carefully constructed to provide the quality of design and engineering required but at the right cost for market conditions.

According to Dr George Gillespie, CEO, MIRA, "Italian styling and British engineering is a powerful combination that makes a strong case for outsourcing. We're sure this collaboration will be welcomed by leading automakers who have come to rely on and trust our individual services. Together we are bringing the best of both companies in one lean and integrated package that makes the whole process more efficient and satisfying for our customers."



Roberto Piatti, Torino Design's Founder, CEO and managing director adds, "Our idea is to propose a new business model that defends the design capabilities of Turin and restores the city's competitive edge in an increasingly cutthroat global context."

Torino Design provides car and product design services to leading brands throughout the world. Its staffers are adept at all the critical aspects of styling and design.

—*AUTOCAR PROFESSIONAL*

ITALIAN CO TO MAKE WIND TURBINES AT CHENNAI PLANT

The Italian company, Leitner, a well known name for ropeways and cable cars in Europe, intends to make Chennai its manufacturing hub for its fairly new business – wind turbines.

In India, it has a joint venture with the Chennai-based Shriram EPC, in which it owns 51 per cent.

Leitner Shriram Manufacturing Ltd has a production centre at Gummidipoondi, near Chennai. At present, the plant produces all parts of a windmill, except the towers and blades. The production portfolio includes generators, hubs (that hold the blades) and control panels. In a few months from now, the facility will begin to produce blades too.

The upcoming blades plant will be capable of producing 180 blades a year. Mr T. Shivaraman, Managing Director of Shriram EPC, told Business Line recently that Leitner had begun to buy components of stators and rotors and the Italian collaborator intends to step up purchase from its Indian joint venture.

It is difficult to specify the value of what Leitner would buy, Mr Shivaraman said, but noted that it would be substantial.

Meanwhile, Leitner is looking at opportunities in India in its core area of operations – cable cars.

Order booking was slow; indeed the only order booked in the quarter was a Rs 80-crore contract from the Gujarat Water Supply Board for laying of water distribution pipes.

—*THE HINDU BUSINESS LINE*

GRUPPO COIN SAYS JUNE FLAT

Italian department store chain Gruppo Coin has seen flat like-for-like sales in June so far after a "big pickup" in May, Chief Executive Stefano Beraldo said.

"(June has been) basically flat ... the first two or three days were very good, then it rained so (it was) lower, so flat basically ... good considering the general environment," he told the Reuters Retail Summit in London on 12 June.



"This is interesting as apparently the recession is less important than weather in our business."

Beraldo confirmed targets for this financial year given previously given to analysts and investors for earnings before interest, tax, depreciation and amortization (EBITDA) of 145 m euros, including "negative sales."

"The economic situation is still tough ... so I don't see any sort of end of the recession in the next six months for instance but because of what we made I believe we are in the position to confirm our target for the year," he said.

EBITDA was 133.7 m euros in financial year 2008.

Beraldo said the group, which operates under two brands – Coin and Oviessa – and has opened stores in Eastern Europe and the Middle East, was going ahead with some 20 openings outside of Italy for this year. "It is going ahead in spite of the recession in those countries," he said.

He said Gruppo Coin was not interested in parts of German retailer Arcandor, which is filing for insolvency.

On a possible tie-up with rival Upim, Beraldo reiterated Coin was still interested, although there were no ongoing talks.

"We must select our targets very carefully because we are not like a tiger in the jungle," he said. "We are not interested in buying companies simply because we are a consolidator, especially out of Italy."

He said instead its expansion outside its home base would be done through joint ventures, like a recent one in India.

"India is a big market, looking for European style at Indian prices," Beraldo said.

Coin, which sells clothes, home decorations, accessories and beauty products in its stores, acquired the Melablu retail network last year, made up of 60 stores.

The group said first-quarter results were flat as cost cuts offset weak sales. Net profit for the quarter ended April 30 was unchanged at 800,000 euros.

Beraldo said it was hard to forecast when a recovery for the retail sector, hit hard by the global crisis, would take hold.

"It depends very much on what the government will do, institutions will do to help their respective countries to exit the recession," he said.

He said online retailing was still not a business for the group. "And I guess still not a business for Italian players."

Coin's founding generation goes back to when Vittorio Coin got a street seller's license to sell fabrics and haberdashery in 1916. The first store was opened in 1926 in Milan, selling fabrics, yarns and linen.

—REUTERS



DLF BRANDS EXITS JV WITH ITALY'S PIQUADRO

DLF Brands is winding up its joint venture (JV) with Italian leather and luggage accessories major Piquadro to open a chain of monobrand stores.

The development comes even as DLF's retail management arm is resetting growth strategies following an economic downturn, and reviewing the expansion plans of a few international fashion and lifestyle brands it operates locally, sources said.

The 51:49 JV was projected to open 16 exclusive stores by 2013. DLF has closed down the first Piquadro store opened in New Delhi almost six months ago.

Timmy Sarna, CEO of DLF Brands, confirmed the closure of the existing Piquadro store. "Piquadro is a very sophisticated brand, which is much ahead of its time with regard to the Indian market. It had a higher price positioning than our other brands and was unable to garner enough brand recall," he said, when contacted. However, he added that DLF may introduce Piquadro with more stores in the next few years once the market is ready. DLF did not respond to a specific query on the current status of the Piquadro JV.

Mr Sarna also denied that DLF was putting expansion plans on hold or reviewing the business strategy of a few other international partnerships with Italian apparel brand Alcott and French home decor retailer SIA. He added that the company was poised to open 15 odd new stores in the next few weeks across its brand portfolio. It operates a network of 20 stores currently.

DLF Brands had signed up a host of global brands in the premium-to-luxury segments over the last two years. This included high-profile JVs with Giorgio Armani, Salvatore Ferragamo and Dolce & Gabbana. Besides, it had also roped in brands like Alcott, Boggi, SIA, Sunglass Hut among others either through licensing deals or joint ventures.

This large portfolio had niche global brands with not-so-high brand recall in India. Sectoral observers said DLF Brands could be reworking its retail play and expansion plans of several brands in the wake of the changed economic climate. But sources said its JVs with Giorgio Armani and Ferragamo were on firm ground even though fresh store openings is likely to be deferred in the prevailing conditions.

—THE ECONOMIC TIMES

ANNUAL MEETING SECRETARIES GENERAL

The 10th Annual General Meeting of Secretaries General of Italian Chambers of Commerce Abroad was held this year in Caserta (Campania), from 6–8 July. The final day was the occasion to present 'Made in Campania' companies to the world, when a hundred delegates from the various chambers had the opportunity to meet 60 companies interested in developing their businesses overseas. Nearly 400 meetings were organised by the Chamber of Commerce of Caserta to appraise local businesses about the economic, legal, social aspects and incentives in 48 countries. The greatest interest shown was by companies in the agri-food sector, which represents 26 per cent of the region's exports, and by those from the textile, clothing, footwear and accessories



sector. There was much interest also shown by firms from the household and furniture, mechanical, construction and tourism sectors.

—NEWS ITALIA PRESS

DEADLINE FOR INDIAN FILM FESTIVAL IN ITALY

The 9th edition of River to River. Florence Indian Film Festival will take place from 4 to 10 December 2009 in Florence, Italy, under the Patronage of the Embassy of India in Rome.

The Festival is supported by Mediateca Regionale Toscana-Film Commission as part of the Cinquanta Giorni di Cinema Internazionale a Firenze and will be held at Odeon, the beautiful 20s-style theatre located in the heart of the city.

The Festival accepts films (features, shorts and documentaries) from and about India, as long as they are 2008 and 2009 works.

The deadline for entries is 30 September 2009.

All necessary information can be found on the Festival website: www.rivertoriver.it

CAFFE PASCUCCI, A LEADING ITALIAN COFFEE BRAND, ANNOUNCES ITS FORAY INTO INDIA

Caffe Pascucci, the internationally famous Italian coffee brand, has announced its foray into India with the launch of its first “Caffe Pascucci Shop” at MG Road in Bangalore. Caffe Pascucci has appointed Madhura Beverages India Pvt Ltd as its master franchisee for India. Madhura Beverages is part of the Madhura Group, a Rs. 300 crore diversified business group, headquartered at Bangalore.

Sale of coffee for the HO.RE.CA (HOTels, REstaurants and CAFé Bar) segment is the core business of Pascucci. Pascucci coffee is used in over 10,000 outlets in HO.RE.CA segment in Italy alone. In year 2000, Pascucci created a new concept of “Caffe Pascucci Shop”, the coffee retail outlet that has been designed by the famous Italian architect and designer Marco Lucchi to provide the customer with a comfortable and relaxing ambience, offering an insight into how the culture of coffee drinking takes place in Italy.

Caffe Pascucci currently operates from around 100 outlets in over 20 countries.

—BUSINESS STANDARD

FERRERO HAS THE BEST REPUTATION IN THE WORLD

According to an online article in the Economist magazine, Ferrero, the Italian chocolate-maker from Piedmont, has come out top in an annual survey of the world's most reputable companies.



Based on perceptions of the companies in their home markets, the Reputation Institute, a research firm, has asked the public to rate the world's 600 largest firms according to trust, admiration and respect, good feeling and overall esteem. Despite the economic turmoil, respect for business is still generally quite high.

But some sectors have suffered. Banks and other financial institutions, which commanded reasonable respect in years gone by, have slipped alarmingly, though they still do better than tobacco companies.

Ferrero was followed by Swedish home furnishings giant Ikea, Johnson & Johnson (USA), and two Brazilian companies, Petrobras and Sadia. Japan's Nintendo ranked at sixth place, followed by Christian Dior (France) and Kraft (USA). India's Tata group ranked 11th, behind Singapore Airlines and ahead of UPS (USA).

OUR DESKS & THEIR REPRESENTATIVES



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From **FINANCIAL TIMES**

EU faces permanent loss of output

Europe is likely to suffer a permanent loss in potential economic output as a result of the global crisis, and government finances will be under pressure for years to come, according to a new European Commission study.

“The crisis is the equivalent of capital destruction, reducing – at least for a time – the productive potential of the economy,” the report says.

“Current market disruption in financial markets and the more heavily regulated environment that is likely to follow can also be expected to have a permanent negative effect on potential growth, e.g. through reduced availability of capital for R&D and innovation activities.”

The Commission’s report on the 16-nation eurozone’s economy represents the European Union’s first in-depth attempt to assess the long-term consequences of the crisis for economic growth and Europe’s public finances.

Its warnings are likely to reinforce the view of policymakers in countries such as Germany, Europe’s largest economy, and Sweden, which assumed the EU’s rotating presidency on Wednesday, that Europe has absolutely no more room for fiscal expansion to combat the crisis.

The report notes that, even before the crisis, the eurozone’s potential economic growth rate was projected to fall from 2.2 per cent in 2007-2020 to 1.5 per cent in 2021-2030 and a meagre 1.3 per cent in 2041-2060.

The report says potential economic growth will slump to 0.7 per cent this year and in 2010, but predicts that it should make a gradual recovery over the medium term.

However, it cautions: “Empirical evidence of the effect of past crises shows... that the economy will not return to its pre-crisis expansion path but will shift to a lower one. In other words, the crisis will entail a permanent loss in the level of potential output.”

According to the Commission’s forecasters, the eurozone’s public debt will soar to 83.8 per cent of gross domestic product in 2010 from 66 per cent in 2007. Belgium, Greece and Italy will have debts above 100 per cent of GDP in 2010, France’s debt will be 86 per cent and Germany’s debt will be 78.7 per cent.

In all, 11 of the 16 eurozone nations will have debts higher than the 60 per cent level that, according to EU treaty law, countries hoping to join the eurozone must meet.

The Commission’s report suggests that matters may get even worse, saying: “Further rising debt ratios in the years beyond 2010 can be expected. The current high deficit levels can indeed be partly seen as structural in the sense that the economy is likely to face a deceleration in its medium- to long-term growth prospects.” Long-term pressures on Europe’s welfare state will increase as the continent grapples with rising life expectancy, low fertility rates and a shrinking working-age population, the report says.



Almost half of the EU's population today is aged 50 or older, but by 2060 half will be aged 55 or older and there will be nearly twice as many elderly people as children, it predicts.

The Commission says it will be vital for EU governments to resist protectionist temptations and reject measures that promote national interests at the expense of the single European market.

Measures that reduce labour market participation, such as early retirement schemes, must also be avoided, it says.

Summing up the state of Europe's banking sector, the report says: "The most acute phase of the crisis... has now receded, but the situation remains fragile. Euro area banks are still highly leveraged, and persistent concerns about the quality of their assets have fuelled fears about the overall health of their balance sheets.

—Tony Barber / Copyright Financial Times Ltd
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What India must do if it is to be an affluent country

What will the world economy – indeed, the world – look like after the financial crisis is over? Will this prove to be a mere blip or something more fundamental? Much of the answer will be provided by the performance of the two Asian giants, China and India. Rightly or wrongly, it is widely accepted that China will continue to grow very rapidly. But what is the likely future for India?

I attended debates on this question in Mumbai and Delhi two weeks ago. The occasion was the launch of a report prepared by the Centennial Group for this year's Emerging Markets Forum.* It addresses a provocative question: what would need to change if India were to become an affluent country in one generation? The answer is: a great deal. But one thing is clear: after the performance of the past three decades, the goal is not laughable.

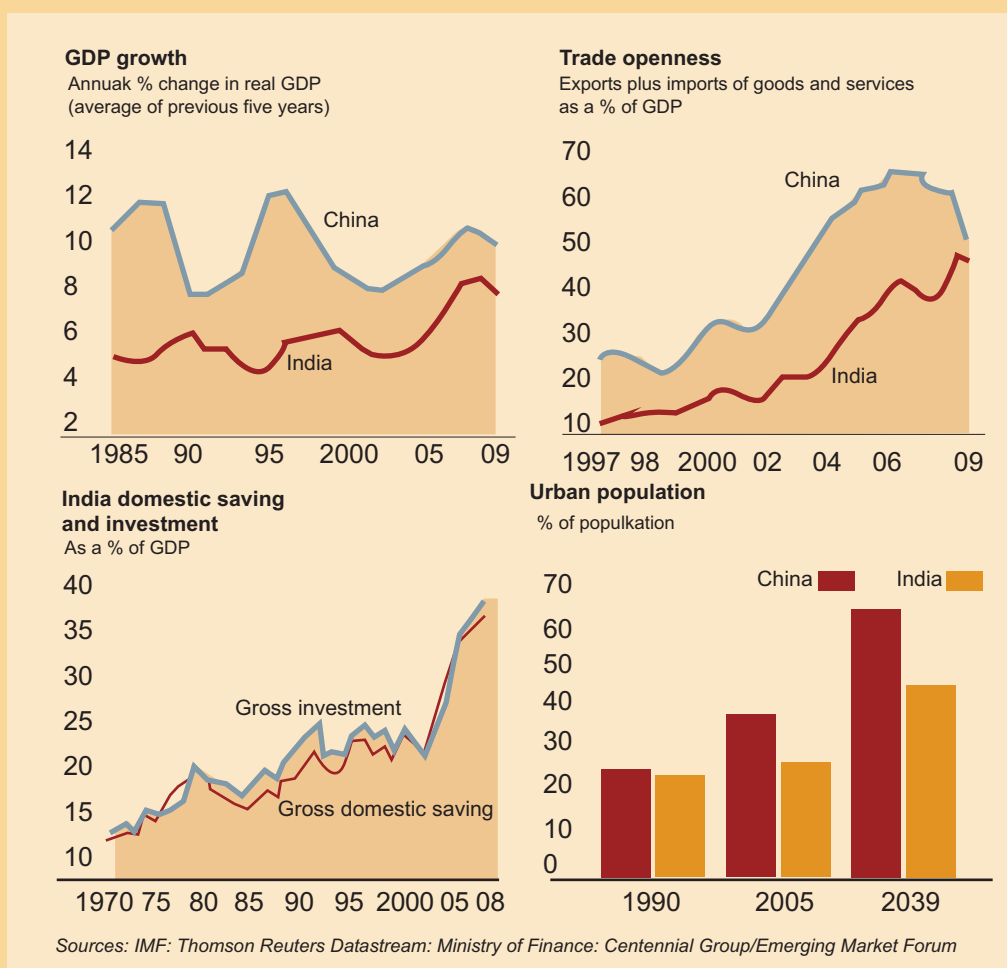
Since 1980 the average living standards of Chinese and Indians have, for the first time in the histories of these two ancient civilisations, experienced a sustained and rapid rise. In one generation, India's gross domestic product per head rose by 230 per cent – a trend rate of 4 per cent a year. This would seem a fine accomplishment if China's had not increased by 1,090 per cent – a trend rate of 8.7 per cent. Yet even if India has lagged behind, the change has been large enough for aspiration to replace resignation as the ethos of a large and rising proportion of Indians.

The recent past offers at least four further reasons for optimism. First, the rate of growth has been accelerating: over the five years up to and including 2008, the average annual rate of economic growth was 8.7 per cent, up from 6.5 per cent at the previous peak in 1999. Second, vastly higher savings and investment underpin this acceleration, with gross domestic savings up to 38 per cent of GDP in the financial year 2007-08. Third, India's economy has globalised, with the ratio of trade in goods and services up to 51 per cent of



GDP in the last quarter of 2008, up from 24 per cent a decade before. This was not far behind China's 59 per cent of GDP (see chart below).

Finally, the democratic political system, for all its frailties, works. Indian democracy is a wonder of the political world. What happened in the past election seems a big development – the re-election of a Congress-led government, with a big increase in the party's seats. It is widely believed that this reflects a choice of competence over caste and secularism over sect. Not least, the electorate registered approval of the competence and integrity of Manmohan Singh, the prime minister. I have been lucky to have known Dr Singh for three and a half decades. I admire nobody more. I only hope he is prepared to use his possibly final period in office boldly.



So what needs to happen if Indians are to enjoy an affluent lifestyle? The answer, suggests the report, is that India must sustain growth at close to 10 per cent a year over a generation. This is not inconceivable: China has managed that, from a lower base, over three decades. But it is a massive task, particularly for so huge, diverse and complex a country. Extraordinary change would have to occur, inside India and in India's relationships with the world.

For this to be conceivable, at least four things would have to happen: the world must remain peaceful; the



world economy must remain open; India must avoid the stagnation into which many middle-income countries have fallen; and, finally, the resource and environmental implications of its rise to affluence must be managed.

Moreover, India itself must overcome three big challenges: maintaining, indeed strengthening, social cohesion at a time of economic and social upheaval; creating a competitive and innovative economy; and playing a role in its region and the world commensurate with the country's size and rising importance. In fundamental respects, India must turn itself into a different country.

Not least, as the report makes clear, India would have to be governed quite differently. In India a vigorous, albeit too often corrupt, democratic process has been superimposed on the "mindsets, institutional structures and practices inherited from the British Raj". India has prospered despite government, not because of it. It is a miracle that the giant has fared as well as it has. But if this country is to prosper it must create infrastructure, provide services, promote competition, protect property and offer justice. The country must move from what the report calls "crony capitalism and petty corruption" to something different. The quality of government, widely believed to be deteriorating, must, instead, radically improve.

Just how far the transformation would have to go is shown by the "seven inter-generational issues" on which this report focuses: first, tackling disparities, not least among social groupings, but without further entrenching group-based entitlements and group-based politics; second, improving the environment, including the global environment; third, eliminating India's pervasive infrastructure bottlenecks; fourth, transforming the delivery of public services, particularly in India's ill-served cities; fifth, renewing education, technological development and innovation; sixth, revolutionising energy production and consumption; and, finally, fostering a prosperous south Asia and becoming a responsible global power.

I take two big things from the analysis in this report, one for India and another for the world.

For India, I conclude that even sustaining recent performance is going to be very hard. The era when the country could prosper just by stopping government from getting in the way is ending. India now requires efficient, service-providing government by competent technocrats and honest politicians. Of course, many foolish interventions still need to be removed. The government also needs to refocus its limited energy and resources on its essential tasks. But it must be able to perform these tasks far more effectively than it can today.

What I take for the world is that India, for all the huge challenges it confronts, is likely to continue its rise, if more slowly than the report assumes. The job of adjusting the familiar western ways of thinking about the world to the new realities has hardly begun. Within a decade a world in which the UK is on the United Nations Security Council and India is not will seem beyond laughable. The old order passes. The sooner the world adjusts, the better.

* India 2039: An affluent society in one generation, Asian Development Bank 2009

– *Martin Wolf / Copyright Financial Times Limited*
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ECONOMIC NEWS

INDIAN ECONOMY AT A GLANCE

INFLATION

Week ending 9 July 2009:	-1.55 %
Week ending 11 June 2009	0.13 %
Week ending 10 July 2008:	11.89 %

RUPEE EXCHANGE RATE

16 July 2009

1 Rupee = US \$ 0.02051	0.01460 euro
1 US Dollar = Rs 48.98144	1 euro = Rs 68.79296

BOMBAY STOCK EXCHANGE

	<i>closed at</i>	<i>up / down</i>
15 July 2009:	14,253.24	+399.54
14 July 2009:	13,853.70	-1021.82
15 June 2009:	14,875.52	

ITALIAN ECONOMY AT A GLANCE

INFLATION on 30 June 2009

compared to previous month:	+ 0.1 %
compared to same period last year:	+ 0.5 %

EURO EXCHANGE RATE

16 July 2009

1 euro = US\$ 1.40447
US Dollar = 0.71207 euros

S&B MIP INDICES

	<i>closed at</i>	<i>up / down</i>
14 July 2009:	18,450.54	+129.34
7 July 2009:	18,321.2	-1449.29
15 June 2009:	19,770.49	

FAIRS IN ITALY

Fair	Dates	Venue	City	Description	Organiser
Bijoux Expo	04–09 Sep	Fiera Milano	Milan	Jewellery and fashion accessories trailer for Macef	Reed Exhibitions Italia Srl www.reedexpo.com
Macef Milano	04–09 Sep	Fiera Milano	Milan	A major international home show	Fiera Milano International SpA www.fieramilano.it
Prato Expo	08–11 Sep	Fiera Milano	Milan	One of the most important international textile trade fairs	Ascontex Promozioni Srl www.ascontexpromozioni.com
Intertext Milano	09–11 Sep	Palazzo Delle Congress Center	Milan	Textile trade show	T D F SRL www.t-d-f.com
Flormart	10–12 Sep	Padova Fiere	Padova	Floriculture show	Padova Fiere www.padovafierte.it



FAIRS IN ITALY

Fair	Dates	Venue	City	Description	Organiser
MICAM	16–19 Sep	Fiera Milano	Milan	Trade fair for footwear industry	Fiera Milano International SpA www.fieramilano.it
Cersaie	29 Sep–3 Oct	Bologna Fiere	Bologna	Ceramic tiles and bathroom furnishings fair	Bologna Fiere www.bolognafiere.it
Genova Boat Show	3–11 Oct	Fiera di Genova	Genova	Luxury pleasure boat fair	National Marine Manufacturers Association www.nmma.org
EMO	5–10 Oct	Fiera Milano	Milan	Leading trade fair for machine tools	Fiera Milano International SpA www.fieramilano.it
MIAC	14–16 Oct	Lucca Polo Fiere	Lucca	14th edition of paper trade fair	Carrara Fiere Srl www.carrarafiere.com
TTI Travel Trade Italia	16–17 Oct	Fiere Roma	Roma	Focal point for boosting tourism in Italy	Rimini Fiera S.p.A. www.riminifiera.it
Agrifood Expo	23–25 Oct	Verona Fiere	Verona	Major expo event for Made in Italy' products	Veronafiere genuine ' www.veronafiere.it

FAIRS IN INDIA

Fair	Dates	Venue	City	Description	Organiser
India International Promotion Council	15–17 Jul	Pragati Maidan	New Delh	Bi-annual garment fair	Apparel Export
India Machine Tools Show 2009	24–27 Jul	Pragati Maidan	New Delhi	Exhibition of machine tools	K and D Communication Limited www.engimach.com



FAIRS IN INDIA

Fair	Dates	Venue	City	Description	Organiser
India International Jewellery Show 2009	06–10 Aug	Bombay Exhibition Centre	Mumbai	India's biggest jewellery show	The Gem & Jewellery Export Promotion Council www.gjepc.org
Giftex	07–10 Aug	Nehru Centre	Mumbai	Showcasing the finest in giftware and homeware products	Trade & Technology Exposition Co. India Tel: 91-22 2207 5256 / 2207 5257
Furniture & Furnishings Fair	14–17 Aug	Nehru Centre	Mumbai	For products required to design home exteriors and interiors	Introductions Trade Shows www.infairs.com
SME EXPO – Transport Infrastructure	19–21 Aug	Bombay Exhibition Centre	Mumbai	The latest projects, solutions/services and technologies in transport infrastructure	INIS Enterprises www.inis-enterprises.com

CHAMBER NEWS

ANNUAL INTERNATIONAL TORINO DESK OFFICERS' CONVENTION

1– 3 July 2009



The Torino Chamber of Commerce and the Piemonte Agency for Investments, Export & Tourism organised the annual international Torino desk officer's convention in Turin from 1– 3 July. All countries with Turin Desks participated, including: Hungary, Romania, the Czech Republic, Slovakia, Bulgaria, Poland, Russia, Turkey, Morocco, Qatar, USA, Brazil, Peru and India.

While most countries presented papers on their countries' energy, environment and infrastructure sectors (which India had presented last year), Desk India this year, met many Turin and Piemonte– based companies from these fields. Several companies were interested in working closely with their Indian counterparts on energy and environment. The Turin and Piemonte companies are also interested in the building materials market in India and are looking for importers and distributors for their products.

All the various desks were also updated on new projects running in Piemonte for the globalisation of Piemonte based companies in partnership with the desk offices.



PIEMONTE INCONTRACT

A new project, 'Piemonte InContract', offers a reserved lane to meet and develop businesses with a selection of top class companies and builds synergies to contribute to the realisation of hotels, airports, schools, hospitals and yachts with high quality and long-lasting supplies.



Style and culture, technology and innovation, efficiency, competitiveness and avant-garde technologies ensure that products satisfy the strictest internationally recognised safety norms. Highly skilled and specialised human resources, management-level problem-solving experience: are the characteristics of the businesses selected by Piemonte InContract. They adhere to strict parameters of evaluation: Technical know-how, innovative products, quality, program development and team work ability.

The group represents all fields of production:

- * Interior decoration
- * Sanitary taps and fittings
- * Furniture
- * Exhibition stands
- * Home automation
- * Flooring, coverings, doors, windows and shutters
- * Electrical and electronic material
- * Furniture textiles and upholstery
- * Furnishing accessories
- * Safety

PIEMONTE INCONTRACT:

Save time with our free assistance.

The Piemonte InContract project team will ascertain your needs and arrange one-to-one meetings with the most suitable partners, either in Piemonte or on your premises. Thanks to public financial backing, the team's assistance is completely free of charge.

High Quality Standards

Piemonte InContract companies are qualified to meet customers' demands (planning firms, interior designers, architects, constructors, hotel chains, hospitals, schools, public administration) and to respond to all standards imposed by product and process certification or by quality standards.

Discover contract excellence in Piemonte

Piemonte combines European quality standards with Italian creative abilities.

'Made in Italy' productions obtained such international recognition thanks to its creativity, design, fashion, originality, form creation, quality of the raw materials, durability of the manufactured goods and its attention to details. Altogether, these are integral parts of the success of the contract sector in Piemonte.

The contract supply-chain in Piemonte

- * arises in an industrial context and offers services of great tradition
- * disposes of productive excellence throughout the entire industrial process, from creativity to design, from planning to production, from research to material innovation, thus being positioned as the single reference for the realisation of even complex large-scale projects.
- * is comprised of a large number of SMEs: rather than a weakness, this is a winning factor, since these highly specialised niche companies can combine their strengths to compete on the international market.



The project

Piemonte InContract is a project promoted by the Piedmontese Chambers of Commerce with the operative support of Piemonte Agency.

For information, please contact:

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WORLD CHAMBERS COMPETITION 2009

(Kuala Lumpur, June 2009)

5 June 2009

'From Concept to Car', or FCTC, the Automotive Project started by the Turin Chamber of Commerce is the winning project of the 2009 edition of the World Chambers Competition, biennial global awards program dedicated to the most innovative projects launched by the Chambers of Commerce and Industry all over the world.

FCTC was devised in 2002 by the Torino Chamber of Commerce, with the main purpose of promoting the skills and capabilities of the Piemonte automotive suppliers abroad and mainly of those companies based in Torino, the hometown of the Italian automotive industry.

FCTC provides foreign buyers with valuable support in outsourcing activities, as it offers them the opportunity to get in touch with over 150 top-flight suppliers, chosen from 1,400 on the strength of their technical, qualitative and logistic capabilities.

Detailed information about all member companies — potentially able to manufacture a vehicle from the drawing board (styling, engineering, prototyping) to mass production (tooling, automation, components and systems, assembly, logistic and services) — are available on www.fromconcepttocar.com

Purchasing managers wishing to find out more about the Piemonte supply proposals can apply to the 'From Concept to Car' project team, coordinated by the Piemonte Agency for Investments, Export and Tourism. The team will ascertain their supply needs and arrange one-to-one meetings with the most suitable suppliers in Piemonte or on their premises.

For further information please contact:

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EXHIBITIONS IN MILAN



MACEF Autumn 2009

4-7 SEPTEMBER

For more than 40 years MACEF has been one of the most important international home shows, and the Indo-Italian Chamber is proud to be once again promoting this, Italy's largest exhibition.

MACEF is held bi-annually – in January and September – with a total of 4,000 exhibitors over 240,000 sq m taking part, along with 150,000 trade visitors (80,000 in January and 70,000 in September).

MACEF Autumn will witness special projects dedicated to giftware, fashion accessories, small home furnishings, silver and gold design. Specially designed booths will be created, with centralised theme areas attracting focused buyers, wholesalers, large-scale distributors, retailers, architects and interior designers / decorators. At MACEF, these sectors have become a reference point for visitors looking for a range of utility products that are often unique in design and creativity.

www.macef.it

For information regarding all exhibitions, please contact:

Leenol Pereira

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ITALIAN LANGUAGE COURSES IN MUMBAI

Level	Beginning	Days	Timings	Duration	Fees (inc taxes and study material)
I (Beginners)	27 July 2009	Monday, Wednesday & Friday	08:30–10:30 am	40 hours	Rs 6,000/-

Venue:

Indo-Italian Chamber of Commerce & Industry
Bengal Chemicals Compound
502 Veer Savarkar Road
Mumbai 400025

For further information please contact:

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BUSINESS ENQUIRIES FROM INDIA

For further information regarding all Business Enquiries, please contact:

infodesk@indiaitaly.com

quoting reference at end of enquiry.

AGROINDUSTRY

An Indian exporter and importer of food products is looking for manufacturers and exporters of olive oil in Italy. **Ref: AG-IN-24**

FASHION, ACCESSORIES AND APPAREL

An Indian company that designs and manufactures stylish and contemporary women's quality footwear is looking for importers/ agents in Italy. **Ref: FA-IN-53**

AUTOMOTIVE

An Indian importer and exporter of automotive components, is looking for Italian manufacturers of rotavator blades and rotavators. **Ref: AU-IN-09**

An Indian manufacturer of wheels for commercial vehicles is interested in importing complete wheel rim production line with latest machines and technologies in order to produce the same in India. **Ref: AU-IN-11**

MACHINERY AND EQUIPMENT

An Indian manufacturer and exporter of hardware fasteners, such as nuts, bolts, rods, sheets, angles, washers, screws, thread bars and various other machinery parts of engineering and industrial products, is looking for Italian importers for their products. **Ref: MA-IN-51**

An Indian supplier of Steel Castings is looking for Italian manufacturers of Pumps, Construction Equipments, Heating Furnaces, Cooling Towers, Steel, etc to supply their products. **Ref: MA-IN-53**

BUILDING CONSTRUCTION AND MATERIALS

An Indian hardware manufacturer of assorted brassware fittings, bathroom fittings, iron fittings, etc is looking for Italian companies interested in importing similar products. **Ref: BU-IN-16**

CHEMICAL & PHARMACEUTICAL INDUSTRY

An Indian manufacturer of tablet compression machines, R&D equipments, punches and dyes is looking for JV collaboration with an Italian company to manufacture them in India. These equipments and machines produced will be for the export market. **Ref: CH-IN-12**

An Indian manufacturer of fine chemicals for bulk drug manufacturers is interested in exporting their products to Italy. **Ref: CH-IN-15**

An Indian manufacturer of ion exchange resins is looking for water and waste water treatment plants in Italy to supply their products to them. **Ref: CH-IN-16**

ICT & ELECTRONICS

An Indian manufacturer of electrical and electronic instruments like digital multifunction meter, energy management system, electrical transducer etc. is looking for joint venture collaboration with an Italian



company to manufacture these products in India. **Ref: IC-IN-11**

An Indian manufacturer and exporter of electrical power transmission hardware products is looking for Italian importers and contractors of electrical power overhead line material / hardware products, electro- mechanical HVAC, fasteners, industrial fabrics. **Ref: IC-IN-12**

UTILITIES, POWER, ENERGY & MINING INDUSTRY

An Indian cable ties and wiring accessories manufacturer is looking for Italian importers for their products. **Ref: UT-IN-07**

BUSINESS ENQUIRIES FROM ITALY

For further information regarding all Business Enquiries, please contact:

infodesk@indiaitaly.com

quoting reference at end of enquiry.

AGROINDUSTRY

An Italian wine producing company is looking for Indian importers and distributors of wine. **Ref: AG-IT-40**

ICT & ELECTRONICS

An Italian company specialising in two different product lines:

- a) Software and ICT products especially conceived for insurance companies
- b) Laser micro markings for special metals, optical system, lenses, precious metals, arms and ammunition.

They are interested in entering the Indian market. **Ref: IC-IT-21**

FASHION, ACCESSORIES AND APPAREL

An Italian fashion house that manufactures apparel for men, women and kids, especially jeans, is interested in expanding their market in India through retailers, franchise, importers etc. **Ref: FA-IT-17**

FURNITURE & LIGHTING

An eminent Italian manufacturer of spring mattresses is interested in entering the Indian market through commercial and industrial collaboration with Indian importers/ mattress manufacturers. **Ref: FU-IT-13**

BUILDING CONSTRUCTION AND MATERIALS

An Italian company that manufactures corrugated bitumen sheets made of recycled paper and bitumen, plastic (HDPE) membranes, plastic (HDPE) honeycomb lawns and parking is looking for Indian architects, contractors, importers to market them in India. **Ref: BU-IT-17**

CHEMICAL & PHARMACEUTICAL INDUSTRY

An Italian company that manufactures wood varnishes is looking for Indian importers and distributors to enter the Indian market. **Ref: CH-IT-09**

OTHERS

An Italian company that produces disks for metal cleaning and polishing made of various materials such as cotton and tissue with specific finishing and of different diameters is looking for Indian manufacturers of the same products. **Ref: OT-IT-09**