



The Council of EU Chambers of Commerce in India

e-Newsletter

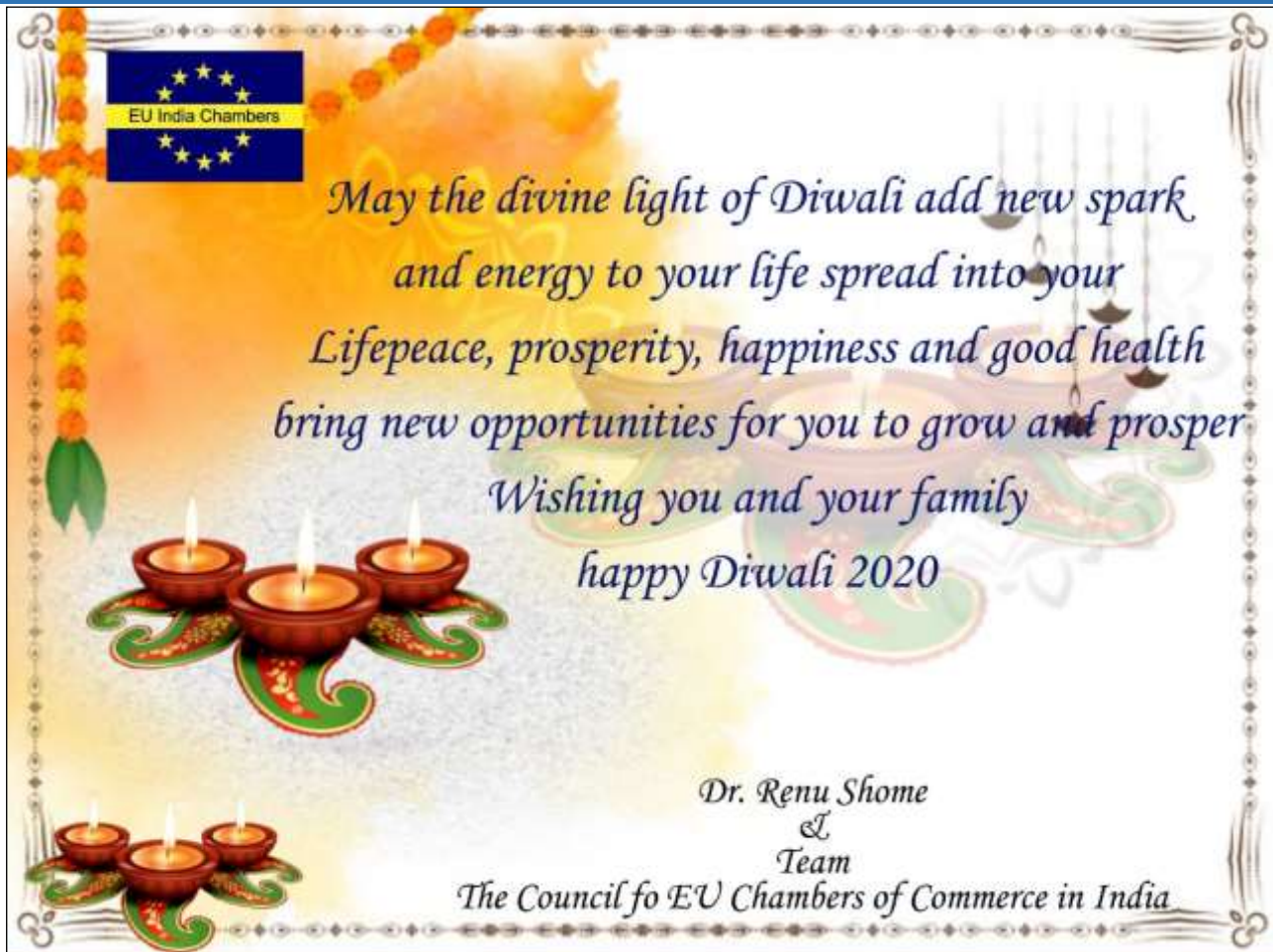
November 2020



EU India e-Newsletter covers Past and Current activities, major Highlights of the Chamber, Committees, Business Opportunities for EU & India and much more.

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BUSINESS OPPORTUNITIES FROM EU

Chamber of Commerce and Industry of Slovenia is organizing GZS ZOOM meeting series on Tuesday, 17th November 2020 at 10am CET. Guest of honor will be Mr. Bojan Ivanc, Chief Economist at the Chamber of Commerce and Industry of Slovenia (CCIS). The topics to be discussed as follows:

- the current economic situation in Europe and elsewhere in the world;
- the activities and markets that have gained and lost the most with the current health crisis;
- how to plan your business for the next week, next month and next year and what you need to consider;

Bojan has been employed at the CCIS since 2013. He takes care of macroeconomic forecasts and financial account systems of companies. He is involved in important initiatives of the Chamber, where analytical support is needed and they are related to measures and the impact on the economy. He regularly publishes his announcements in domestic and foreign media.

Meeting will last 60min and will be held through ZOOM platform and in English. If you wish to take part, contact us

BUSINESS OPPORTUNITIES FROM INDIA

An AI and advanced analytics consulting company enabling enterprises to generate measurable business value through data, they are a trusted and Industry recognized (Gartner, Forrester) data science and data engineering partner for several Fortune 500 companies. The Company brings deep expertise in Marketing science, Customer analytics, and Operations & Risk Analytics to deliver measurable business impact to their customers by using cutting edge Advance Analytics, Artificial Intelligence and Machine Learning techniques to solve complex business problems.

They have strong experience in Image, Video, Speech and Text Analytics and have delivered more than 600+ projects over past 10 years. They have been recently recognised by Forrester Wave 2020 as the leader in "Specialized Insights Service Provider" space.

They currently serve their Global Fortune 500 customers across all major industrial vertical such as CPG, Retail, Healthcare, Banking, Insurance and Manufacturing. They are looking for companies with whom they would like to explore an opportunity to showcase their Advanced Analytics and AIML Capabilities to explore further for mutual benefit.



THOUGHT FOR THE DAY: Nature does not hurry, yet everything is accomplished.

— Lao Tzu

When will there be a full-fledged economic recovery? Depends



Prognosis

KIRAN NANDA

Everyone is eagerly awaiting a safe and sustainable economic recovery. The strict, prolonged lockdown to arrest the spread of the Covid-19 pandemic also resulted in an economic upheaval, affecting people's earnings and employment. 2020 is expected to be annus horribilis, affecting the entire economy across sectors, with domestic consumption, government expenditure and private investment — all turning lacklustre.

The manufacturing sector — contributing 16 per cent to India's GDP and providing employment to as many as 120 million people — has suffered the most in these Covid times. The long-suffering real estate sector, which contributes 4.3 per cent to the GDP and employs 32 million people, got a mammoth shakedown. Buyers have turned their attention for readymade homes, as they fear builders won't be able to finish new projects. Putting such sectors back on their feet will require well-studied reset policies and meaningful incentives.

However, a few bright spots have also emerged. E-commerce, covering practically all products and services (employing 1.2 million and contributing 1 per cent to the GDP) is booming. As the lockdown has paralysed traditional retail, e-commerce has taken off, expecting to grow to \$100 billion by 2024. In e-commerce, e-learning and e-healthcare are flourishing, as people are hesitant to step outside. India has become the second-largest market for e-learning, next to the US. E-commerce, including ed-tech, health-tech, fin-tech and ag-tech are poised to grow even more.

As regards economic revival, a number of recovery patterns are being predicted — a V-shaped (sharp recovery), an L (prolonged stagnation), a U (gradual recovery), a W (rollercoaster recovery) and a K (some sectors rising and others falling). A V-shaped recovery would be the best. This would require many decisive reforms, including time-bound, effective implementation of recent agriculture, labour and disinvestment reforms. Predicting a definite pat-

tern of recovery seems difficult, as many uncertainties prevail — like how soon will an effective vaccine be discovered, how long will its effect last, how long the pandemic will last and the lurking fear of the occurrence of a second and third wave of coronavirus will always remain. A sustainable recovery will also depend on responsible government policies-cum-interventions taking place. More so, when the growing gap between the government's intentions and outcomes over the years is only too evident.

India has to redouble its efforts to contain the pandemic and enhancing non-pharmaceutical interventions — wearing masks correctly, physical distancing, avoiding large gatherings, extensive testing and contact tracing — along with boosting public health infrastructure.

Economist Swaminathan Aiyar opines that "stringent lockdown and conservative fiscal policy were mistakes. It is time to reverse both". Some other veterans are of the view that fiscal relaxation would not be in the country's interest. On the other hand, as the RBI has already taken plethora of measures to ease monetary policy, fiscal relaxation seems the only option. However, fiscal relaxation has to be accompanied by adhering to governance and regulatory norms in the right spirit. Doubts arise when one reads — 'CAG slamming the government's strategic sale of one PSU to another' and 'CAG audit finds Central government wrongly retaining near Rs 48,000 crore of GST compensation cess meant for states'. Fiscal transparency is essential. Concerns raised by the CAG must be addressed. There is no point pouring reforms into a leaky bucket. The promises of netas, babus and new laws, however well-meant, imply nothing. What matters is implementation on the ground.

A confusing economic scenario is emerging. The economy showed manufacturing and services gradually improving, even with virus cases multi-



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plying across the country. Agriculture has proved to be a bright spot. Still a strong rebound is not seen because of a number of disruptions taking place. Rising inflation and growth contraction are presenting a stern test for authorities. Many economists and institutions have been downgrading their growth forecasts for the year.

Reforms for select sectors need to be reworked. Though authorities have initiated the required second generation of economic reforms, a sustainable V-shaped recovery is not likely soon, as not only will a prolonged pandemic will result in economic slowdown but also, structural reforms that are being and will be undertaken along with regulatory changes by the SEBI and the RBI, accompanied by fierce competition in some sectors, are bound to accentuate the slowdown impact. India has to afix its banks before it is too late. Raghuram Rajan and Viral Acharya, former RBI governor and deputy governors respectively, have recommended wide-ranging reforms for the banking sector. Policymakers also need to boost regional cooperation, with a view to strengthen the country's preparedness for fu-

ture pandemics or similar disasters.

The timing of a V-shaped recovery depends on a variety of factors. When will an effective vaccine be discovered? Experts say producing a viable vaccine could take 10-15 years, after factoring in the results of an optimum sample of clinical trials. Clinical trials for various vaccine candidates are underway and the world hopes that their adverse reactions will be few and unrelated.

Though the Government's role has increased, a retreat in favour of private participation jointly working with the Government, with full trust in key sectors, may be the key. Consensus predicts the likelihood of a U-shaped recovery, with an elongated base. In fact, until an effective vaccine with no major side effects is discovered, and decisive critical and green economic reforms are undertaken and implemented, nothing can be said about when a sustainable economic recovery will take place. However, for certain, a V-shaped recovery is unlikely.

The writer is an economist and former director of the Economic Research & Training Foundation.



THOUGHT FOR THE DAY: There is frequently more to be learned from the unexpected questions of a child than the discourses of a man.

— John Locke

E-commerce races ahead despite odds



Analysis

KIRAN NANDA

A unique competitive Indian growth model of e-commerce is fast evolving. This will be supported by e-commerce policy, which is still in the making. India's e-commerce market is among the fastest growing in the world, contributing roughly about 4 per cent of the GDP (from 1 per cent in 2015). It is transforming the way Indian business is done. E-commerce and digital communications - new-age services - dominate conversations about the next curve of growth these days.

E-commerce was progressing even before the onset of Covid-19, thanks to technology innovation, along with a digital push. Covid proved the black swan event that gave it a massive fillip, with the 'work from home' (WFH) concept gaining prominence. Globalisation, notwithstanding increasing protectionism, has given rise to a number of collaborative opportunities within India and abroad. This trend was accelerated, with many foreign businesses wanting to enter or expand operations in India. In the process, SMEs, agricultural enterprises, finance, banking, fashion, beauty, marketing and advertising, FMCGs, general merchandise, trade, health and education, have all started benefitting. It has created employment opportunities at various skill levels in all the above segments. IT companies like TCS, Infosys and Wipro restarted hiring engineers. Decades' worth of digitisation trends have manifested in a short span of time, thanks to the pandemic.

Some prominent collaborative initiatives -- the Atal Innovation Mission (AIM), the NITI Aayog joining CGI India (a large IT and business consulting services firm) to further rev up innovation across schools; the Tata Group in talks with Big Basket for a tie-up that may involve a 20 per cent stake, depicting India's largest conglomerate's e-com ambitions; Flipkart bolstering

partnership with banks, NBFCs ahead of festive season and preparing its fin-tech constructs for consumers to benefit from easy access of credit and affordability options.

Lessons can also be imbibed from success stories abroad. Dubai's Tradeling.com, the hyper-growing e-market, signifies the region's first freight-buying integration, helping customers compare, book, manage and track air, ocean or land cargo in real time. With this, its business-to-business transactions, driving more value for MENA businesses benefitting SMEs, now brings another innovative and value-added service through effective and cost-competitive freight booking and management. Another success story - the Swedish apparel retailer H&M, which currently has 48 outlets in 24 cities in India, will continue to expand its physical stores in India although it is closing down 250 stores globally, betting on the long-term potential of the country.

Interestingly, both online and offline retail businesses have started converging, to enhance earnings from the festive season. Only, the working of offline businesses will now become more cost-effective, time-bound and disciplined, to move in sync with the working culture of online enterprises.

Numerous opportunities are also emerging -- e-commerce giants have started eyeing rural India and small towns for growth; the Indian banking sector is using emerging technologies like Artificial Intelligence (AI) and Machine Learning (ML) for corporate loans, for productive lending. Lending to MSMEs remained stagnant for the last so many years but henceforth, banks are likely to develop models to actively support MSMEs, thereby also improving their own balance-sheets. Reliance is foraying into smart electricity meters and exploring offering services such as meter data collection via a Narrow Band-Internet of Things.

Covid proved the black swan event that gave it a massive fillip, with 'work from home' (WFH) gaining prominence. Globalisation, notwithstanding increasing protectionism, has given rise to a number of collaborative opportunities within India and abroad. This trend was accelerated, with many foreign businesses wanting to enter or expand operations in India. In the process, SMEs, agricultural enterprises, finance, banking, fashion, beauty, marketing and advertising, FMCGs, general merchandise, trade, health and education, have all started benefitting.



India's online gaming craze has grown into a multi-crore business. Indians, irrespective of age, are turning into avid gamers - a whopping 365 million players. With celebrity endorsements, regional language interfaces and sponsorship money, the online gaming industry is flourishing; Google Play Store, which works as a virtual mall, has posted \$17.3bn revenue in the first half of 2020 and is growing at 21 per cent per annum.

Formidable challenges do prevail, like the constant fear of cyberwarfare; data privacy is another challenge. The SEI has constituted a committee for market data-sharing. Protecting the data of Indian citizens requires a modern data privacy law, which is being finalised. There are demands for similar laws in the US and other countries.

Another recent challenge was the massive power outage in India's financial capital, impacting businesses across information technology, banking and financial services and fin-tech sectors; then there is the challenge of meeting divergent views brewing over a spectrum band between Telcos (Bharti Airtel, Vodafone Idea and Reliance Jio) and tech companies (Google, Microsoft, Apple, Facebook); the Government pulled up Amazon and Flipkart for not displaying the country of origin of some of the products sold on their platforms, threatening action if they did not explain themselves within 15 days.

Other challenges include regulatory hurdles with different digital platforms requiring distinct regulations; a complex situation relates to - despite relaxation in the deadline for the applicability of Google's new Play Store

policy, a group of Indian startups started planning to move the Competition Commission of India against the company; yet another challenge concerns the likelihood of a global digital tax war metamorphosing into a trade war that could potentially slash global GDP every year: Google, Facebook, Amazon, LinkedIn and Netflix could face larger domestic tax liability in the wake of the OECD postponing a common tax framework for global economies, a move that will allow countries like India to have their own plans to tax the digital giants. India has started partly taxing these global giants under the equalisation levy.

Thus, e-commerce carries the potential of making India an attractive investment and global data hub. India currently enjoys many advantages with respect to e-commerce businesses - growing demand, attractive opportunities, policy support, increasing investments and the competitive advantage of developing special skill sets for this sector, coupled with vast software technology manpower to implement the same.

Industry, research bodies and the Government need to be mindful of future threats and risks. There is a need for a strong network and sustainable bandwidth. The success of e-commerce is dependent on many variables, like adequate customer support, multi-channel marketing and user-friendly platforms. Users should have appropriate devices, uninterrupted power supply and strong network connectivity.

The writer is an economist and former director of the Economic Research Training Foundation.

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