

A  
GLOBAL COUNTRY REPORT  
ON  
BELGIUM

Submitted to  
Gujarat Technological University

IN PARTIAL FULFILLMENT OF THE  
REQUIREMENT OF THE AWARD FOR THE DEGREE OF  
*MASTER OF BUSINESS ADMINISTRATION*

In  
Parul Institute of Engineering & Technology MBA

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MBA SEMESTER III & IV  
PARUL INSTITUTE OF ENGINEERING & TECHNOLOGY MBA  
MBA PROGRAMME

Affiliated to Gujarat Technological University  
Ahmedabad  
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## **DECLARATION**

We, students of Parul Institute of Engineering & Technology MBA, hereby declare that the report for Global Country Report on Belgium is a result of our own work and our indebtedness to other work publication, references, if any have been duly acknowledged.

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## **INSTITUTE'S CERTIFICATE**

It is certified that this Global Country Report on Belgium is the bonafide work of students of Parul Institute of Engineering & Technology MBA who carried out the research under our supervision. We also certify further, that to the best of our knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

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**Signature**

**Ms Vidhita Sinha**

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## **PREFACE**

The Practical training at MBA level is to develop the students' experience about industrial environment of business practice at domestic as well as international level in order to develop a practical base in them as supplement to the theoretical studies of the management in general. The theoretical knowledge and concept ideas are the enough background for career development but the practical training is also having equal contribution for the purpose.

It is very true saying that "Without practical exploration no one becomes expert". Global Country Report, an opportunity provided by the university intends to increase the knowledge, attitude and ability of a student to observe and perceive the business system of another country. As a result of MBA, it is a part of education that we may be allowed to know about how a particular industry / sector perform in another country.

Through Global Country Report, we come across some great knowledge of how a particular industry / sector perform in a country.

## **ACKNOWLEDGEMENT**

This acknowledgement is not only the means of formality, but to us, it is a way by which we are getting the opportunity to show the deep sense of gratitude and obligation to all the people who have provided us with inspiration, guidance and help during the preparation of the project.

At the very outset, we would like to express our gratitude from the bottom of our hearts to Gujarat Technological University for giving the students the opportunity to do a Global Country Report so that we can learn about the business as well as managerial activities regarding another country.

We would also like to express our gratitude to our faculty guide **Ms. Aashka Patel- (Asst. Professor)**, **Ms. Iram Khan- (Asst. Professor )**, **Ms. Vidhita Sinha-(Asst. Professor )**, **Parul Institute of Engineering & Technology MBA**, who helped us in carrying our project work, which ultimately resulted in successful completion of the project. Last but not the least we are thankful to our parents, friends and all well wishers for blessing us for our success.

## **EXECUTIVE SUMMARY**

Gujarat technological university has added Global Country Report in the current syllabus so that students get practical knowledge of other countries along with India. The objective of Global Country Report is to enable the students about the socio-economic aspects of a foreign country, and learn about present and potential area of business with that country. It also enables the students to learn about how to do business / export / import with / within that country. Here, we have chosen Belgium for our study. This report includes the Summary of work done in the Semester III (PART I) and also the summary of work done in Semester IV (PART II).

Part I focuses on the Demographic profile, General Economic & Industries overview, General overview of Trade & Commerce, Overview of different economic sectors of Belgium, Legal aspects of trade in Belgium, Present trade relations of Belgium with India and specifically Gujarat, the Import Export scenario between the two nations, Business volume of different products, investments with India and also Gujarat. It also includes the PESTEL Analysis.

Part II in this report consists of a Specific Study and Analysis of different sectors. It is a synopsis of Analysis of particular industry/sector/company of Belgium, the present relationship with Indian trade and commerce, investment, import-export. Further it also focuses on the identification of possibilities or new opportunities of business which can be in trade, manufacturing, import, export, investment etc in Belgium. The different sectors which we have covered under specific study and analysis are Machinery & Tools, Glass, paper & Packaging, Travels & tourism, Metal, Gems & Jewellery, Pharmaceutical, Automobile, Food & Beverages and Chemical

This report identifies achievements, assesses progress and also signals opportunities for Indian businesses. The report will provide potential investors an overview of the Belgium economy and society, detailed insight on opportunities and challenges in the Belgium market and some practical information about working in Belgium. The report contains some basic information on the Belgium manufacturing industry; it also contains non oil and gas manufacturing contribution to GDP, then some information about legal framework of trade relations, trade structure and trading partners.

With Belgium's enormous natural resources, cheap labor and growing middle class the potential is exceptional. Despite of the challenges the country is something every investor should consider. The challenges can be handled and the opportunities are too big to neglect. Belgium is definitely a country we would recommend for future investments.

Our report has limitations, as we search data on internet. Another limitation with our research is that we visited a limited number of websites. This may cause the report to be too one-sided. We have tried to balance our website visits with some Belgium companies. We have also searched for local's point of views on internet through articles and expatriates in more informal settings and to our best ability tried to understand the Belgium history, culture and way of thinking.

These limitations can be eliminated by going onto the field of Belgium and by meeting them personally, taking their feedbacks & suggestions towards overall improvement of business & trade at international level

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**PART – I**

**ECONOMIC**

**OVERVIEW**

**OF BELGIUM**

## CH.1:- HISTORY AND OVERVIEW OF BELGIUM

Belgium derives its name from the Belgae, a Celtic tribe. The Belgae were forced to yield to Roman legions during the first century B.C. For some 300 years thereafter, what is now Belgium flourished as a province of Rome. But Rome's power gradually lessened. In about A.D. 300, Attila the Hun invaded what is now Germany and pushed Germanic tribes into northern Belgium. About 100 years later, the Germanic tribe of the Franks invaded and took possession of Belgium. The northern part of present-day Belgium became an overwhelmingly Germanized and Germanic-Frankish-speaking area, whereas in the southern part people continued to be Roman and spoke derivatives of Latin. After coming under the rule of the Dukes of Burgundy and, through marriage, passing into the possession of the Hapsburgs, Belgium was occupied by the Spanish (1519-1713) and the Austrians (1713-1794).

Under these various rulers, and especially during the 500 years from the 12th to the 17th century, the great cities of Ghent, Bruges, Brussels, and Antwerp took turns at being major European centers for commerce, industry (especially textiles), and art. Flemish painting--from Van Eyck and Breugel to Rubens and Van Dyck--became the most prized in Europe. Flemish tapestries hung on castle walls throughout Europe.

Following the French Revolution, Belgium was invaded and annexed by Napoleonic France in 1795. Following the defeat of Napoleon's army at the Battle of Waterloo, fought just a few miles south of Brussels, Belgium was separated from France and made part of the Netherlands by the Congress of Vienna in 1815.

In 1830, Belgium won its independence from the Dutch as a result of an uprising of the Belgian people. A constitutional monarchy was established in 1831, with a monarch invited in from the House of Saxe-Coburg Gotha in Germany.

Belgium was invaded by Germany in 1914 and again in 1940. Those invasions, plus disillusionment over postwar Soviet behavior, made Belgium one of the foremost advocates of collective security within the framework of European integration and the Atlantic partnership.

Since 1944, when British, Canadian, and American armies liberated Belgium, the country has lived in security and at a level of increased well-being.

Language, economic, and political differences between Dutch-speaking Flanders and Francophone Wallonia have led to increased divisions in Belgian society. The Industrial Revolution of the late 18th and the 19th century accentuated the linguistic North-South division. Francophone Wallonia became an early industrial boom area, affluent and politically dominant. Dutch-speaking Flanders remained agricultural and was economically and politically outdistanced by Brussels and Wallonia. The last 50 years have marked the rapid economic development of Flanders, resulting in a corresponding shift of political and economic power to the Flemish, who now constitute an absolute majority (58%) of the population.

Demonstrations in the early 1960s led to the establishment of a formal linguistic border in 1962, and elaborate rules made to protect minorities in linguistically mixed border areas. In 1970, Flemish and Francophone cultural councils were established with authority in matters of language and culture for the two-language groups. Each of the three economic regions--Flanders, Wallonia, and Brussels--was granted a significant measure of political autonomy.

Since 1984, the German language community of Belgium (in the eastern part of Liège Province) has had its own legislative assembly and executive, which have authority in cultural, language, and subsequently educational affairs.

In 1988-89, the Constitution was again amended to give additional responsibilities to the regions and communities. The most sweeping change was the devolution of educational responsibilities to the community level. As a result, the regions and communities were provided additional revenue, and Brussels was given its own legislative assembly and executive.

Another important constitutional reform occurred in the summer of 1993, changing Belgium from a unitary to a federal state. It also reformed the bicameral parliamentary system and provided for the direct election of the members of community and regional legislative councils. The bilingual Brabant province, which contained the Brussels region, was split into separate Flemish and Walloon Brabant provinces. The revised Constitution came into force in 1994.

## **CH.2:-DEMOGRAPHIC PROFILE**

### **▪ GEOGRAPHY AND PEOPLE**

Belgium is located in Western Europe, bordered by the Netherlands, Germany, Luxembourg, France, and the North Sea. Although generally flat, the terrain becomes increasingly hilly and forested in the southeast (Ardennes) region. Climate is cool, temperate, and rainy; summer temperatures average 77°F, winters average 45°F. Annual extremes (rarely attained) are 10°F and 100°F.

Geographically and culturally, Belgium is at a crossroads of Europe, and during the past 2,000 years has witnessed a constant ebb and flow of different races and cultures. Consequently, Belgium is one of Europe's true melting pots with Celtic, Roman, Germanic, French, Dutch, Spanish, and Austrian cultures having made an imprint.

Belgium is divided ethnically into the Dutch-speaking Flemings and French-speaking Walloons, the 70,000 residents of the eastern German cantons, and the bilingual capital of Brussels. The population density is the second highest in Europe, after the Netherlands.

#### **➤ Ethnic groups**

The country is populated by a Flemish majority of about 6,000,000 people speaking Dutch, a Walloon minority of 3,400,000 people speaking French, and about 73,000 German speaking people in Wallonia, near the German border. However, David Levinson reports that "the Flemish and Walloon groups are described by experts as "communities" rather than as ethnic groups, and individuals can move easily from one community to the other by learning to speak the other language".

The rest consists mostly of French-speaking people from Brussels, Italians, Dutch, French, Portuguese, Spaniards, Moroccans, Algerians, Turks, Congolese, Poles, and Indians. (Around 23% of Belgium's population is of non-Belgian origin.)

The exact number of French-speakers in Brussels is hard to determine, but it is estimated that 77% of the people living in Brussels use French and 16% use Dutch in their households, as the sole language or secondary language. See the Brussels article for more details.

## ➤ Languages

Belgium's three official languages are Dutch, spoken by 60% of the population, French, spoken by 39%, and German, spoken by less than 1%. The vast majority of Belgium's population, 99%, is literate as defined by the Belgian government, i.e. capable of reading and writing in an official language by the time a citizen has reached the age of 15.

## ➤ Religion

Most, 75% of Belgians are nominally Roman Catholic. Protestant, Muslim, agnostic, atheist and other minority religions comprise 25% of the population.

## ➤ Age structure (Est. 2009)

| Age                      | Male      | Female    | Total (%) |
|--------------------------|-----------|-----------|-----------|
| <b>0–14 years</b>        | 857,373   | 822,303   | 16.1%     |
| <b>15–64 years</b>       | 3,480,072 | 3,419,721 | 66.3%     |
| <b>65 years and over</b> | 760,390   | 1,047,477 | 17.6%     |

## ➤ Sex ratio (2009 est.)

| Age                      | Male(s)/female |
|--------------------------|----------------|
| <b>At birth</b>          | 1.04           |
| <b>under 15 years</b>    | 1.04           |
| <b>15–64 years</b>       | 1.02           |
| <b>65 years and over</b> | 0.71           |
| <b>Total population</b>  | 0.96           |

## ➤ Total fertility rate

The total fertility rate (TFR) gradually increased during the last decade from 1.60 in 1997, 1.65 in 2002 and 1.82 in 2007. The rates in Brussels are higher than the national average (1.79 in 1997, 1.93 in 2002 and 2.09 in 2007), while they are below the average in Flanders (1.54 in 1997, 1.56 in 2002 and 1.77 in 2007).

## **GOVERNMENT AND POLITICAL CONDITIONS**

Belgium is a hereditary constitutional monarchy. The current monarch is King Albert II, who took the oath of office on August 9, 1993.

As titular head of state, the King plays a largely ceremonial and symbolic role in the nation. His primary political function is to designate a political leader to attempt to form a new cabinet following either an election, the resignation of a government, or a parliamentary vote of no confidence. The King is seen as playing a symbolic unifying role, representing a common national Belgian identity.

The Belgian Parliament consists of a Senate and a House of Representatives. The House of Representatives has 150 directly elected members. The Senate has 71 elected members. The executive branch of the government consists of ministers and secretaries of state (junior ministers) drawn from the political parties that form the government coalition. The number of ministers is limited to 15, and they have no seat in Parliament. The Council of Ministers is chaired by the Prime Minister and consists of the ministerial heads of the executive departments.

The allocation of powers between the Parliament and the Council of Ministers is somewhat similar to the United States--the Parliament enacts legislation and appropriates funds--but the Belgian Parliament does not have the same degree of independent power that the U.S. Congress has. Members of political parties represented in the government are expected to support all bills presented by the Cabinet. The House of Representatives is the "political" body that votes on motions of confidence and budgets. The Senate deals with long-term issues and votes on an equal footing with the Chamber on a limited range of matters, including constitutional reform bills and international treaties.

The Prime Minister and his ministers administer the government and the various public services. Ministers must defend their policies and performance in person before the House.

## **THE COUNCIL OF MINISTERS**

At the federal level, executive power is wielded by the Council of Ministers. The Prime Minister chairs the Council. Each minister heads a governmental department. No single party or party "family" across linguistic lines holds an absolute majority of seats in Parliament. Consequently, the Council of Ministers reflects the weight of political parties that constitute the governing coalition for the House, currently the four-party Liberal-Socialist coalition.

## **THE ELECTORAL SYSTEM**

The number of seats in the House of Representatives is constitutionally set at 150, elected from 11 electoral districts. Each district is given a number of seats proportional to its total population (not number of eligible voters) ranging from 4 for the Luxembourg district to 24 for Antwerp. The districts are divided along linguistic lines: 5 Flemish, 5 Walloon, and the bilingual district of Brussels.

The Senate consists of 71 seats. For electoral purposes, Senators are divided into three categories: 40 directly elected; 21 elected by the community parliaments; and 10 "co-opted" Senators. For the election of the 25 Flemish and 15 francophone directly elected Senators, the country is divided into three electoral districts--Flanders, Wallonia, and the Brussels Capital Region. Of the 21 Senators representing the communities, 10 are elected by the Flemish Parliament, 10 by the French Community Parliament, and 1 by the German-language Parliament.

The remaining category, the 10 "co-opted" senators, are elected by the first two groups of senators. The princes and princesses of the royal line are also members of the Senate--currently Prince Phillippe, Prince Laurent, and Princess Astrid.

**Belgium has 25 seats in the European Parliament.**

### CH.3:- ECONOMY OF BELGIUM

Belgium, a highly developed market economy, belongs to the Organization for Economic Cooperation and Development (OECD), a group of leading industrialized democracies. With a geographic area about equal to that of Maryland, and a population of 10.4 million, Belgian per capita GDP ranks among the world's highest. In 2006, the per capita income (PPP) was \$31,800. The federal government has managed to present balanced budgets in recent years, but public debt remains high, at 94% at the end of 2005. GDP growth in 2006 was predicted to be 2.5%.

Densely populated Belgium is located at the heart of one of the world's most highly industrialized regions. The first country to undergo an industrial revolution on the continent of Europe in the early 1800s, Belgium developed an excellent transportation infrastructure of ports, canals, railways, and highways to integrate its industry with that of its neighbors. One of the founding members of the European Community (EC), Belgium strongly supports deepening the powers of the present-day European Union to integrate European economies further.

With exports equivalent to over two-thirds of GNP, Belgium depends heavily on world trade. Belgium's trade advantages are derived from its central geographic location and a highly skilled, multilingual, and productive work force.

The Belgian industrial sector can be compared to a complex processing machine: It imports raw materials and semi-finished goods that are further processed and re-exported. Except for its coal, which is no longer economical to exploit, Belgium has virtually no natural resources. Nonetheless, most traditional industrial sectors are represented in the economy, including steel, textiles, refining, chemicals, food processing, pharmaceuticals, automobiles, electronics, and machinery fabrication. Despite the heavy industrial component, services account for 74.6% of GDP. Agriculture accounts for only 1.4% of the GDP.

## ▪ STATISTICS

- GDP (purchasing power parity)

| Year | Rs.             |
|------|-----------------|
| 2011 | \$412 billion   |
| 2010 | \$403.9 billion |
| 2009 | \$395.7 billion |

- GDP (official exchange rate)
  - \$529 billion (2011 est.)
- GDP - real growth rate

| Year        | GDP (%) |
|-------------|---------|
| 2011 (est.) | 2%      |
| 2010 (est.) | 2.1%    |
| 2009 (est.) | -2.7%   |

- GDP - per capita (PPP)

| Year        | Rs.      |
|-------------|----------|
| 2011 (est.) | \$37,600 |
| 2010 (est.) | \$37,000 |
| 2009 (est.) | \$36,500 |

- GDP - composition by sector (2011 est.)

| Sector      | GDP (%) |
|-------------|---------|
| Agriculture | 0.7%    |
| Industry    | 21.7%   |
| Services    | 77.6%   |

- Population below poverty line - 15.2% (2007 est.)
- Labor force - 5.177 million (2011 est.)
- Labor force - by occupation (2007 est.)

| Sector      | GDP (%) |
|-------------|---------|
| Agriculture | 2%      |
| Industry    | 25%     |
| Services    | 73%     |

- Unemployment rate

| Year        | GDP (%) |
|-------------|---------|
| 2011 (est.) | 7.7%    |
| 2010 (est.) | 8.3%    |

- Unemployment, youth ages 15-24

| Gender | GDP (%)      |
|--------|--------------|
| Male   | 21.5%        |
| Female | 22.5% (2009) |
| Total  | 21.9%        |

## FOREIGN INVESTMENT

Foreign investment contributed significantly to Belgian economic growth in the 1960s. In particular, U.S. firms played a leading role in the expansion of light industrial and petrochemical industries in the 1960s and 1970s. The Belgian Government encourages new foreign investment as a means to promote employment. With regional devolution, Flanders, Brussels, and Wallonia now have substantial autonomy in courting potential foreign investors, as each deems appropriate.

Foreign direct investment totaled more than \$36.7 billion in 2005. U.S. and other foreign companies in Belgium account for approximately 11% of the total work force, with the U.S. share at about 6%. U.S. companies are heavily represented in the chemical sector, automotive assembly, and petroleum refining. A number of U.S. service industries

followed in the wake of these investments--banks, law firms, public relations, accounting, and executive search firms.

## **Belgium is among the top 10 destinations for foreign direct investments (FDI) worldwide**

| Country           | \$ bn       |
|-------------------|-------------|
| 1. U.S.           | 95.9        |
| 2. U.K.           | 78.4        |
| 3. China          | 60.6        |
| 4. Luxemburg      | 57.0        |
| 5. Australia      | 42.6        |
| <b>6. Belgium</b> | <b>34.4</b> |
| 7. Hong Kong      | 34          |
| 8. France         | 24.3        |
| 9. Spain          | 18.4        |
| 10. Brazil        | 18.2        |

## **TRADE**

About 75% of Belgium's trade is with fellow EU member states. Given this high percentage, Belgium seeks to diversify and expand trade opportunities with non-EC countries. Belgium ranks as the 11th-largest market for the export of U.S. goods and services. If goods in transit to other European countries are excluded, Belgium ranks as the 12th-largest market for U.S. goods.

## **EMPLOYMENT**

The social security system, which expanded rapidly during the prosperous 1950s and 1960s, includes a medical system, unemployment insurance coverage, child allowances, invalid benefits, and other benefits and pensions. With the onset of a recession in the 1970s, this system became an increasing burden on the economy and accounted for much of the government budget deficits. The national unemployment figures mask considerable differences between Flanders and Wallonia. Unemployment in Wallonia is mainly structural, while in Flanders it is cyclical. Flanders' unemployment level equals only half that of Wallonia. The southern region continues a difficult transition out of sunset industries (mainly coal and steel), while sunrise industries (chemicals, high-tech, and services) dominate in Flanders.

## **CH.4:- OVERVIEW OF DIFFERENT ECONOMIC SECTORS OF THE ECONOMY**

### **Value added Logistics**

The Logistics Industry consists of European Distribution Centres, port operators, stevedoring companies, major shippers and other logistics players.

For the sixth consecutive year, Belgium has been considered as the most suitable place for investments in logistics and distribution (Cushman & Wakefield, European Distribution Report 2009). The country's infrastructure and skill-level as well as the IT opportunities it affords make it the ideal location for a logistics base, headquarters or a distribution centre from which to conquer the European market.

Reasonable costs (hire of storage spaces, purchase of land, labour costs), transport systems (efficiency of the different resources), reachability of markets (including Central Europe), well qualified workforce, and know-how (logistics, language knowledge, etc.) are taken as the starting point for the ranking.

### **Chemicals**

In addition to basic chemistry, the sector also includes plastics and rubber processing, pharmaceuticals and biotechnology, cosmetics, soaps and detergents as well as paints and varnishes.

Together all of these sub-sectors in Belgium represented a turnover of 45 billion euros in 2009 and added value of more than 10 billion euros. This represents one quarter of industrial activity in Belgium. The sector employs 91,500 people. Employment in the chemicals industry has stayed stable during the past twenty years. The number of jobs in industry overall fell in the same period, with the logical consequence that the chemicals industry's share rose: from 13.6% in 1990 to 17.4% in 2009. Furthermore, 1 direct job in chemicals generates 1.6 indirect jobs in other sectors. The chemicals industry is therefore one of the most important sectors in Belgium.

### **Agrofood**

The food industry is the second most important sector in the Belgian processing industry after chemicals. Food companies are distributed throughout the country with concentrations in Northern Kempen, South-West Flanders, the Ghent region, the region

south of Antwerp, the Verviers region and to the west of the Hainaut region. The sector has 90,000 employees.

The 5,223 companies in the food industry together realise an annual rising turnover that amounted to EUR 40 billion in 2009, with an added value of EUR 6 billion. These figures represent more than 13% of the turnover of all industrial sectors together and around 2% of the gross domestic product.

### **ICT – Software development**

Driven by innovation, creativity, technological expertise and entrepreneurship, ICT firms in Belgium have acquired European as well as global leadership positions.

In Belgium's open business culture ICT companies can rely on a high-tech environment well suited to the development of tomorrow's technologies. This high density of ICT businesses, research centres and knowledge clusters provides them with a stimulating environment. This helps them greatly in taking the lead in their specific niche, for example in innovative banking products.

### **Aeronautics**

This industry groups activities like the development of technologies and new composite materials for use in aircraft construction and propulsion, the development of a software platform for virtual prototyping and optimisation, engine monitoring, terrestrial satellite applications, etc.

### **Nuclear equipment and services**

There are seven nuclear reactors in Belgium for commercial electricity production, four at the Doel site and three at the Tihange site. The electricity production generated by these nuclear reactors represents 55 % of the total electricity production on Belgian territory.

### **Renewable energies**

Belgium has the goal of obtaining 13 % of its energy supplies from renewable energy by 2020

As a result there is a strong impetus to invest in green or renewable energy from the government but also from the business world. Companies and consumers can count on different support measures from the government, both at federal and regional level.

The green technology sector grew by 25 %each year in recent years and despite a slight slowdown due to the crisis, the sector is expected to have 40,000 employees by 2020, ten times more than now. The jobs of installers and the operation of energy generation itself are not included in this figure. Belgian technology companies are among the world leaders in this sector and can benefit from these objectives.

### **Textile, woodworking and furniture industry**

In 2009 the Belgian textile, wood and furniture industry realised a turnover of 10.5 billion euros, of which 71% was realised abroad.

The 2,430 companies of this industry employ more than 49,000 people and invested over 300 million euros in 2009. With an added value worth 2.6 billion euros and a positive trade balance of 1.8 billion euros, the sector offers a major contribution to Belgium's prosperity.

### **Diamonds**

In the diamond business, the city of Antwerp plays a role similar to that of New York in international banking and finance. What New York is to the financial markets, Antwerp is to the global diamond trade. Antwerp is the diamond industry's primary business centre, serving as headquarter for about 1800 diamond firms, which is the largest concentration of companies anywhere in the industry.

The importance of Antwerp as a world diamond centre is partly due to the presence of the biggest mining companies in Antwerp. De Beers Consolidated Mines Ltd brings approximately forty % of global production.

The second biggest producer of rough diamonds, the Russian company Alrosa, has long had a sales office in Antwerp. The Antwerp office of Rio Tinto Diamonds is the sales and marketing office for Rio Tinto diamond production. BHP Billiton also sells rough diamonds via its sales and marketing office in Antwerp.

As the diamond industry's business centre, Antwerp also is its major service provider. The world's two largest diamond banks are headquartered in the city. Some transport and insurance companies have specialised offices for diamond related activities in Antwerp.

Nowadays, 80% of all rough diamonds in the world as well as 50% of all cut diamonds pass through Antwerp. It is no surprise that the highest international mark of approval for polished diamonds is the 'Cut in Antwerp' label.

### **Industrial Automation**

Industrial Automation is an industrial sector with a horizontal nature because the industry supplies products and solutions for the total value chain of diverse production companies, ranging from "Factory Automation" (machinery construction, cars, assembly, etc) up to "Process Automation" (chemicals, pharmaceuticals, foodstuffs, oil, etc.).

Industrial automation is crucial for the development of our companies in all segments of the production and value chain. It ensures more efficiency, inexpensive production and high-quality products in a strongly changing environment with an ever increasing number of products adapted to the customer's wishes.

The sector is strongly characterised by globally organised foreign manufacturers of hardware and software products for industrial automation. This sector continues to develop extremely quickly through the very widespread presence of these manufacturers in our country, the relatively numerous engineering and integrator companies, rapidly rising demand for newer and more highly performing solutions from our local production companies and ever shorter PLCs (Product Life Cycles) in this type of high-tech product for outsourcing this usually non-core activity in production companies.

## **CH.5:- OVERVIEW OF BUSINESS AND TRADE AT INTERNATIONAL LEVEL**

Belgium's economy depends on international trade. From year-to-year, foreign trade accounts for approximately 70 % of the nation's economy. This makes Belgium particularly sensitive to disruptions in global trade; economic problems like recession in other countries often cause reciprocal problems in Belgium's economy. Fortunately, the kingdom has a variety of trade partners so that problems in one export market are mitigated by export diversity. For instance, since companies were able to shift exports to other markets, Asia's economic problems in the late 1990s had little significant impact on Belgium.

The nation's main trade partners are in the EU. In fact, in 1998 some 76 % of Belgium's exports went to nations in the EU. In that year, the main export market for Belgian goods

was Germany (19 %), followed closely by France (18 %), the Netherlands (12 %), and the United Kingdom (10 %). Most of Belgium's imports also came from the EU that provided 71 % of the kingdom's imported products. Germany was the main exporter to Belgium and provided 18 % of goods, while the Netherlands provided 17 %, France 14 %, and the United Kingdom 9 %. Total foreign investment in Belgium is \$68.1 billion. The Netherlands is the principal source of foreign investment (21.9 %), followed by Germany (17.1 %), France (16 %), and the United States (11 %).

Exports constituted 81% of GDP in 2000. Belgium's chief exports are iron and steel (semi-finished and manufactured), chemicals, textiles, machinery, road vehicles and parts, nonferrous metals, diamonds, and foodstuffs. Its imports are general manufactures, foodstuffs, diamonds, metals and metal ores, petroleum and petroleum products,

chemicals, clothing, machinery, electrical equipment, and motor vehicles. Belgium is partnered with Luxembourg in the BLEU. According to the Belgian government, Belgium's imports in 2000 (as a percentage of overall imports) were as follows:

Principal exports of Belgium in 2000 (as a percentage of overall exports) were as follows:

Machinery and transport equipment: 29.0

Mineral fuels: 4.4

Food and live animals: 7.8

Food and live animals: 6.8

Mineral fuels: 8.8

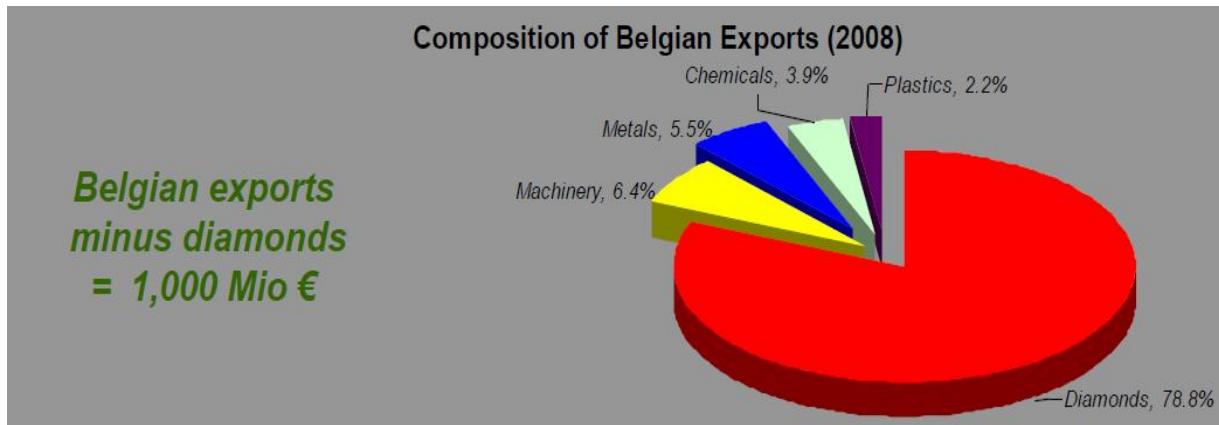
Beverages and tobacco: 1.1

Raw materials, other than mineral fuels: 4.0

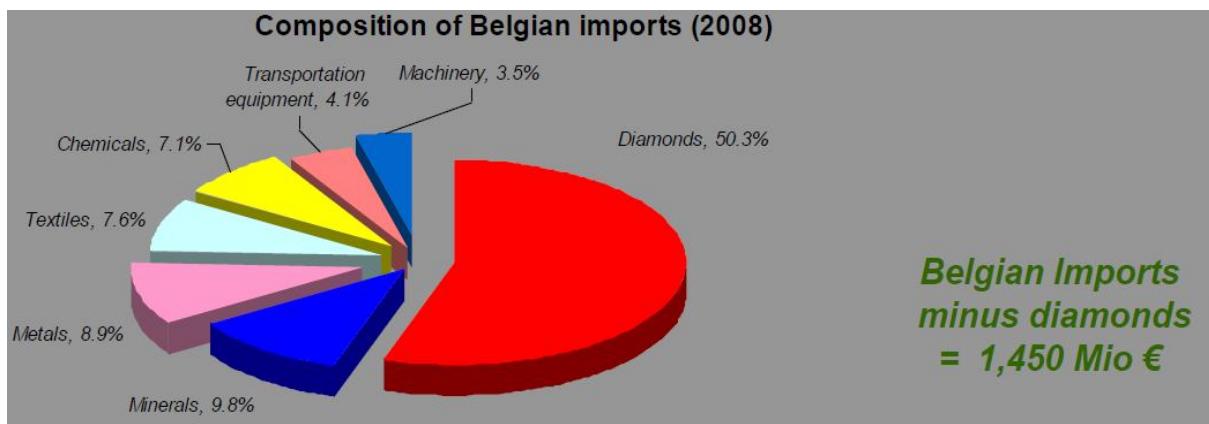
### **Belgium Trade, Exports and Imports**

As raw materials and natural resources are not sufficient, the balance of trade is usually towards imports and thus there is always some trade deficit in Belgium. According to the 2009 estimates, Belgium had an export volume of \$296.1 billion and ranked 13th in the world. This, however, showed a tremendous drop from the 2008 figures, which shone bright at \$371.5 billion.

## COMPOSITION OF EXPORTS



## COMPOSITION OF IMPORTS



## **CH.6:- PRESENT TRADE RELATIONS AND BUSINESS VOLUME OF DIFFERENT PRODUCTS WITH INDIA / GUJARAT**

**Bilateral Treaties and Agreements:** The agreements signed and in force between India and Belgium are as under: Social Security Agreement in November 2006 (came into force in September 2009); Agreement on cooperation in the field of Science & Technology, November 2006; Agreement on Avoidance of Double Taxation (DTAA) – August 1997; Bilateral Investment Protection Agreement (BIPA) signed between India and BLEU in November 1997; Cultural Agreement- September, 1973; and Air Services Agreement- April, 1967.

**Economic and Trade Relations-** Belgium has emerged as one of India's important trading partners in the EU. Trade in gems and jewelry constitutes over 75% of the bilateral trade. India's IT sector is well represented in Belgium, with all the big IT companies having their establishments. Several Indian companies in the chemicals sector have also established offices/warehousing facilities in Belgium, particularly near the port city of Antwerp. Belgian business interests in India cover energy, ports, dredging, construction, banking and finance, electronics and software, chemicals and fertilizers, solar energy and biotechnology.

**Bilateral Trade -** Belgium is the second largest trading partner of India in the European Union with annual bilateral trade turnover amounting Euro 10.4 billion in 2010. India is the 5th largest exporter to Belgium (after USA, China, Japan and Russia) and 2<sup>nd</sup> largest importer of Belgian products in 2010 (after USA). The major items of Indian exports to Belgium are - Precious stones; Textiles and garments; Iron and steel; Chemical products; Mineral products; Organic chemicals; Machinery and Electrical Equipments etc. The major items of Indian imports from Belgium are- Precious stones; Iron and steel; Machinery and mechanical appliances; Chemical products; boilers, machinery and mechanical appliances & parts thereof; Organic chemicals; Plastic and rubber; Plastics and articles thereof; Pharmaceutical products etc. A MoU on cooperation in railway sector has been agreed upon and is ready for signature. From €7.1 billion during 2009, it has increased to €10.4 billion in 2010 marking a percentage increase of 46.5%. Indian exports to Belgium increased from €2.6 during 2009 to €3.6 billion – an increase of 38.5%. The increase in Belgian exports to India has always been robust.

**India's Exports to Belgium**

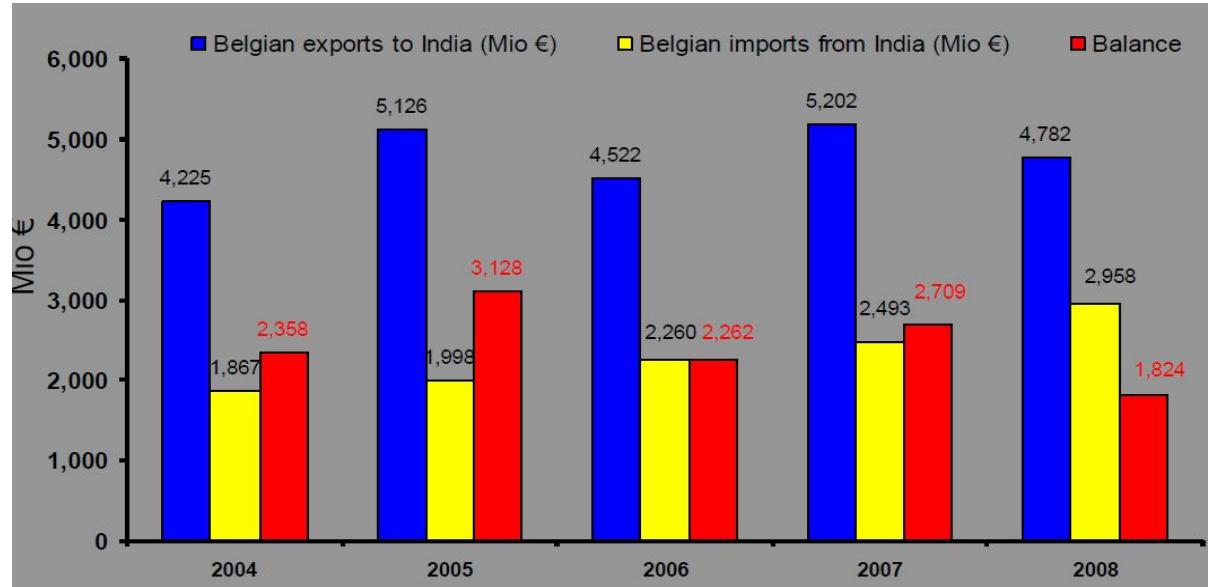
| COMMODITIES                                      | 1996-97        | 1997-98        | 1998-99        | 1999-00        | 2000-01        | 2001-02        | 2002-03        | 2003-04        | 2004-05         |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Gems and Jewellery                               | 2419.95        | 2750.54        | 3484.08        | 3772.41        | 4153.75        | 4111.62        | 4984.28        | 4845.86        | 6064.65         |
| Readymade garments & other clothing accessories  | 229.66         | 266.31         | 348.44         | 382.71         | 450.41         | 488.72         | 505.14         | 508.59         | 538.55          |
| Fish & other Aquatic Invertebrates               | 76.88          | 30.29          | 47.47          | 61.91          | 89.13          | 76.01          | 234.37         | 288.94         | 315.65          |
| Cotton   | 228.08         | 215.68         | 206.36         | 219.48         | 239.23         | 156.22         | 195.32         | 129.56         | 120.57          |
| Organic chemicals                                | 68.29          | 92.55          | 105.78         | 125.25         | 128.18         | 134.59         | 144.71         | 144.58         | 204.42          |
| Man-Made staple fibres                           | 81.42          | 67.60          | 55.69          | 72.35          | 109.58         | 80.80          | 132.22         | 115.38         | 147.18          |
| Tobacco & manufactured tobacco substitutes       | 48.59          | 104.43         | 89.00          | 96.28          | 61.99          | 114.25         | 114.12         | 95.77          | 117.44          |
| Iron & steel and its articles thereof            | 54.69          | 181.43         | 125.15         | 57.31          | 143.62         | 118.39         | 172.92         | 226.09         | 1520.86         |
| Salt,sulphur, earths, and stones                 | 56.44          | 44.61          | 58.49          | 74.06          | 77.84          | 93.49          | 92.74          | 93.40          | 94.48           |
| Engineering Goods including Electrical Machinery | 15.12          | 26.24          | 17.93          | 34.54          | 101.09         | 83.88          | 90.12          | 147.79         | 102.19          |
| Coffee, Tea, Mate, & spices cereals              | 37.39          | 67.16          | 101.57         | 82.79          | 67.48          | 68.67          | 89.25          | 89.26          | 49.21           |
| plastics and articles thereof                    | 16.44          | 34.35          | 57.27          | 63.28          | 69.59          | 68.01          | 87.92          | 97.64          | 194.37          |
| Nuclear Reactors,Boilers, etc                    | 17.20          | 23.29          | 29.97          | 43.84          | 56.03          | 104.10         | 77.80          | 104.58         | 158.83          |
| Articles of leather & Raw hides                  | 30.56          | 41.75          | 58.83          | 47.14          | 62.02          | 80.34          | 77.07          | 87.83          | 91.19           |
| Articles of stone, plaster, cement, Asbestos     | 12.66          | 19.50          | 25.13          | 27.49          | 36.05          | 41.73          | 58.04          | 69.19          | 61.75           |
| Edible vegetables & edible fruits, nuts          | 15.85          | 18.92          | 23.94          | 28.61          | 43.66          | 43.13          | 51.05          | 60.63          | 78.60           |
| Tanning & Dyeing extracts                        | 25.49          | 26.90          | 19.06          | 19.33          | 26.44          | 31.25          | 39.97          | 70.51          | 72.58           |
| pharmaceutical products                          | 42.90          | 34.08          | 32.06          | 27.11          | 25.62          | 30.81          | 39.19          | 37.86          | 24.59           |
| Footwear & other such Articles                   | 12.46          | 8.72           | 16.31          | 22.08          | 28.00          | 35.10          | 36.64          | 40.06          | 78.73           |
| Carpet & other floor coverings                   | 54.28          | 53.61          | 55.19          | 48.82          | 37.50          | 38.94          | 35.10          | 46.61          | 43.84           |
| Cereals  | 3.00           | 20.52          | 25.54          | 24.25          | 23.60          | 20.25          | 28.43          | 33.42          | 36.85           |
| Inorganic chemicals                              | 6.01           | 7.75           | 7.61           | 11.12          | 14.88          | 16.37          | 16.54          | 15.03          | 19.85           |
| Rubber and Articles of Rubber                    | 6.51           | 5.25           | 9.63           | 5.52           | 7.97           | 10.26          | 15.65          | 37.38          | 36.06           |
| Other Miscellaneous Goods                        | 319.11         | 375.20         | 417.70         | 578.70         | 664.48         | 585.20         | 743.91         | 911.60         | 848.20          |
| <b>Total Exports</b>                             | <b>3878.98</b> | <b>4516.68</b> | <b>5418.20</b> | <b>5926.38</b> | <b>6718.14</b> | <b>6632.13</b> | <b>8042.50</b> | <b>8297.56</b> | <b>11020.64</b> |

Source: Computed from the data 'India's Exports by Countries – commodities' obtained from the Official Website of Directorate General of Foreign Trade, Govt. of India, Ministry of Commerce, Various Issues.

**Imports from Belgium (Rs. Crores)**

| C O M M O D I T I E S                      | 1996-97         | 1997-98        | 1998-99         | 1999-00         | 2000-01         | 2001-02         | 2002-03         | 2003-04         | 2004-05         |
|--|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Inorganic chemicals                     | 26.29           | 29.53          | 30.58           | 29.19           | 31.91           | 33.27           | 34.20           | 27.08           | 46.30           |
| 2. Organic chemicals                       | 91.59           | 110.41         | 119.96          | 120.70          | 118.05          | 109.23          | 138.32          | 200.07          | 230.24          |
| 3. Pharmaceutical products                 | 15.79           | 36.87          | 83.51           | 50.38           | 59.63           | 33.19           | 25.59           | 102.47          | 103.70          |
| 4. Photographic & cinematographic goods    | 50.38           | 61.26          | 63.84           | 54.72           | 55.22           | 69.94           | 66.74           | 65.04           | 73.10           |
| 5. Miscellaneous chemical products         | 52.21           | 44.85          | 54.83           | 44.95           | 41.14           | 46.83           | 61.95           | 105.79          | 83.32           |
| 6. Plastic and articles thereof            | 88.90           | 87.67          | 78.38           | 97.45           | 92.81           | 109.14          | 135.78          | 201.19          | 197.85          |
| 7. Rubber and articles thereof             | 57.56           | 18.23          | 9.25            | 13.64           | 14.23           | 25.18           | 29.61           | 30.54           | 38.56           |
| 8. Paper and paper board                   | 11.78           | 11.94          | 8.71            | 15.21           | 13.61           | 13.87           | 13.00           | 21.66           | 32.58           |
| 9. Gems and Jewellery                      | 6699.65         | 8576.74        | 10661.90        | 14374.01        | 11761.50        | 11846.09        | 15614.57        | 15843.67        | 17981.50        |
| 10. Iron and Steel                         | 267.07          | 236.63         | 158.19          | 190.71          | 156.37          | 137.09          | 215.53          | 284.80          | 436.49          |
| 11. Nuclear Reactors                       | 225.52          | 285.02         | 253.08          | 183.07          | 249.78          | 148.82          | 244.94          | 328.74          | 539.90          |
| 12. Engineering goods                      | 36.27           | 56.80          | 57.44           | 66.47           | 74.00           | 49.30           | 176.43          | 147.09          | 123.64          |
| 13. Aircraft, spacecraft and parts thereof | 0.72            | 9.11           | 0.17            | 0.80            | 0.86            | 30.29           | 768.51          | 380.05          | 19.67           |
| 14. Optical, surgical instruments          | 13.67           | 20.01          | 37.99           | 36.05           | 58.01           | 58.53           | 52.20           | 71.64           | 61.80           |
| 15. Capital goods                          | 63.72           | 68.11          | 175.39          | 58.51           | 38.10           | 130.18          | 9.95            | 29.11           | 49.66           |
| 16. Other misc. goods                      | 218.44          | 232.69         | 309.63          | 616.09          | 346.43          | 336.94          | 576.67          | 430.86          | 500.34          |
| <b>Total</b>                               | <b>7,919.56</b> | <b>9915.87</b> | <b>12102.85</b> | <b>15951.95</b> | <b>13111.65</b> | <b>13177.27</b> | <b>17963.99</b> | <b>18269.80</b> | <b>20518.64</b> |

Source: Computed from the data 'India's Imports by Countries – commodities' obtained from the Official Website of Directorate General of Foreign Trade, Govt. of India, Ministry of Commerce, Various Issues.



## **CH.7:-PESTEL ANALYSIS**

### **Political**

**Politics of Belgium** takes place in a framework of a federal, parliamentary, representative democratic, constitutional monarchy, whereby the King of the Belgians is the Head of State and the Prime Minister of Belgium is the head of government in a multi-party system. Executive power is exercised by the government. Federal legislative power is vested in both the government and the two chambers of parliament, the Senate and the Chamber of Representatives.

### **Constitution**

The Constitution of Belgium, the primary source of law and the basis of the political system of the Country, was established on February 7, 1831. It has been changed several times, but the most relevant reforms were performed in 1970 and in 1993. In 1970, in response to a growing civil conflict between the Dutch-speaking and French-speaking communities in Brussels, the Government declared that "the unitary state, its structure and functioning as laid down by law, had become obsolete". The new constitution recognised the existence of strong communitarian and regional differences within Belgium, but sought to reconcile these differences through a diffusion of power to the communities and the regions.

### **Head of state**

The King of the Belgians is the constitutional head of the Belgian state and holds office for life. The duties of the king are laid out by the Belgian Constitution and other laws enforced under it.

As titular head of state, the King plays a ceremonial and symbolic role in the nation. His main political function is to designate a political leader to form a new cabinet after an election or the resignation of a cabinet. In conditions where there is a "constructive vote of no-confidence," the government has to resign and the lower house of Parliament proposes a new Prime Minister to the King.<sup>[1]</sup> The King is also seen as playing a symbolic unifying role, representing a common national Belgian identity.

### **Economic**

Belgium, a highly developed market economy, belongs to the Organization for Economic Cooperation and Development (OECD), a group of leading industrialized democracies.

With a geographic area about equal to that of Maryland, and a population of 10.4 million, Belgian per capita GDP ranks among the world's highest. In 2006, the per capita income (PPP) was \$31,800. The federal government has managed to present balanced budgets in recent years, but public debt remains high, at 94% at the end of 2005. GDP growth in 2006 was predicted to be 2.5%.

With exports equivalent to over two-thirds of GNP, Belgium depends heavily on world trade. Belgium's trade advantages are derived from its central geographic location and a highly skilled, multilingual, and productive work force.

The Belgian industrial sector can be compared to a complex processing machine: It imports raw materials and semi-finished goods that are further processed and re-exported. Except for its coal, which is no longer economical to exploit, Belgium has virtually no natural resources. Nonetheless, most traditional industrial sectors are represented in the economy, including steel, textiles, refining, chemicals, food processing, pharmaceuticals, automobiles, electronics, and machinery fabrication. Despite the heavy industrial component, services account for 74.6% of GDP. Agriculture accounts for only 1.4% of the GDP.

## **Social**

A discussion of **Belgian culture** requires discussing both those aspects of shared by the regardless of what language they speak, and the differences between the main cultural communities: the Flemish people from Flanders and the French-speakers from and — although the grouping of Brussels and Wallonia as one cultural community is sometimes rejected. Most Belgians view their culture as an integral part of European culture. However, members of each of the two main linguistic groups generally make their cultural choices from within their own community, and then, when going beyond, the Flemish draw intensively from both the English-speaking culture (which dominates sciences, professional life and most news media) and the Netherlands, whereas French-speakers focus on cultural life in France and elsewhere in the French-speaking world, and less outside.

## **Technological**

The technological development of a country can be assessed by looking at the number of universities & institutes in it the names of such institutes is given below in the form of a list.

The Technology in Brussels, Flanders & Wallonia the central region of Belgium (Europe), can be considered developed due to the presence of several universities and research institutes in it.

## **Environmental**

Belgium consists of three regions with policies adapted to each region.

### **Flanders**

Flanders is a densely populated, dynamic region with a very fragmented landscape. For this reason, wildlife is under a lot of pressure. Approximately half of its plants and animals are on the 'Red List' an inventory of endangered species. The website of the Institute for Nature and Woodland Research has more information about animals in Flanders with a Red List for each species of animal.

### **The Brussels Capital Region**

In spite of increasing urbanization, traffic and intensive economic activity, the Brussels Capital Region has a number of rare species of animal. This rich fauna is, of course, very vulnerable. A detailed information about animals and endangered species in the Brussels Capital Region can be found on the website of the Brussels Institute for Environment Management

### **Wallonia**

The populations of numerous species of plant and animal continue to decrease in Wallonia. Not only rare, but also common species are struggling to survive.

The serious decline of certain species is primarily the result of loss of natural habitat, essential to their chances of survival. The Wallonia region's environment portal offers more information about the protection of endangered species and habitats

**PART – II**

**INDUSTRY /**

**SECTOR /COMPANY**

**SPECIFIC STUDY**

**ANALYSIS  
OF  
MACHINERY &  
TOOLS INDUSTRY**

## **CH.1:- INTRODUCTION OF THE SELECTED COMPANY /INDUSTRY / SECTOR AND ITS ROLE IN THE ECONOMY OF SPECIFIED COUNTRY**

The MACHINERY & TOOLS SECTOR OF BELGIUM is further sub categorized in to two divisions Viz.

1. Industrial Automation
2. Mechatronics

### **Industrial automation**

Industrial Automation is an industrial sector with a horizontal nature because the industry supplies products & solutions for the total value chain of diverse production companies, ranging from “Factory Automation” (machinery construction, cars, assembly, etc.) up to “Process Automation” (chemicals, pharmaceuticals, foodstuffs, oil, etc.).

Industrial automation is crucial for the development of our companies in all segments of the production & value chain. It ensures more efficiency, inexpensive production & high-quality products in a strongly changing environment with an ever increasing number of products adapted to the customer's wishes.

The sector is strongly characterised by globally organised foreign manufacturers of hardware & software products for industrial automation.

### **Mechatronics**

This sector, which combines & integrates tools engineering, electronics & information technology, includes companies that offer products such as textile machinery, gearwheels, agricultural & market gardening machinery, lifts, air conditioning systems & fire extinguishers as well as services such as mechanical processing, conformity inspections, ship maintenance & environmental engineering.

The continuous pursuit of high-tech R&D is the characteristic & future of this sector. This is why mechatronics companies cooperate with other knowledge & research centres such as FMTC (Flanders Mechatronics Technology Centre), which is developing as a knowledge centre at European level, but also the Marshall (economic stimulus) plan MecaTech centre in Wallonia.

FMTC was founded by Agoria, the Belgian technology industry federation, & the most important Belgian mechatronics companies. The member companies & the Flemish government are investing together in this unique project (EUR 16.5 million in the next 4 years). Mechatronics companies exchange knowledge & expertise in this research centre & also pool their innovative forces so that the individual investment cost for R&D per company is reduced & more innovative results are achieved simultaneously.

## The sector's strengths

### 1. Speed

- ✓ As a result of global competition companies in the sector are obliged to respond quickly at the level of product development, production & the supply of new products.
- ✓ Creativity & a strong organisational capacity mean that Belgian companies play an important role at the global level.

### 2. Proximity

- ✓ The sector exports 75% of its production. 70% is destined for the surrounding European market, which means that our companies are ideally located as a result.

### 3. Complexity

- ✓ Belgian machinery builders belong to the world leaders as regards production & development of complex products & services.

### 4. Knowledge

- ✓ The concentration of technological knowledge in internationally valued research centres & companies together with multi-technological training of our engineers make Belgium an attractive investment region.

The sector can pride itself on a strong federation Agoria Mechatronica & SIRRIS, which was founded by Agoria & which is the collective knowledge center for the Belgian technological industry. Agoria Mechatronica plays an important role in asserting the interests of the sector in general & specially in the area of R&D at a European level

## **Some important companies:**

- LVD Company NV
- Case New Holland (CNH) Belgium SA
- Caterpillar inc.
- Picanol NV
- Atlas Copco Belgium
- Hansen Transmissions International NV
- Vande Wiele Group NV
- Ensival-Moret Belgium
- Punch International NV

**N.V. Bekaert S.A.** is an industrial company, which is one of the BEL20 (benchmark 20) companies in the index for the Euronext Brussels stock exchange. The company specializes in advanced metal transformation & advanced materials & coatings. In 2004, it generated sales of over 2.7 billion € in 120 countries.

The company has three divisions:

- advanced wire products
- advanced materials
- advanced coatings
- Saluc S.A. is a Belgian speciality manufacturing company. Founded in 1923, they are best known for their **Aramith** brand billiard, pool & snooker balls, & are the manufacturer under license of the Brunswick Centennial pool ball line. The company also manufactures other sorts of balls & bearings with high tolerances for a wide variety of industrial & consumer-product applications, such as Logitech trackballs.

## MACHINERY AND TOOLS SECTOR IN BELGIUM

- The machine tool industry is an important one in maintaining the manufacturing activities in Belgium. Due to its R&D generated solutions, industrial sectors like automotive, aerospace,
- power generation, medical products and general engineering can produce more efficiently, faster, cheaper and more environment friendly. Figures supplied by the European Committee for the Co-operation of the Machine Tool Industries (CECIMO) indicated that Europe was dominating the global machine tools market with the 15 CECIMO countries contributing around 52% of the worldwide value of machine tool production in 2003. Hence, this sector has been making an important contribution to the European economy.
- 
- The machine tool sector aims at making the European Union the most competitive economy in the world. Agoria, the federation of the Belgian technology industry, also represents the importers and manufacturers of machine tools, robots and cutting tools. Most of them are independent companies that import and supply machine tools for sheet metal and metal removal processes, robots, (carbide) tools, software and equipment for measuring and automation projects. Generally, they also provide for installation, service and maintenance, which is a significant advantage.

## COMPANIES IN MACHINERY AND TOOLS SECTOR IN BELGIUM

### ➤ **Bekaert**

Bekaert is a world market and technology leader in steel wire transformation and coatings. Bekaert is a global company with headquarters in Belgium, employing 27 000 people worldwide. Serving customers in 120 countries, Bekaert pursues sustainable profitable growth in all its activities and generated combined sales of € 4.4 billion in 2012.

It is famous as a supplier of steel cord products for tire reinforcement and Dramix steel fibers, used to reinforce over five million cubic meters of concrete every year.

### ➤ Martek

Martek has been providing quality tools and service since 1991.

For custom semi or fully automated process solutions, process integration, and other activities, Martek provides High quality services and equipment and cost effective solutions to the manufacturing needs.

It has automation experience in the Semi-Conductor, Automotive Electronics and Medical and Consumer Products Industries

### ➤ Thermote & Vanhalst

TVH - Thermote & Vanhalst is a Belgian company in the fork lift truck market.

The company is a global player in the distribution of lift trucks and the sales of forklift spares. It earned a revenue of €475 million in 2007 and employs 2200 people. The international company has its head office in the West-Flemish city of Waregem in Belgium. TVH was founded in by Paul Thermote and Paul Vanhalst, both originating from an agricultural family. It is currently being managed by the second generation.

## INDIAN MACHINE TOOLS INDUSTRY

The Machine Tools industry in India commenced since the Second World War. A few British engineering firms began manufacturing in India. Then began the industrialization in a series of five-year plans. This resulted in a second phase of machine tools manufacturing with public sector investment in machine tools (HMT Ltd. 1953). The 1960 ushered the third phase during which the range of products witnessed rapid growth and various types of machine tools were manufactured. (Gear Cutting Machines, SPMs, Presses, etc.). The Fourth Phase began in the mid-1980s in which the Japanese machine tools makers entered the Indian market through licensing arrangements (Mori-Seiki, Mitsubishi, Hitachi-seiki, etc.).

The fifth and current phase began in the early nineties after the liberalization of the Indian economy. With market share of the bigger companies increasing and the public sector

giants reducing, the in-house designing, entrepreneurship, better technology, operational flexibility, resulted in a significant shift in machine tools production to the medium sized companies. However, these companies produce machines of higher capacity in small numbers.

#### Global Machine Tools Consumption

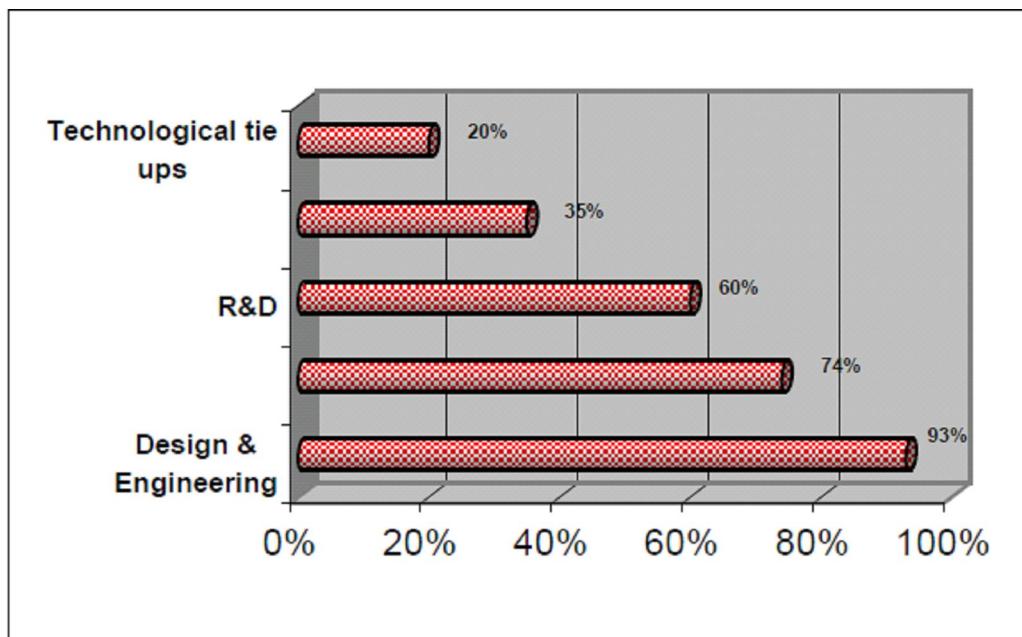
| Rank | Country         | 2004        | 2003                    | Change in  | Per Capita      | US \$ / capita | Rank |
|------|-----------------|-------------|-------------------------|------------|-----------------|----------------|------|
|      |                 | Consumption | (Value in US \$million) | US Dollars | Consumption/Cap |                |      |
| 16.  | India           | 474.2       | 280.2                   | 69 %       | 0.45            | 31             |      |
| 17.  | Czech Republic  | 444.0       | 346.4                   | 28 %       | 43.33           | 8              |      |
| 18.  | Austria         | 383.8       | 272.7                   | 41 %       | 46.95           | 6              |      |
| 19.  | Russia          | 381.2       | 366.4                   | 4 %        | 2.65            | 27             |      |
| 20.  | Sweden          | 268.3       | 221.4                   | 21 %       | 29.86           | 10             |      |
| 21.  | The Netherlands | 229.8       | 203.3                   | 13 %       | 14.08           | 19             |      |
| 22.  | Australia       | 220.0       | 208.7                   | 5 %        | 11.05           | 21             |      |
| 23.  | Belgium         | 170.2       | 195.4                   | -13 %      | 16.44           | 17             |      |
| 24.  | Denmark         | 160.2       | 141.2                   | 13 %       | 29.60           | 11             |      |

In India there are about 450 manufacturers manufacturing complete machines, or their components. There are 150 units in the organized sector. Almost 73 percent of the total machine tools production in India is contributed by 10 major companies in this industry. The industry has an installed capacity of over Rs.10 billion and employs a workforce directly or indirectly totaling 65,000 skilled and unskilled persons. The hub of manufacturing activities is concentrated in Mumbai and Pune in Maharashtra, Jalandhar and Ludhiana in Punjab, Ahmedabad, Baroda, Jamnagar, and Rajkot in Gujarat, Coimbatore and

Chennai in Tamil Nadu, Bangalore and Mysore in Karnataka, and some parts of eastern India.

| Major Products                 | Companies                           | Market Share (%) |
|--------------------------------|-------------------------------------|------------------|
| <b>Machine Tools</b>           | <b>Total No. of companies : 210</b> |                  |
| Kennametal Widia India         | 6.00                                |                  |
| HMT Machine Tools              | 2.11                                |                  |
| Motor Industries Co.           | 1.41                                |                  |
| P M T Machine tools Automatics | 1.22                                |                  |
| Kabra Extrusiontechnik         | 1.22                                |                  |
| Lakshmi Machine Works          | 1.20                                |                  |
| Sandvik Asia                   | 1.13                                |                  |
| Forbes Gokak                   | 0.69                                |                  |
| Wendt (India)                  | 0.58                                |                  |
| I F B Industries               | 0.57                                |                  |
| Dagger-Forst Tools             | 0.55                                |                  |
| Premier Automobiles            | 0.51                                |                  |
| Akar Tools                     | 0.48                                |                  |
| Electronica Machine Tools      | 0.47                                |                  |
| Batlboi                        | 0.44                                |                  |
| Saraswati Industrial Syndicate | 0.41                                |                  |
| S R P Tools                    | 0.36                                |                  |
| I T L Industries               | 0.29                                |                  |
| D G P Windsor India            | 0.24                                |                  |

## **ROLE OF TECHNOLOGY, R&D AND DESIGN IN INDIAN MACHINERY SECTOR**

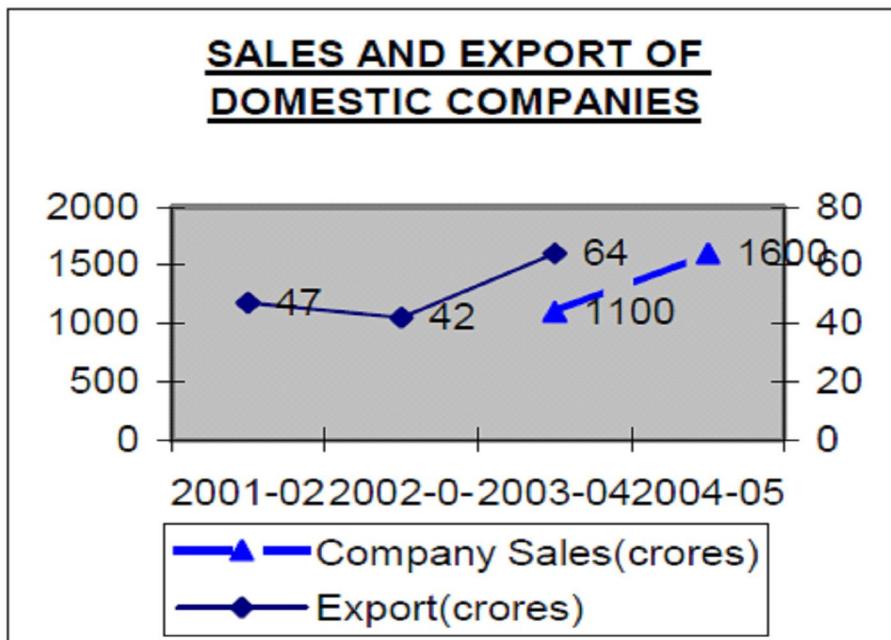


Source: CMIE, Industry Market Size and Shares, February 2005

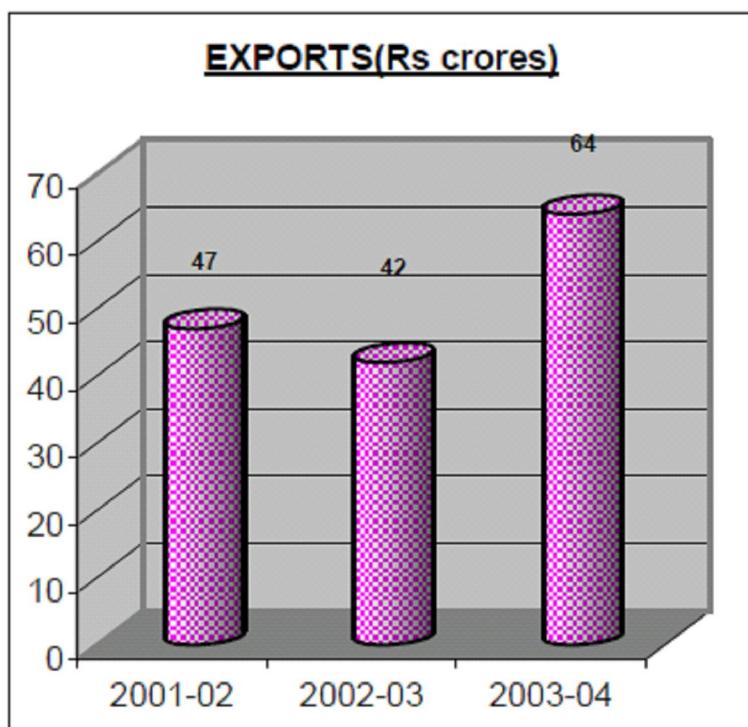
The role of R&D in the sector in India is to solve problems that arise in manufacturing since they cannot be solved on the shop floor and that requires special skills too.

In India, except for the top players, it is a segmented sector and the marketing and after sales services are at times outsourced in some companies.

## **SALES AND EXPORTS OF DOMESTIC COMPANIES**



### EXPORTS

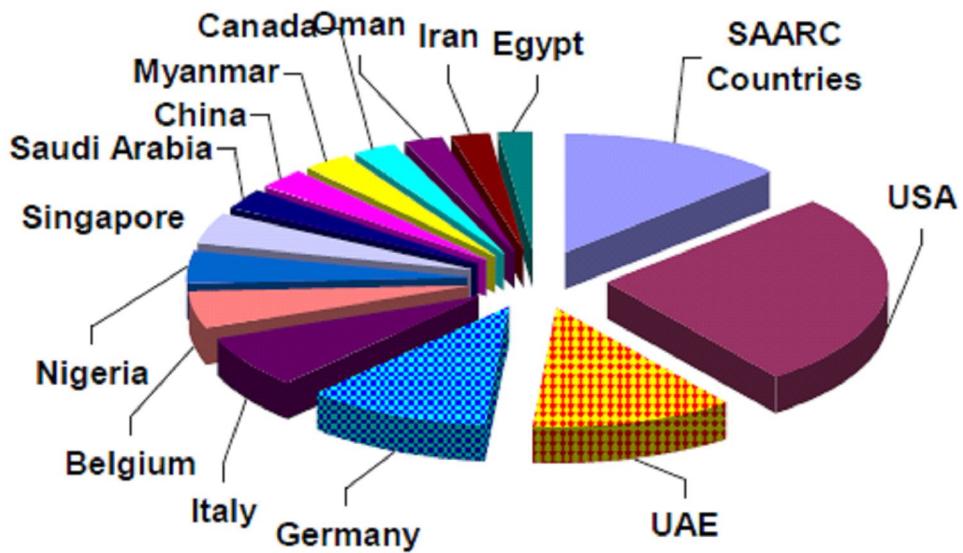


Source: CMIE, Industry Market Size and Shares, February 2005

There has been a marked change in the image of the "Made in India" brand in overseas markets particularly for Indian made machine tools.

### INDIA'S SHARE OF EXPORTS IN MACHINE TOOLS 2004-

05



### **DATA OF A COMMON EXPORT IN MACHINE TOOLS SECTOR**

Commodity: 84589990 ALL OTHER LATHES EXCL CENTRE LATHES Unit:  
NOS

| S.No. | Country         | Values in Rs. Lacs |          |         | Quantity in thousands |         |          |
|-------|-----------------|--------------------|----------|---------|-----------------------|---------|----------|
|       |                 | 2003-04            | 2004-05  | %Growth | 2003-04               | 2004-05 | %Growth  |
| 1.    | AFGHANISTAN TIS | 5.09               |          |         | 0.00                  |         |          |
| 2.    | ALGERIA         | 7.65               |          |         | 0.02                  |         |          |
| 3.    | AUSTRALIA       | 83.21              | 49.10    | -40.99  | 0.02                  | 0.01    | -50.00   |
| 4.    | BAHARAIN IS     |                    | 19.77    |         |                       | 0.00    |          |
| 5.    | BANGLADESH PR   | 434.83             | 662.80   | 52.43   | 0.15                  | 0.24    | 64.38    |
| 6.    | BELGIUM         |                    | 45.46    |         |                       | 0.19    |          |
| 7.    | BHUTAN          |                    | 5.90     |         |                       | 0.00    |          |
| 8.    | BRAZIL          |                    | 66.01    |         |                       | 0.06    |          |
| 9.    | BURUNDI         | 1.02               |          |         | 0.00                  |         |          |
| 10.   | CANADA          |                    | 9.47     |         |                       | 0.01    |          |
| 11.   | TAIWAN          |                    | 16.67    |         |                       | 0.01    |          |
| 12.   | CHINA P RP      |                    | 249.90   |         |                       | 0.17    |          |
| 13.   | CONGO P REP     | 10.29              |          |         | 0.00                  |         |          |
| 14.   | CYPRUS          |                    | 9.43     |         |                       | 0.00    |          |
| 15.   | CZECH REPUBLIC  |                    | 2.63     |         |                       | 0.00    |          |
| 16.   | DENMARK         | 13.93              |          |         | 0.03                  |         |          |
| 17.   | EGYPT A RP      | 17.03              |          |         | 0.00                  |         |          |
| 18.   | GEORGIA         | 13.61              |          |         | 0.00                  |         |          |
| 19.   | GERMANY         | 5.39               | 55.14    | 923.24  | 0.00                  | 0.06    | 6,200.00 |
| 20.   | GHANA           | 5.94               | 10.84    | 82.57   | 0.00                  | 0.01    | 140.00   |
| 21.   | GREECE          |                    | 10.95    |         |                       | 0.01    |          |
| 22.   | INDONESIA       | 29.97              | 25.11    | -16.19  | 0.01                  | 0.01    | -9.09    |
| 23.   | IRAN            |                    | 1.68     |         |                       | 0.00    |          |
| 24.   | IRAQ            | 0.88               |          |         | 0.00                  |         |          |
| 25.   | ISRAEL          | 1.51               |          |         | 0.00                  |         |          |
| Total |                 | 980.50             | 1,812.44 | 84.85   |                       |         |          |

## COMPANIES IN THE MACHINERY AND TOOLS SECTOR IN INDIA



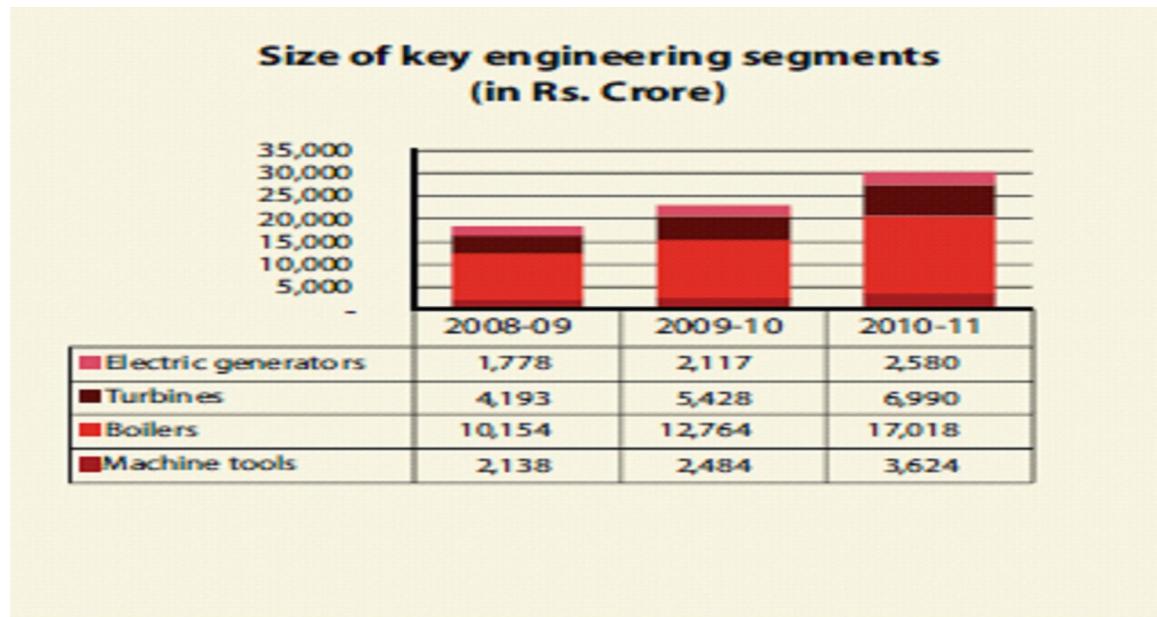
HMT Limited, formerly Hindustan Machine Tools Limited, is a state-owned manufacturing company under the Ministry of Heavy Industries and Public Enterprises in India. Hindustan Machine Tools was incorporated in 1953 by the Government of India as a machine tool manufacturing company. Over the years diversified into watches, tractors, printing machinery, metal forming presses, die casting & plastic processing machinery, CNC systems & bearings. HMT is headquartered at Bengaluru ( Bangalore ).

PMT was started in 1961 as Traub India a subsidiary of Traub Germany. The company later absorbed technologies from various German and Swiss machine tool companies like Voumard, Fortuna, Mikrosa, Pittler to manufacture world class Turning and Grinding. The company now is in the business of providing complete solution to its customers machining problems rather than just stand-alone machine tool. PMT products include Automats, CNC Turning, CNC Internal Grinding, CNC Cylindrical Grinding and CNC Surface Grinding Machines and Special purpose machines in Turning and Grinding. The company also supplies precision components to critical industrial sector which includes Power, Windmills, Railways, Oil and Gas, Gear boxes, Dies and Moulds etc.

## MANUFACTURING AND MACHINE TOOL SECTOR IN GUJARAT

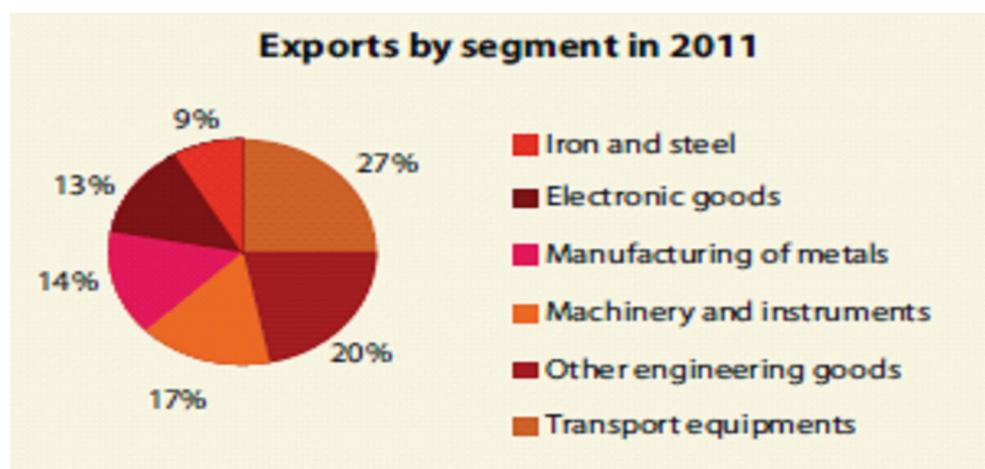
Indian manufacturing sector has engineering segment as the main constituent. It is divided into heavy and light engineering. Europe, Asia and Middle East are the largest export destinations of India contributing over 60% of the overall engineering exports.

### SIZE OF KEY ENGINEERING SEGMENTS



Source: CMIE, Industry Market Size and Shares,

### EXPORTS BY SEGMENT IN 2011



## **ENGINEERING EXPORTS**



### **Gujarat – a key engineering manufacturing center in India**

The sector contributes around 18% to total industrial production in Gujarat. Gujarat contributes about 9% to national engineering output. Gujarat houses around 30 engineering clusters and about 5000 engineering factories which are in and around these clusters, in Gujarat.

## **Key Factors for the engineering and machinery sector in Gujarat**

### **1. Strong Demand**

#### **(i) Power**

Gujarat is the only power surplus state in the nation. Further the power generation capacity is to be increased to 30,000 MWatt by 2020.

#### **(ii) Infrastructure**

The Blueprint for Infrastructure in Gujarat 2020 includes development with an investment of Rs 10,29,177 crores across 18 infrastructure sectors in Gujarat.

Gujarat has highest number of ports, 41 minor and 1 major port, connected to all global ports, 16 domestic airports and 1 international airport, excellent road-rail connectivity, only state having state-wide integrated gas grid of 2500 km.

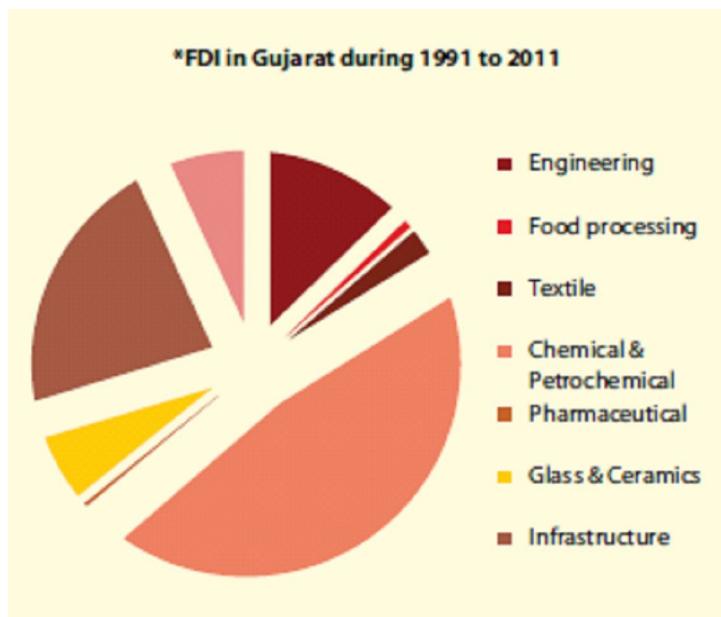
#### **(iii) Manufacturing**

Textile, cement, oil and gas, mining, and other sectors have lead to greater local demand for machine tools and machinery.

### **2. Foreign investments and technology transfer agreement in the sector**

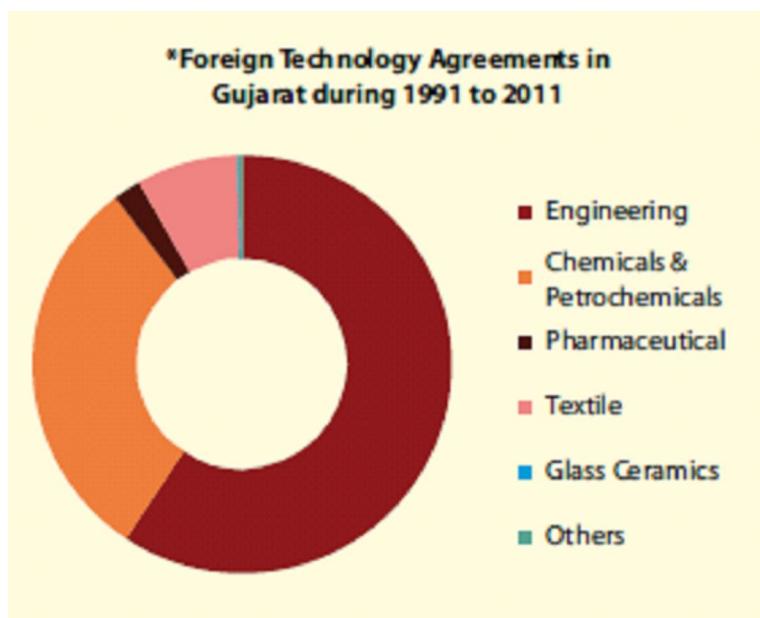
Engineering and manufacturing sector attracted investment worth Rs 4481 crore during the period of 1991 to 2011 thereby contributing to 12.66% of the overall FDI in Gujarat during the same duration of time.

## FDI IN GUJARAT DURING 1991 TO 2011



The sector contributes to about 59.31% of total foreign technology transfer agreements.

## FOREIGN TECHNOLOGY AGREEMENTS IN GUJARAT



## **How to set up a business firm in Belgium?**

### **Forms of business entities which can be started as per the Belgian law**

Foreign investors are free to operate through any business entity recognized under Belgian law. There are numerous types of company forms (including partnerships, co-operatives & temporary consortia). Foreign companies generally use the subsidiary & branch form. A foreign subsidiary in Belgium generally takes the form of an SA/NV (société anonyme/naamloze vennootschap – limited liability company), but some companies use the SPRL/BVBA (société à responsabilité limitée/besloten vennootschap met beperkte aansprakelijkheid – private limited liability company). A partnership can be set up as an SNC/SOF (société en nom collectif/vennootschap onder firma) or as an SCS/Comm.V. (société en commandite simple/gewone commanditaire vennootschap). The partners in an SNC/SOF are jointly liable for the activities of the partnership; liability may be limited to the contribution of each partner in an SCS/Comm.V.

In addition to the difference in share capital (which is higher for an SA/NV), the main difference between an SA/NV & an SPRL/BVBA is that the latter is essentially based on “a relationship of trust” among specific associates. For this reason, the shares of a private limited liability company are registered shares & their transferability is restricted (e.g. the other shareholders have pre-emptive rights to purchase any shares). Previously, shares in a limited liability company could be bearer shares, so shareholders could remain anonymous. However, as from 1 January 2008, SAs/NVs may not issue new bearer shares. Owners of unlisted bearer shares, which generally are issued by most NV/SA companies, must convert these into registered shares or dematerialized shares before 31 December 2013, taking into account the tax due upon conversion of the shares. This tax applies to both listed & unlisted companies & is set at 1% when converting shares in 2012 & 2% when converting shares in 2013.

### **Customs Duty on Imported Goods.**

#### **Introduction**

The concept of import duty is very wide & is almost applicable to every product or item imported to India barring a few goods like food grains, fertilizer, lifesaving drugs & equipment etc. Import duties form a significant source of revenue for the country & are

levied on the goods & at the rates specified in the Schedules to the Customs Tariff Act, 1975.

### **Import through water ways**

Territorial water extends up to 12 nautical miles into the sea from the coast of India & so the liability to pay import duty commences as soon as goods enter the territorial waters of India. No duty is liable on goods which are in transit in the same ship or if goods are in transit from one ship to another.

### **Basic duty**

Basic Duty is a type of duty or tax imposed under the Customs Act (1962). Basic Customs Duty varies for different items from 5% to 40%. The duty rates are mentioned in the First Schedule of the Customs Tariff Act, 1975 & have been amended from time to time under the Finance Act. The duty may be fixed on ad –valorem basis or specific rate basis. The Central Government has the power to reduce or exempt any good from these duties.

### **Additional customs**

Additional duty also known as countervailing duty or C.V.D is equal to excise duty imposed on a like product manufactured or produced in India. It is implemented under the Section 3 (1) of the Indian Custom Tariff Act. The Government has exempted all goods, when imported into India for subsequent sale, from the whole of the additional duty of customs leviable thereon under Sub-Section (5) of Section 3 of the Customs Tariff Act vide Customs Tariff Notification No. 102/2007 dated 14th September 2007. However, the importers will be first required to pay the said duty & thereafter required to claim the refund.

### **Recent High lights**

#### **India set to ban import of used plant & machinery**

The government will soon restrict import of used plant & machinery, a move aimed at safeguarding the productivity & competitiveness of Indian manufacturers.

A panel headed by cabinet secretary AK Seth has decided to ban import of machinery more than five years old. "The big worry is that such imports would impact overall productivity & erode competitiveness of the manufacturing sector," said a government official privy to the development.

The domestic capital goods industry says imports are partly responsible for the drop in output; a contention supported by government data that showed production of capital goods contracted 4.1%

Data on Tuesday showed the sector contracted by as much as 16% in April. The government is also considering an import duty on 75% of the original value of machinery, which will drive up costs for importers. At present, the duty is levied on the value of machinery on the day.

### **India's Export Controls: Current Status & Possible Changes**

Recent developments in India's non-proliferation policies could have significant implications for companies that trade in goods & technologies with potential applications to weapons of mass destruction (WMD), missiles, & conventional arms (known collectively as "strategic items"). In an effort to facilitate greater access to advanced technology products (ATP), India is currently seeking membership in the four main multilateral export control regimes (MECRs) – the Nuclear Suppliers Group (NSG), Australia Group (AG), Missile Technology Control Regime (MTCR), & Wassenaar Arrangement (WA). As part of this effort, the Government of India (GOI) has already begun to take marked steps to align its trade control system with the guidelines & practices of the regimes, including amending relevant laws, updating its national control list, & modifying its licensing procedures. This brief will provide an overview of the Indian export control system, summarize recent developments, highlight areas where India's national control list differs from the MECR lists, & identify potential changes to India's strategic trade control system that industry might expect in anticipation of India joining the MECRs.

### **Overview of India's Export Control System**

#### **Legal Authorities**

The Foreign Trade (Development & Regulation) Act No. 22 of 1992 or FTDR (as amended by the FTDR Amendment Act 2010)<sup>1</sup> is the principal legal basis for India's strategic trade control system. It empowers the GOI to "make provisions for prohibiting, restricting, or otherwise regulating" all or specified classes of exports or imports upon public notification in the Official Gazette.<sup>1</sup> It further authorizes the Indian government to formulate & amend India's foreign trade policy, which the GOI issues in five-year

increments & updates annually ([Foreign Trade Policy 2010-2011](#)). The FTDR empowers the Directorate General of Foreign Trade (DGFT), situated within the Department of Commerce & Industry (DCI), to license the export & import of items on the Indian Tariff Classification (Harmonized System) or ITC (HS) list.

## **Recent Developments**

Over the past several years, the Indian government has focused on strengthening bilateral relationships & obtaining greater access to high technology goods & services. It has signed a variety of nuclear agreements with a range of countries in order to expand its growing civil nuclear capabilities & facilitate bilateral trade in controlled commodities. After receiving a waiver from the NSG in 2008, India is now seeking full membership in the NSG & the other multilateral export control regimes, & there appears to be a groundswell of international support. Indeed, the United States, Germany, Russia, France, & the UK are all advocating Indian admission & appear committed to ensuring increased strategic trade with India into the future. India's broader policy initiatives & bilateral arrangements have prompted modifications to parts of its strategic trade control system.

In recent months, the GOI has amended & updated the statutory basis for India's strategic trade controls & released a new version of its national control list & licensing procedures. In August 2010, the Indian parliament passed the Foreign Trade (Development & Regulation) Amendment Act of 20 August 2010 (FTDR Amendment Act 2010). The act incorporated the provisions of the WMD Act (2005) into the FTDR (1992), which expanded the scope of control on strategic trade in India. The FTDR Amendment Act 2010 extended the definition of exports & imports within the FTDR to include "services" & "technologies," which were previously identified only in the WMD Act.

India subsequently issued an updated control list & a streamlined application for the export of SCOMET items. In March 2011, under the authority of the FTDR Amendment Act 2010, the DGFT released a new version of the SCOMET list in the annexure to DGFT Notification No. 38 (RE-2010)/2009-2014. The DGFT also issued a revised & simplified export license application form (Aayaat Niryaat Form 2E - ANF 2E) with the release of the "new" control list.

## **India's Multilateral Export Control Regime Membership: Potential Implications for Industry**

India's quest to join the multilateral export control regimes likely will involve further revisions to its trade controls, & industry should prepare for these possible changes in upcoming months. If India intends to join the regimes, then it will be necessary for the

GOI to implement all of the regime guidelines into its domestic controls & fully harmonize its national control list with those of the regimes.

In order to make a more compelling argument to the Wassenaar Arrangement, the Indian government may expand the scope of its technology transfer & brokering controls to apply to conventional arms-related as well as dual-use activities.

### **Import / Export Restrictions / Prohibitions under Customs law**

Under sub-section (d) of section 111 & sub-section (d) of Section 113, any goods which are imported or attempted to be imported & exported or attempted to be exported, contrary to any prohibition imposed by or under the Customs Act or any other law for the time being in force shall be liable to confiscation. Section 112 of the Customs Act provides for penalty for improper importation & Section 114 of the Customs Act provides for penalty for attempt to export goods improperly. In respect of prohibited goods the Adjudicating Officer may impose penalty up to five times the value of the goods. It is, therefore, absolutely necessary for the trade to know what are the prohibitions or restrictions in force before they contemplate to import or export any goods.

## **India's Political, Economic, Social and Environmental Situation**

### **1. The Political Situation**

With more than 655 million registered voters out of its one billion population, India is the **world's largest democracy**. For four decades, the Indian political system has been characterized by the dominance of the Congress Party which led the Independence movement in the early 20<sup>th</sup> century. Since the 1990s, Indian democracy has increasingly developed towards a multiparty competition with the two largest national parties, the Bharatiya Janata Party (BJP) and the Congress party, heading multiparty coalitions at the Centre.

India is the warrant of stability in the chronically unstable **South Asian region**. Its relationship with Pakistan is evolving positively and the 'composite dialogue' launched in early 2004 has clearly decreased tension; however, it remains a central element of uncertainty. India's relationships with Nepal, Bangladesh and Sri Lanka are closely linked to the domestic situation in these countries as they affect India's own security. The process of integration in the South Asian

India has increasingly asserted itself on the **international stage**, seeking greater presence in multilateral institutions, for example through its campaign for a permanent

seat in the UN Security Council. The role of the powerful Indian Diaspora (US, UK, Gulf) weighs heavily on India's foreign policy.

India shares its commitment to a multi-polar world system with **Russia** and **China**, with whom it shares a common vision on many international issues such as non-interference in domestic affairs. The traditional close friendship with Russia is maintained, and relations with China are growing politically and economically. India is implementing a 'Look East' policy, underpinned by economic considerations, towards its eastern neighbours in **ASEAN**, of which India is a full dialogue partner.

## **2. The Economic Situation including Trade**

The economic reforms undertaken at the beginning of the 1990s have helped India shift towards an average annual growth rate of 6.5% in the past decade. In moving from its previous socialist policies to a more open market-oriented model, India has become a **fast growing economy**.

The main policy shift was initiated in 1991 and this continues to bear fruit. Still, weaknesses and contradictions persist, with a large unfinished agenda that needs to be tackled to maintain India's success.

Despite the strikingly rapid growth in the **services sector** over the last decade, India is still

heavily reliant on agriculture and effects of the monsoon. While the share of agriculture in GDP has fallen from nearly 40% of GDP in 1980-1 to less than one quarter of GDP, the sector employs about 65% of the Indian workforce. Therefore, rural reforms are crucial to eradicating poverty

## **2. India's Policy Agenda**

### **1 Political agenda**

Externally, two main challenges stand out for the successive coalition governments since the beginning of the 1990s. The first is the continuation of economic reforms, external opening and liberalization to accelerate economic growth, while at the same time keeping promises of social and economic improvement for the majority of the people.

The second is the pursuit of a constructive foreign policy, in particular vis-à-vis the country's South Asian neighbours. Regional stability in South Asia is and will probably remain a priority in India's foreign policy. India's role in the region has been internationally

acknowledged. The dialogue with Pakistan and with China and the pursuit of the ‘Look East’ policy towards its East Asian neighbours will be on the agenda of the next decade.

## **OPPORTUNITIES FOR TRADE IN GUJARAT**

We cannot promise you the moon, but we promise you the platform from where, you can reach the heights of success – CM Narendra Modi

Gujarat, the Growth Engine with Business Resources, offers tremendous Opportunities for Investment as it is the most preferred location for Industrial Investment in the Country. It is the home for Dynamic Industrialists and Business Entrepreneurs. Several factors influence Investment Opportunities in Gujarat depending on Investment Environment:

### **Availability of Natural Resources**

Gujarat is rich in its mineral base. It has a sharp growth in Agriculture at 9.6% expansion in farm production. A ‘petro capital’ State with Industry depending on availability of natural resources which are in abundance in the state.

### **Manpower**

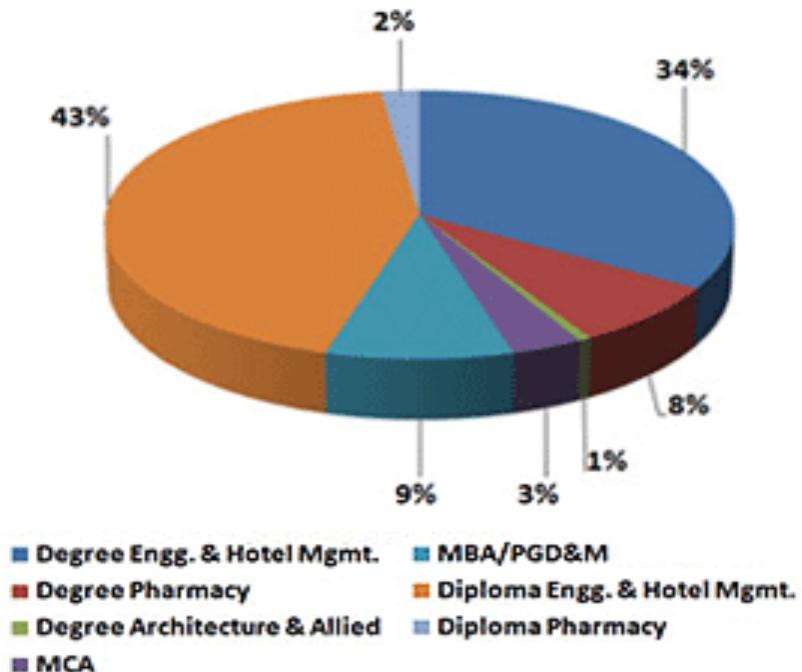
Gujarat excels in skilled manpower. Gujarat has amongst the least Mondays lost – 0.6 per cent of the country’s total.

*Some of the India's premier institutes are located in Gujarat*

- Indian Institute of Management (IIM) for Management
- Indian Institute of Technology (IIT) and DAIICT for Technology
- NIFT and NID for Fashion & Design
- Nirma and Gujarat Knowledge Society (GKS) for Knowledge
- MICA for Communication
- CEPT for Architecture
- IRMA for Rural Management

- NIPER for Pharmaceutical
- Pandit Deendayal Petroleum University for Petroleum

### **Growing Manpower Availability (FY 2007-08)**



### **Technical and Skilled Workforce**

- Need based short-term courses in existing institutions
- Establishment of extension centers at Industrial Estates/SEZ/Industrial park/Clusters
- Anchor institutes in identified areas
- 54 Engineering and 106 Diploma Engineering colleges offer over 17000 & 25000 respectively
- 441 vocational training institutes (Industrial Training institutes (ITI's)) offering 87981 seats every year for semi-skilled manpower

**Over 7 lakh students graduate every year**

### **Economy Attractions**

At a time of the World Economy melt down, Global Investors envisage for safer Investments and fetch assured returns. Investors look towards India and Gujarat has

been a preferred Investment Destination with Vibrant Gujarat Summit MoUs signed to overwhelming response with a whopping 12 lakh Crores.

### **Stable Leadership and Growth Policies**

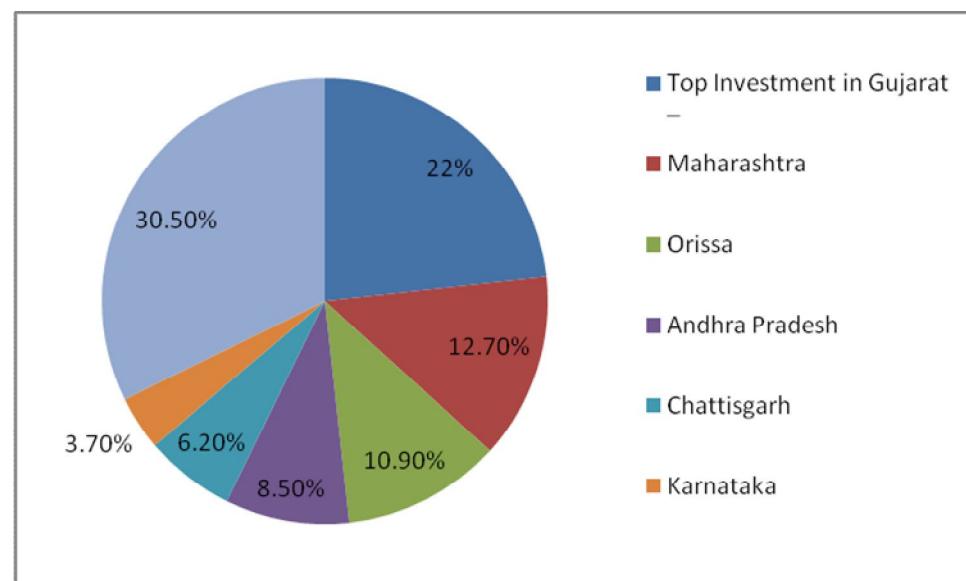
With a Stable Leadership and Business environment, Gujarat is recognized as a front runner in proactive Governance with its progressive policies and incentives. Being among the first states to establish reform-oriented policies has been a vital factor for creating a conducive environment for investors. Gujarat has further launched specific policies that cater to the development of sectors such as ports, roads, biotechnology, IT, agriculture and minerals.

### **Enhancing Investment**

There is specific intervention across sectors which would facilitates in fostering significant growth. The IRs and SIRs are steered for 'Model for Growth.' The DMIC (Delhi-Mumbai Industrial Corridor) is strategically planned Project of the Government covering 1483 kms, of which, 546 kms long route covers Eighteen (18) Regions of Gujarat. Gujarat Government has incredible development plans under this Project

### **Investment Share & Implementation of Projects**

Investment in Gujarat counts a major share in India's Investment ratio. In last five years, Gujarat's Development share is 10.30% and as per RBI survey (2008), 22 percent Investments opportunities are envisaged for 100 projects with over Rs.62.442 Crores Investment which lead to 15 Billion \$US, rating Gujarat as One State in India.



|                                    |              |
|------------------------------------|--------------|
| <b>Top Investment in Gujarat –</b> | <b>22%</b>   |
| <b>Maharashtra</b>                 | <b>12.7%</b> |
| <b>Orissa</b>                      | <b>10.9%</b> |
| <b>Andhra Pradesh</b>              | <b>8.5%</b>  |
| <b>Chattisgarh</b>                 | <b>6.2%</b>  |
| <b>Karnataka</b>                   | <b>3.7%</b>  |
| <b>Other States</b>                | <b>30.5%</b> |

Gujarat also projects 50 percent actual implemented Projects, making it the most industrialized envisaged Investment Opportunity Hub through the Vibrant Gujarat Summits. In a span of 17 years from 1991-2008, Gujarat gave a share of 12.91 percent Projects with over 125.03 Billion Dollars as compared to other states

### **Conducive Business Environment**

- A long and ancient history of maritime trade across the world
- A unique combination of culture and world-class pro-business environment which rewards risk and breeds entrepreneurship
- A multi-lingual workforce
- A concentration of corporate and financial resources
- A pool of wealth creators and major stakeholders across various industrial sectors
- 137,617 km of road network
- 5,188 km of railway network
- 2,200 km gas grid
- 1 International Airport, 6 Domestic Airports and 6 Air-strips 23 power plants
- Gujarat is well-connected to major cities in the USA, EU, Asia and other Indian metropolitan cities

- **MoUs**

- Gujarat has opened doors far and wide to embrace Multinational Companies and Foreign Investors with the implementations of various development schemes. Gujarat's strong Political will and business expertise of the Leaders of the State have shaped Investment Friendly policies to unleash the potentialities of Gujarat
- 'Vibrant Gujarat' theme was conceived and the two Vibrant Gujarat Global Investors' Summits in 2003 and 2005 together garnered 302 investment proposals to the tune of Rs 1,72,000 crores (USD 38 Billion) – the snowball effect of which is now being witnessed
- In 2007, the two-day event which was attended by business tycoons and CEOs of the Indian and global corporate world resulted in signing of 363 MOUs (Memorandum of Understanding) and an investment inflow of USD 102 Billion. These investments are across several sectors and hold a promise of direct employment generation to over 13 lac people
- Vibrant Gujarat Global Investor's Summit 2009 touched the golden heights with spectacular success. The Summit inked 8662 MOUs worth Rs. 12,000 Billion(\$243 Bn) generating 25 Lac employments

## Conclusion

Following are the various inferences that we found out while doing this report

- Indian machine tools are currently exported to over 50 countries; the major ones being the United States, Italy, Germany, the SAARC countries and the Middle East.
- There is positive sentiment among the investors while investing in Heavy Machinery sector in Belgium.
- Belgium has one of the most open economies in the world as a result of its economic integration & interdependence with its three main neighboring countries – France, Germany & the Netherlands.
- The Belgian government welcomes foreign investment (including wholly foreign ownership of a company), & there are only limited circumstances in which the government may block an investment. Once established, a foreign-owned company is treated in the same way as a Belgian-owned company. Belgium's tax incentives tend to favor new service industries & high-tech companies.
- The **EU-India Economic Cross-Cultural Programme (EICCP)** has promoted and supported links and partnerships between EU and Indian civil society organizations, with the aim of strengthening and enhancing civil society networks. The EU-India Joint Declaration on Cultural Relations, adopted at the 2004 EU-India Summit, expresses satisfaction with the EICCP, and states the mutual objective to continue this collaboration with “new and articulated forms of cooperation”, believing that it is a significant instrument for reciprocal exchange of experiences and for deeper understanding. EICCP was resumed and extended based on the Joint Communiqué of the second EU-India summit in 2001, in New Delhi.
- Gujarat, the Growth Engine with Business Resources, offers tremendous Opportunities for Investment as it is the most preferred location for Industrial Investment in the Country. It is the home for Dynamic Industrialists and Business Entrepreneurs.
- Thus we can conclude that there is a tremendous potential for increasing the trade between Belgium and India in terms of Machine Tools Sector.

**ANALYSIS  
OF  
GLASS INDUSTRY**

# **CH.1:-INTRODUCTION/ ROLE OF GLASS COMPANY IN BELGIUM**

## **1. Introduction**

Glass is a very significant material in everybody's life. It is normally used every day in many different areas. Its most significant uses in terms of quantity are listed below:

packaging (containers for foodstuff and beverages, pharmaceutical glass, etc.); building (windows, safety glass, safety glass, mirrors, etc.); Automotive (glazing, illumination, etc.); Glass thread for insulation; strengthening fibres for composite materials; Household glass (crockery, ovenware, furniture, etc.)

### **Subsectors of Glass Industry**

- **Flat Glass**

Flat glass financial records for roughly a third of total EU glass manufacture and the most common manufacture process is the float method, which gives a better-quality product. The order for flat glass is directly inclined by customer demand for vehicles and commercial construction and lodging (especially glazing).

- **Domestic Glass**

In commonplace with most sectors of the glass industry the domestic glass sector is an well-known business that experience modest long-term growth in demand. Examples of domestic glass include foodstuffs such as ovenware (cookware and heat resistant crockery), drinking glasses and giftware.

- **Reinforcement fibres (continuous filament glass fibre)**

The manufacture of continual filament glass fiber is one of the smallest sectors of the glass industry in terms of tonnage, but the foodstuffs have a relatively high value to mass ratio.

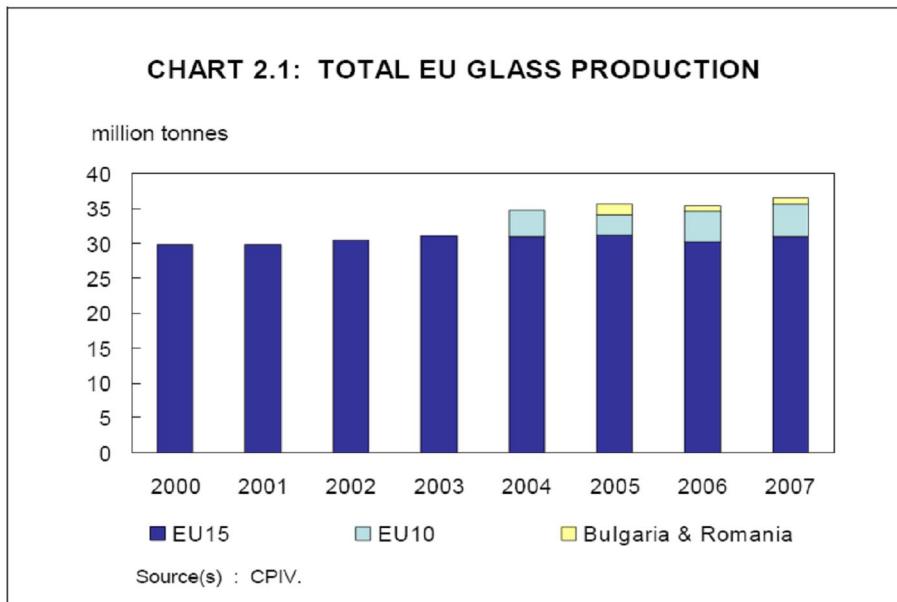
- **Special Glass**

The special glass are the glass used in manufacturing products like lighting glass, cathode-ray tubes, and specific scientific and medical items such as optical glass and pharmaceutical tubing glass.

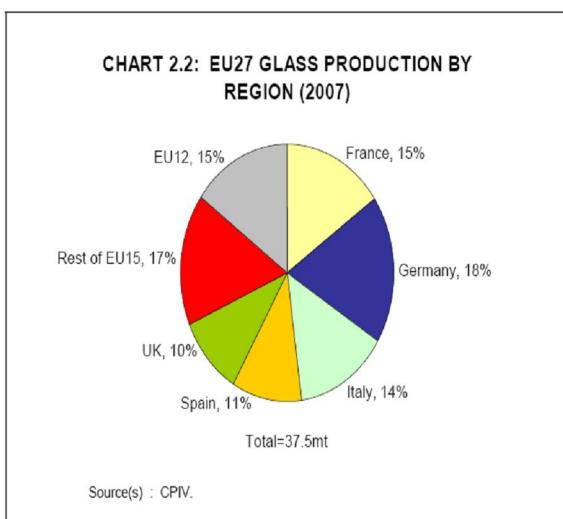
## 2. Production

Since 2000 the quantity of total glass production in the EU has been broadly flat, with the EU15 producing 30-31 million tons (mt) each year between 2000 and 2007. though, there are variations in the performance of sub-sectors. The level of manufacture increased to around 35 mt following the attainment of 10 new Member States in 2004, but remained at around that level in the following years.

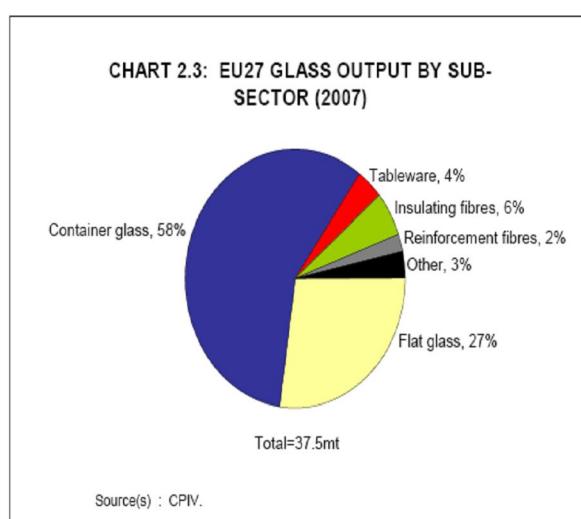
Graph 1.1 Total EU Glass Production



Graph 1.2 EU27 Glass Production By Region (2007)



Graph 1.3 EU27 Glass Output By Sub-Sector (2007)



### **3. Employment**

Globalization and the difficulty of staying in the International market with high quality articles at low prices is forcing the European glass industry to reduce its costs and, at the same time, increase its productivity. The result is—that in a situation with stagnant productive growth—the number of employees per tonne of glass produced gets lower and lower. In 2008, the glass industry employed about 214,179 people, with a decrease of - 6.6 % compared to 2007. However, this reduction was especially prevalent in the UK, which, in 2008, registered a loss of almost 6,000 jobs (- 43 %), whereas the Czech Republic witnessed a loss of almost 5,500 jobs (- 20 %). Countries such as Germany, Spain and France were stable, while others countries such as Italy (+ 6 %), the Netherlands (+ 9 %) and Belgium (+ 2 %) registered a positive trend. In Figure 5, it is possible to see employee distribution in EU-27.

### **4. Key Market Segments**

The world flat glass market is expected to record 3% annual growth between 2012 and 2015, reports **Koncept Analytics**. The building construction industry represents the largest single end user for flat glass, followed by automotive applications. The EU, the US and China dominate the global flat glass market. The global glass fiber sector has benefited from economic recovery driving demand since 2010, reports **Industry Experts**. By 2020, smart glass for use in transportation and architectural facades, privacy screens and windows is expected to reach a value of \$700 million.

### **5. Regional Market Share**

There are around 2,000 glass companies operating in the US glass and glass product manufacturing market. These outfits generate combined yearly revenue of \$20 billion, according to research from First Research. Owens-Illinois, Corning, Guardian and PPG are among the leading companies.

### **6. Industry Leaders**

Leading companies currently operating in the global glass manufacturing industry include Jiangsu Farun Group in China, French outfit Compagnie de Saint-Gobain, and Japan's Asahi Glass.

### **7. Market Outlook**

The world glass manufacturing market will record strong growth in coming years, fuelled by technological innovation that should lead to a higher number of flat glass applications. Rising levels of activity in the global automobile industry will also fuel demand for flat glass.

In addition, **Koncept Analytics** predicts that changing government legislation making flat glass mandatory in certain situations for energy conservation purposes will also boost market growth. Developments in the area of PV technology continue to lead to every widening PV use, also driving use of flat glass.

## **8. Leading Industry Associations**

Glass Association of North America

Glass Manufacturing Industry Council

All India Glass Manufacturers' Federation

## **9. Innovation and challenges for the future**

For the future, the glass industry will need to be able to provide superior products with unique properties that are more desirable than the products made from other materials and developing countries. This will require the development of new process technologies that reduce production costs and enhance desirable characteristics.

## **CH.2:-INTRODUCTION OF SELECTED COMPANY /INDUSTRY /SECTOR**

### **ASAHI GLASS CO. LTD.**

#### **PROFILE**

Asahi Glass Company (AGC) shatters the conventional image of glassmakers. The world's #1 maker of flat glass also claims the top spot in automotive glass, plasma display panel substrates, and fluorinated resins. Glass for construction, solar, automotive, and other applications account for half of AGC's overall sales. The company's Electronics and Display division makes high-purity silicon carbide, electronic components, and synthetic quartz glass for semiconductors and glass substrates, and its Chemicals unit makes soda ash, caustic soda, and other specialty chemicals. Subsidiaries include US-based AGC America and AGC Glass Europe. It operates mainly in the Asia/Pacific region as well as the US and Europe

Based in Brussels, AGC Glass Europe produces processes and distributes flat glass for the construction (external glazing and interior decorative glass), the automotive (original & replacement glass) and the solar sectors. It is the European branch of AGC Glass, the world's largest producer of flat glass.

Its baseline "Glass Unlimited" reflects the possibilities offered by:

- glass as a material to meet a growing variety of needs (comfort, energy control, health & safety, aesthetics, sustainability);
- innovation in products and processes, derived from continuous research in advanced glass technology;
- over 100 sites throughout Europe, from Spain to Russia;
- a worldwide marketing network;
- Its 50,000 employees focused on the Customer.

#### **VISION**

We will shape the future of glass with innovative & affordable solutions to improve people's everyday life.

## **OUR VALUES**

All members of AGC share the same four values in carrying out their mission of “Look Beyond to make the world a brighter place”:

- Innovation & Operational Excellence
- Diversity
- Environment
- Integrity

## **MAJOR LOCATIONS ARE:-**

- EUROPE
- AMERICA
- ASIA
- JAPAN

## **INDUSTRIAL FACILITIES**

- AGC Glass Europe has industrial facilities **throughout Europe**, and from **Spain to Russia**,
- With **37 float glass plants located throughout**
  - **Europe (20),**
  - **North America (4)**
  - **And Asia (13).**
- **10 automotive glass processing centres**
- And more than **100 distribution/processing units.**
- AGC Glass Europe employs some **15,000 people**

## **PRODUCTS**

- **Construction industry** (all types of building)
- **Automotive industry** (all car windows)
- **Other specialised industries** (transport, domestic appliances etc.)
- Special glasses include **antibacterial glass which kills 99.9% of bacteria** on its surface.
- The two main activities of AGC Glass Europe are producing flat glass in large dimensions ("raw glass") on the one hand, and processing it into finished or semi-finished products ("processed glass") on the other.

## CH.3:- COMPARATIVE POSITION OF COMPANY/INDUSTRY/SECTOR WITH INDIA & GUJARAT

### TOP 10 GLASS COMPANIES IN INDIA 2012

1. Hindustan National Glass And Industries Ltd.
2. Asahi India
3. Piramal Glass
4. Nile Limited
5. Empire Industries
6. Haldyn Glass
7. Binani Industries (Goa Glass Fibre Ltd)
8. Borosil Glass
9. La Opala RG
10. Saint Gobain

#### A. COMPARATIVE ANALYSIS OF ASAHI INDIA GLASS WITH OTHER INDIAN GLASS COMPANIES :

##### ➤ Competition:

| Name                                  | Last Price | Market Cap.<br>(Rs. cr.) | Sales    | Net Profit | Total Assets |
|---------------------------------------|------------|--------------------------|----------|------------|--------------|
|                                       |            |                          | Turnover |            |              |
| <a href="#"><u>Hind Nat Glass</u></a> | 193.00     | 1,685.63                 | 1,888.86 | 90.86      | 3,145.60     |
| <a href="#"><u>Asahi India</u></a>    | 50.40      | 806.04                   | 1,655.55 | -58.73     | 1,504.26     |
| <a href="#"><u>Piramal Glass</u></a>  | 86.00      | 695.88                   | 874.67   | 78.27      | 1,211.42     |
| <a href="#"><u>Binani Ind</u></a>     | 109.40     | 323.78                   | 139.29   | 13.68      | 1,196.43     |
| <a href="#"><u>La Opala RG</u></a>    | 256.20     | 271.51                   | 115.01   | 12.60      | 75.87        |
| <a href="#"><u>Sezal Glass</u></a>    | 6.25       | 20.97                    | 100.29   | -52.64     | 277.51       |

Source: moneycontrol.com

➤ Comparison with competitors with the help of **BALANCESHEET** :

| Balance Sheet                      |          | ----- in Rs. Cr. ----- |               |              |                |               |
|------------------------------------|----------|------------------------|---------------|--------------|----------------|---------------|
|                                    |          | Asahi<br>India         | Hind<br>Glass | Nat<br>Glass | Piramal<br>Ind | Empire<br>Ind |
|                                    |          | Mar '12                | Mar '12       | Mar '12      | Mar '12        | Mar '12       |
| <b><u>Sources Of Funds</u></b>     |          |                        |               |              |                |               |
| <b>Total Share Capital</b>         | 15.99    | 17.47                  | 80.92         | 6.00         | 29.62          |               |
| <b>Equity Share Capital</b>        | 15.99    | 17.47                  | 80.92         | 6.00         | 29.62          |               |
| <b>Share Application Money</b>     | 0.00     | 0.00                   | 0.00          | 0.00         | 0.00           |               |
| <b>Preference Share Capital</b>    | 0.00     | 0.00                   | 0.00          | 0.00         | 0.00           |               |
| <b>Reserves</b>                    | 131.84   | 1,140.25               | 403.13        | 75.87        | 174.33         |               |
| <b>Revaluation Reserves</b>        | 0.00     | 0.00                   | 0.00          | 0.00         | 0.00           |               |
| <b>Networth</b>                    | 147.83   | 1,157.72               | 484.05        | 81.87        | 203.95         |               |
| <b>Secured Loans</b>               | 1,112.18 | 1,971.82               | 474.84        | 1.04         | 557.38         |               |
| <b>Unsecured Loans</b>             | 244.25   | 16.06                  | 252.53        | 57.27        | 435.10         |               |
| <b>Total Debt</b>                  | 1,356.43 | 1,987.88               | 727.37        | 58.31        | 992.48         |               |
| <b>Total Liabilities</b>           | 1,504.26 | 3,145.60               | 1,211.42      | 140.18       | 1,196.43       |               |
|                                    |          | Asahi<br>India         | Hind<br>Glass | Nat<br>Glass | Piramal<br>Ind | Empire<br>Ind |
|                                    |          | Mar '12                | Mar '12       | Mar '12      | Mar '12        | Mar '12       |
| <b><u>Application Of Funds</u></b> |          |                        |               |              |                |               |
| <b>Gross Block</b>                 | 2,301.25 | 2,096.82               | 1,231.49      | 196.93       | 11.15          |               |
| <b>Less: Accum. Depreciation</b>   | 1,043.52 | 703.71                 | 575.77        | 59.88        | 4.87           |               |
| <b>Net Block</b>                   | 1,257.73 | 1,393.11               | 655.72        | 137.05       | 6.28           |               |
| <b>Capital Work in Progress</b>    | 21.16    | 1,156.98               | 151.36        | 0.00         | 0.00           |               |
| <b>Investments</b>                 | 15.71    | 180.90                 | 59.26         | 0.00         | 1,070.85       |               |
| <b>Inventories</b>                 | 475.40   | 301.14                 | 139.32        | 16.34        | 0.00           |               |
| <b>Sundry Debtors</b>              | 312.26   | 343.00                 | 304.41        | 52.75        | 2.51           |               |
| <b>Cash and Bank Balance</b>       | 16.63    | 10.58                  | 12.75         | 46.98        | 126.33         |               |
| <b>Total Current Assets</b>        | 804.29   | 654.72                 | 456.48        | 116.07       | 128.84         |               |
| <b>Loans and Advances</b>          | 155.99   | 455.97                 | 139.66        | 73.98        | 68.15          |               |

|  |          |          |          |        |          |
|--|----------|----------|----------|--------|----------|
| <b>Fixed Deposits</b>                  | 0.00     | 1.28     | 0.00     | 0.00   | 5.02     |
| <b>Total CA, Loans &amp;</b>           | 960.28   | 1,111.97 | 596.14   | 190.05 | 202.01   |
| <b>Advances</b>                        |          |          |          |        |          |
| <b>Deffered Credit</b>                 | 0.00     | 0.00     | 0.00     | 0.00   | 0.00     |
| <b>Current Liabilities</b>             | 742.70   | 585.43   | 167.65   | 96.51  | 71.21    |
| <b>Provisions</b>                      | 7.92     | 111.93   | 83.41    | 90.43  | 11.50    |
| <b>Total CL &amp; Provisions</b>       | 750.62   | 697.36   | 251.06   | 186.94 | 82.71    |
| <b>Net Current Assets</b>              | 209.66   | 414.61   | 345.08   | 3.11   | 119.30   |
| <b>Miscellaneous Expenses</b>          | 0.00     | 0.00     | 0.00     | 0.00   | 0.00     |
| <b>Total Assets</b>                    | 1,504.26 | 3,145.60 | 1,211.42 | 140.16 | 1,196.43 |
| <br>                                   |          |          |          |        |          |
| <b>Contingent Liabilities</b>          | 112.15   | 681.85   | 68.85    | 2.34   | 2,482.60 |
| <b>Book Value (Rs)</b>                 | 9.24     | 132.56   | 59.82    | 136.45 | 68.91    |
| <br>                                   |          |          |          |        |          |
| Source : Dion Global Solutions Limited |          |          |          |        |          |
| <br>                                   |          |          |          |        |          |

## **CH.4:- PRESENT & TREND OF BUSINESS IMPORT – EXPORT WITH INDIA/ GUJARAT**

### **India's Glass Industry Contribution To Economy**

- The types of glass currently manufactured in India are float glass and sheet glass
- The Glass Industry in India has the manufacture capacity of around 0.68 million tons in a year
- Manufacture of float glass is about 0.51 million tons, which is nearly 75 % of the total glass production in India.
- Production of sheet glass is about 0.17 million tons, which is almost 25 % of the total glass production in India.
- Float glass can be classified into three types, such as coloured glass, processed glass, and clear unprocessed glass.
- The production sector is the largest consumer of float glass. Around 60 % of the total production is used by the construction sector.
- The other glass customers use 10 % of the total production.

### **FDI Inflow Yearly To Glass Major Player**

- The Indian Glass Industry is dominated by the subsidiary of the major foreign glass manufacturing companies
- The overseas players are Saint-Gobain, Asahi Float glass, and Gujarat Guardian
- Saint-Gobain has invested ` 700 crores in establishing a second float glass and automotive glass-manufacturing unit at Sriperumbudur, in Tamil Nadu.
- Asahi Glass is planning to establish a production unit at an estimated cost of ` 50 crores near Chennai.

### **Belgium Trade Relations with India**

#### **Economic And Trade Relations**

Belgium has emerged as one of India's significant trading partners in the EU. Trade in gems and jewellery constitutes over 75% of the bilateral trade. India's IT sector is well

representing in Belgium, with all the big IT companies having their establishment. Several Indian companies in the chemicals sector have also recognized offices/warehousing facilities in Belgium, particularly close to the port city of Antwerp. Belgian business interests in India cover energy, ports, dredge, building, banking and finance, electronics and software, chemicals and fertilizers, astrophysical energy and biotechnology.

### **Bilateral Trade**

Belgium is the second largest trading partner of India in the European Union with yearly bilateral trade yield amounting Euro 10.4 billion in 2010. India is the 5th largest exporter to Belgium (after USA, China, Japan and Russia) and 2<sup>nd</sup> largest importer of Belgian merchandise in 2010 (after USA). The major items of Indian exports to Belgium are - Precious stones; Textiles and clothing; Iron and steel; Chemical products; Mineral products; Organic chemicals; equipment and Electrical Equipment's etc. The major items of Indian imports from Belgium are- Precious gravel; Iron and steel; Machinery and mechanical appliances; Chemical products; boilers, equipment and mechanical appliances & parts thereof: untreated chemicals; Plastic and rubber; Plastics and articles thereof; Pharmaceutical products etc. A MoU on collaboration in railway sector has been agreed upon and is ready for signature.

Following figures show Trade Relation of Belgium and India:

Table 4.1 Bilateral Trade Of India And Belgium: (Figures in US \$ Million)

| Year               | 2009-2010<br>(1) | 2010-2011<br>(2) | 2011-2012<br>(3) | % variation<br>(2)/(1) | % variation<br>(3)/(2) |
|--------------------|------------------|------------------|------------------|------------------------|------------------------|
| <b>Export</b>      | 1981.0           | 2524.7           | 3525.2           | 27.4                   | 39.6                   |
| <b>Import</b>      | 8754.7           | 11402.4          | 14219.2          | 30.2                   | 24.7                   |
| <b>Total Trade</b> | 10735.7          | 13927.1          | 17744.4          |                        |                        |

### **Bilateral Investment**

Belgium has emerged as the 23rd largest investor in India universal and the 9th largest within the EU but the total FDI in India from Belgium is still comparatively small. A cumulative figure of FDI inflows from Belgium into India amount to US \$ 327.84 million from April 2000 to April 2010. In the recent past, Indian outlay in Belgium has exceeded investment by Belgian firms in India mainly from side to side several takeovers of Belgian

firms by Indian companies. Quite a few Indian companies particularly in the IT and software sector have established base in Belgium to cater to Belgian as well as the European market.

## **Belgium Import-Export with India**

### **Import And Export**

The import-export state of affairs is not clear at the moment. The globalization of the market makes it simpler to transport and sell products everywhere in the world. Countries such as China, India, North Africa, etc. are now flattering more and more competitive, with low prices and product quality which is sometimes equal to goods made in European or western countries.

In Table 2, it is probable to notice that exports have been steady over the last three years, but not in the same way in all sectors. Their growth, from 2007 to 2008 in particular, showed a positive trend for flat glass (unchanged and transformed) and “other glass”, while container glass, crockery/crystal, fibres and special glass registered a heavily negative trend. Concerning imports the situation is quite perturbing. All sectors, excluding untransformed flat glass, registered a positive trend between 2007 and 2008, which was mainly high for container glass (36.8 % in 2006-2007 and 29.2 % in 2007-2008). The inversion of the leaning for unchanged flat glass was probably due to the heavy slump in the European market.

Table 4.2 Import-Export In The EU27

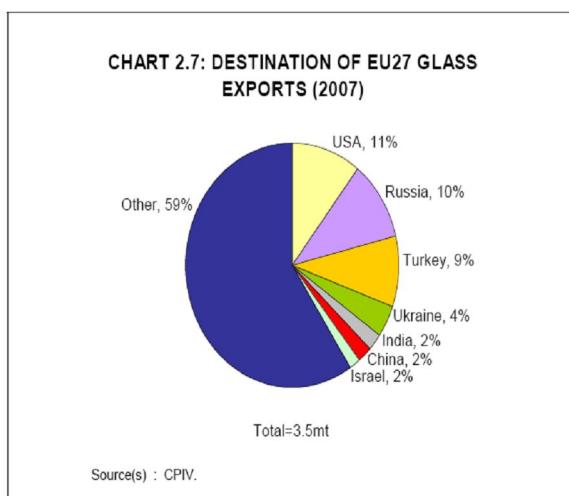
**Table 2 - Import- export in the EU27 [1]**

|                          | Exports<br>(tonnes/year) |                  |                  | Evolution<br>(%) |              |
|--------------------------|--------------------------|------------------|------------------|------------------|--------------|
|                          | 2006                     | 2007             | 2008             | 2006-2007        | 2007-2008    |
| Flat glass untransf.     | 1,007,268                | 1,074,240        | 1,114,959        | + 6.6            | + 3.8        |
| Flat glass transf.       | 341,192                  | 309,338          | 352,695          | - 9.0            | + 14         |
| Container Glass          | 936,390                  | 997,210          | 863,272          | + 6.5            | - 13.5       |
| Tableware/Crystal        | 377,011                  | 389,635          | 346,602          | + 3.3            | - 11         |
| Fibres                   | 267,333                  | 253,471          | 219,292          | - 5.2            | - 13.5       |
| Special Glass            | 60,663                   | 57,743           | 44,104           | - 4.8            | - 23.5       |
| Other                    | 329,304                  | 414,110          | 393,582          | + 25.8           | - 5          |
| <b>Total</b>             | <b>3,319,161</b>         | <b>3,495,747</b> | <b>3,334,506</b> | <b>+ 5.3</b>     | <b>- 4.6</b> |
| Imports<br>(tonnes/year) |                          |                  | Evolution<br>(%) |                  |              |
|                          | 2006                     | 2007             | 2008             | 2006-2007        | 2007-2008    |
| Flat glass untransf.     | 586,322                  | 1,113,543        | 820,627          | + 89.9           | - 26.3       |
| Flat glass transf.       | 427,074                  | 627,685          | 673,983          | + 46.9           | + 7.4        |
| Container Glass          | 292,742                  | 400,463          | 517,566          | + 36.8           | + 29.2       |
| Tableware/Crystal        | 437,907                  | 474,076          | 484,324          | + 8.3            | + 2.2        |
| Fibres                   | 398,666                  | 508,037          | 561,674          | + 27.4           | + 10.6       |
| Special Glass            | 72,135                   | 31,559           | 31,769           | - 56.2           | + 0.7        |
| Other                    | 436,433                  | 446,112          | 493,564          | + 2.2            | + 10.6       |
| <b>Total</b>             | <b>2,651,279</b>         | <b>3,601,475</b> | <b>3,583,507</b> | <b>+ 35.8</b>    | <b>- 0.5</b> |

Compared to Europe, the Italian state of affairs is rather similar. The performance of the container glass (bottles & jars) sector was mainly poor. It registered an import increase of approximately 19 % from 2007 to 2008, compared to an export decrease of about 1 % during the same period.

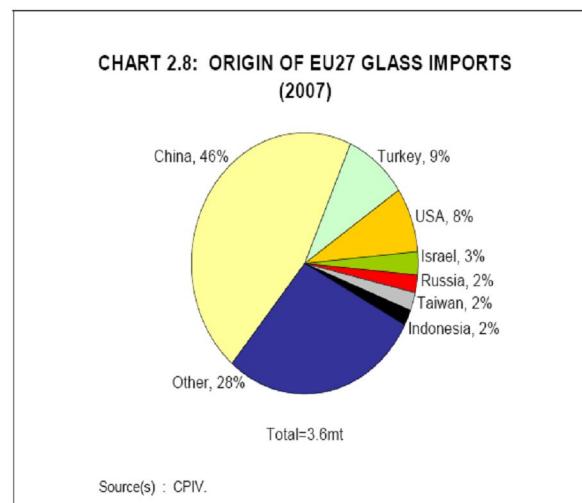
Graph 4.1 Destination of EU27 Glass

Exports (2007)

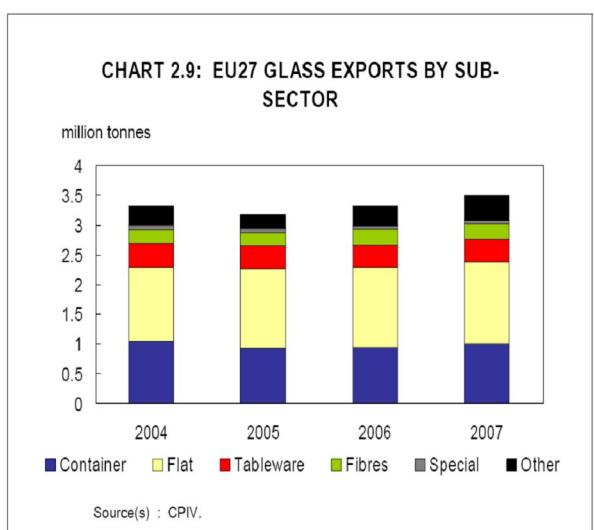


Graph 4.2 Origin of EU27 Glass Imports

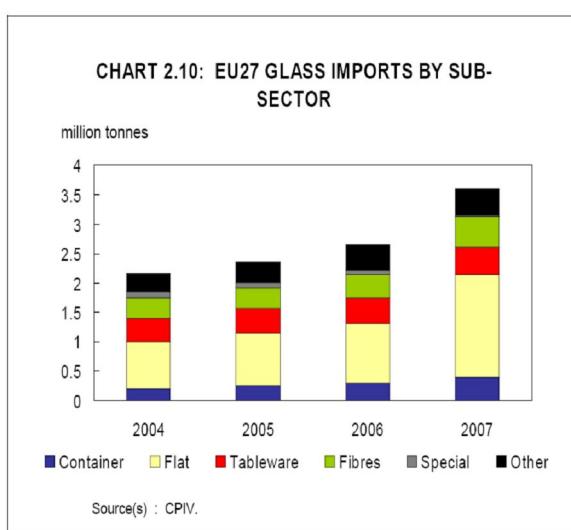
(2007)



Graph 4.3 EU27 Glass Exports By Sub-Sector



Graph 4.4 Eu27 Glass Imports By Sub-Sector



## **CH.5:- POLICIES & NORMS OF SELECTED COUNTRY FOR INDUSTRY/ COMPANY FOR EXPORT-IMPORT LICENSING PERMISSION TAXATION**

### **BELGIUM- IMPORT/EXPORT REGULATIONS**

Belgium is part of the European Union which has developed a common trade policy for all member countries. The common commercial policy is a pillar for the external relations of the European Union. It is based on a set of uniform rules under the Customs Union and the Common Customs Tariff and governs the commercial relations of the Member States with Non-EU Member Countries. The purpose of the instruments of trade defense and market access is mainly to protect European businesses from obstacles to trade. The EU has evolved during the process of globalization by aiming for the harmonious development of world trade and fostering fairness and sustainability. It actively encourages the opening of the markets and the development of trade in the multilateral framework of the World Trade Organization (WTO). At the same time, it supports developing countries and regions through bilateral relations with a view to involving them in world trade using preferential measures. Many of the trade issues are standardized across the European Union, and the text below describes briefly the highlights of the EU trade policy.

**Licensing:** The EU has a liberal import regime where import licensing is not common. Import licenses are issued with due consideration for the provisions of relevant European Union trade agreements and the needs of the specific importing country.

**Quality Standards:** Under the EU's "*New Approach to Technical Harmonization*", certain products are required to meet the specific quality standards including toys, machinery, telecommunications terminal equipment, medical devices, electrical equipment, appliances, etc. Qualified products must carry a CE mark to show its compatibility, fixed onto the product by a manufacturer or importer as self-declaration of compliance.

**Import duties:** Imports into the EU countries are subject to the respective import tariff (normally applied on the import c.i.f. value) plus the value-added tax (VAT) varies according to different importing countries. For Belgium, the most commonly applicable rate is 21% although the rates of 0%, 6% and 12% also exist.

**Packaging:** Manufacturers and exporters should minimize the packaging of their products exporting to the EU.

## **COMMON RULES FOR IMPORT IN EU**

This regulation aims to establish common rules for imports into the European Union (EU) based on the principle of the freedom of import and to define the procedures enabling the EU to implement, where necessary, the surveillance and safeguard measures required to protect its interests.

The regulation lays down the principle of freedom to import products originating in non-European Union (EU) countries, subject to possible safeguard measures. This regulation applies to imports into the EU of products originating in non-EU countries except for textile products covered by special rules for imports and products originating from non-EU countries which are subject to that country's own import rules.

### **Information and consultation procedure**

EU countries must inform the Commission if import trends suggest the need for surveillance or safeguard measures. Consultations may be held either at the request of an EU country or on the initiative of the Commission. They take place within an advisory committee made up of representatives of each EU country with a representative of the Commission as chairman.

These consultations primarily examine the conditions of imports, the economic and commercial situation and the measures, if any, to be taken. Consultations may be conducted in writing if necessary and the EU countries may express their opinion or request oral consultations within a period of five to eight working days.

### **Investigation procedure**

Where, after consultations it is apparent that there is sufficient evidence to justify the initiation of an investigation, the Commission initiates an investigation within one month and publishes a notice in the Official Journal of the European Union, summarizing the information received.

The investigation seeks to determine whether imports of the product in question are causing or threatening to cause serious injury to the EU producers concerned. Once the investigation has been launched, the Commission seeks and verifies all information it considers necessary for the conduct of the investigation.

Within the framework of the investigation, the Commission examines:

- the volume of imports;
- the price of imports;
- the consequent impact on EU producers;
- factors other than trends in imports which are causing or may have caused injury to the EU producers concerned.

At the end of the investigation, the Commission submits a report to the advisory committee and, depending on the conclusion of its investigations, either terminates the investigation or decides to implement surveillance or safeguard measures.

This investigation procedure does not preclude the use, particularly in critical circumstances, of surveillance or provisional safeguard measures. In this instance, the duration of such measures must not exceed 200 days.

### **Surveillance measures**

Imports of products may have to undergo EU checks on the basis of a decision by the Council or the Commission if market trends in this product threaten to cause injury to the EU producers of like or competing products, and the EU's interests require such checks.

The decision to introduce surveillance measures is normally taken by the Commission. Such surveillance may involve retrospective checks of imports (statistical surveillance) or prior checks. In the latter case, products under prior surveillance may only be put into free circulation within the EU on production of an import document. This document is issued by the EU countries, free of charge, for any quantity requested and within a maximum of five days of receipt of a declaration by the importer, regardless of their place of business in the EU. The document is valid throughout the EU, regardless of the EU country of issue.

Surveillance measures do not necessarily cover the entire EU. Where imports of a product have not been made subject to prior EU surveillance within eight working days of the end of consultations on the possibility of establishing EU surveillance, the Commission may introduce surveillance confined to imports into one or more regions of the EU.

EU countries must inform the Commission each month of the import documents that were issued (in cases of prior surveillance) and the imports received (in cases of prior and retrospective surveillance).

### **Safeguard measures**

Safeguard measures may be applied where products are imported into the EU in such greatly increased quantities and/or on such terms or conditions as to cause, or threaten to cause,

serious injury to EU producers. As regards members of the World Trade Organization (WTO), these measures are cumulative.

Where these conditions are fulfilled, the Commission may change the period of validity of the import documents issued in respect of surveillance or establish an import authorization procedure and, in particular, a quota system for imports.

When establishing a quota, account is taken of the desirability of maintaining, as far as possible, traditional trade flows and of the volume of goods exported under contracts concluded before the entry into force of the measure. In principle, the quota should not be set lower than the average level of imports over the last three years.

Safeguard measures apply to every product which is put into free circulation after their entry into force. In exceptional cases, they may be confined to one or more regions of the EU. However, they do not prevent the release for free circulation of products already on their way to the EU.

These measures are taken by the Commission or by the Council. Where intervention by the Commission has been requested by an EU country, the Commission takes a decision within a maximum of five working days. The Commission's decision is communicated to the Council and to the EU countries. Any EU country may, within one month, refer the decision to the Council. In this case, the Council, acting by a qualified majority, may confirm, amend or revoke that decision. If, within three months, the Council has not taken a decision, the decision taken by the Commission is deemed to be revoked.

In any event, where the interests of the EU so require, the Council, acting by qualified majority and on a proposal from the Commission drawn up in accordance with the conditions set out above, may adopt safeguard measures.

No safeguard measure may be applied to a product originating in a developing country of the WTO as long as that country's share of EU imports of the product concerned does not exceed 3 %, and on the condition that collectively the developing countries of the WTO with less than a 3 % import share do not account for more than 9 % of total EU imports of the product concerned.

The duration of safeguard measures may not, in principle, exceed four years, unless they are extended under the same conditions as the initial measures were adopted. Under no circumstances may the duration of the measures exceed eight years.

In addition to safeguard measures as such, the regulation stipulates that the Council, on proposal from the Commission, may adopt appropriate measures to allow the rights and obligations of the EU or of all its member countries, in particular those relating to trade in commodities, to be exercised and fulfilled at international level.

This regulation does not preclude the fulfilment of obligations arising from special agreements concluded between the EU and non-EU countries. Nor does it preclude the adoption or application by EU countries of measures on grounds of public order, public morality, public security, the protection of health and life of humans, animals or plants, the protection of national treasures, the protection of industrial and commercial property, and special formalities concerning foreign exchange.

## **COMMON RULES FOR EXPORT IN EU**

This regulation establishes common rules for exports from the European Union (EU) based on the principle of freedom of export and defines the procedures enabling the EU to implement, where necessary, the surveillance and protective measures required.

This regulation lays down the principle of **freedom of export**, stating that exports from the European Union (EU) to non-EU countries are free from quantitative restrictions.

### **Information and consultation procedures**

EU countries may adopt protective measures if they consider it necessary due to unusual developments on the market. Before implementing these protective measures, the EU country must inform the Commission accordingly, which will then advise the other EU countries. Consultations may be held at any time and take place within an **advisory committee** composed of representatives of each EU country and chaired by a representative of the Commission. These consultations relate, in particular, to the export conditions and trends for the product in question as well as the measures, if any, to be adopted.

The Commission may request EU countries to supply **statistical data** on market trends in a given product for the purpose of assessing the economic and commercial situation. It may also ask them to exercise **surveillance** over given products in accordance with their national legislation and with the procedure specified by the Commission.

## **Protective measures**

The interests of the EU may require the adoption of appropriate measures to prevent or remedy a critical situation brought about by a shortage of essential products, or to allow international commitments entered into by the EU or all the EU countries to be fulfilled, in particular those relating to trade in primary products. These measures are generally quantitative restrictions on exports.

The Commission, acting at the request of an EU country or on its own initiative, may make the export of a product subject to the production of an **export authorisation**. The granting of an export authorisation is governed by such provisions and subject to such limits as the Commission shall lay down pending subsequent action by the Council. The Council and the EU countries shall be notified of the measures taken which shall take effect immediately. These protective measures may be limited to exports to certain countries or exports from certain regions of the EU. They do not affect products already on their way to the EU frontier.

In principle, protective measures are adopted by the Council, acting by a qualified majority on a proposal from the Commission. The Commission may also implement such measures where immediate action is required.

During their application, protective measures are the subject of consultation on the advisory committee with a view to examining their effects and ascertaining whether the conditions for their application are still satisfied. As a result, they may be amended or revoked if they are no longer necessary.

This regulation does not prevent EU countries from adopting or applying quantitative restrictions on exports on grounds of public morality, public policy, public security, the protection of health and life of humans, animals and plants, the protection of national treasures possessing artistic, historic or archaeological value, or the protection of industrial and commercial property.

## **CORPORATE TAX**

### **Definition**

Companies and profit-making organisations with legal personality which have their registered office, their main business centre or their seat of management in Belgium are subject to Belgian corporate income tax.

These companies are subject to Belgian corporate income tax on their worldwide profits. If however the Belgian company derives income from a foreign branch, this income will be exempt from tax if the branch is located in a country which has a preventive double taxation treaty with Belgium.

Foreign companies can be subject to corporate income tax if they are carrying out business activities in Belgium through a branch (permanent establishment).

### **Rates**

The standard Belgian corporate income tax rate is currently 33.99%.

A reduced and progressive rate applies for companies which have a taxable profit not exceeding 322 500 €. This rate amounts to:

- 24.98 % in the bracket 0 € to 25 000 €
- 31.93 % in the bracket 25 000 € to 90 000 €
- 35.54 % in the bracket 90 000 € to 322 500 €

These reduced rates only apply if the following conditions are met:

- The company's taxable profit does not exceed 322 500 €.
- The company is not a "financial institution".
- The shares are not held for 50% or more by one or more other companies.
- The company should not distribute dividends for an amount exceeding 13% of the issued share capital of the income year.
- The company pays a salary of at least 36 000 € to at least one manager of its managers (income year 2008).
- The company is not part of a group which owns a co-ordination centre.

## **BRUSSELS BUSINESS WELCOME PACKAGE**

### **Contact: Brussels Invest & Export**

Fact-finding missions usually take time and money but they are the best way to select a new location for a company. Brussels Invest & Export allows companies that are considering Brussels as a possible new location to evaluate all the assets of the Region. This service is provided free for a three month trial period.

The Welcome Package includes:

- Free use of office:
  - Fully furnished office space
  - 1 to 3 work stations
  - Reception services (English, French and Dutch)
  - Internet, phone & fax services
  - Conference room
- Assistance in:
  - Legal & tax matters
  - Company registration
  - Contacts with local authorities
  - Searching for a suitable location
  - Finding public incentives
  - Recruiting staff
  - Market information.
- And more:
  - Preferential rate at a 4-star hotel located five minutes from the office
  - Public transport card.

## **CH.6:- POLICIES AND NORMS OF INDIA FOR IMPORT –EXPORT TO THE SELECTED COUNTRY & LICENSING, PERMISSION, TAXATION**

### **Import Policy**

The economic needs of the country, effective use of foreign exchange and industrial as well as consumer requirements are the basic factors which influence India's import policy. On the import side the policy has three objectives: to make necessary imported goods more easily available, including essential capital goods for modernizing and upgrading technology; to simplify and streamline procedures for import licensing; to promote efficient import substitution and self-reliance.

There are only 4 prohibited goods: tallow fat, animal rennet, wild animals and unprocessed ivory. There is a restricted list, but most of the restrictions are on grounds of security, health and environmental protection or because the goods are reserved for production by small and tiny enterprises, which are home-based or village-based and which require low skills and employ a large number of people. But the policy of restricting import of consumer goods is changing.

The Indian government's clearly laid down policy is to achieve, through a series of progressive steps, the average tariff levels prevalent in the ASEAN region. The basic customs tariff rate now ranges from 0 to 40% plus additional duty of 2%; the average rate is about 30%.

Imports are allowed free of duty for export production under a duty exemption scheme. Input-output norms have been specified for more than 4200 items. These norms specify the amount of duty-free import of inputs allowed for specified products to be exported.

There are no quantitative restrictions on imports of capital goods and intermediates. Import of second-hand capital goods is permitted provided they have a minimum residual life of 5 years. There is an Export Promotion Capital Goods (EPCG) Scheme under which exporters are allowed to import capital goods (including computer systems) at concessionary customs duty, subject to fulfillment of specified export obligations. Service industries enjoy the facility of zero import duty under the EPCG Scheme. Likewise, hospitals, air cargo, hotels and other tourism-related industries. Software units can use data communication network to export their products.

## **Export Policy**

Exports are the major focus of India's trade policy and a thrust area is exports involving higher value additions. Most items can be freely exported from India. A few items are subject to export control in order to avoid shortages in the domestic market, to conserve national resources and to protect the environment.

Export profits are exempt from income tax. Higher royalty payments of 8% (net of taxes) are permitted on export sales as compared to 5% on domestic sales. Export commissions up to 10% are also permissible.

Inputs required to be imported for export production are exempted from the basic customs duty. Export Oriented Units (EOUs) and Export Processing Zones (EPZs) enjoy special incentives such as duty free import of capital goods and raw materials for the purpose of export production.

A Brand Equity Fund has been set up to popularize high quality India brands in the world market. The corpus of the fund of Rs 5 billion (US \$156 million) will receive equal contributions from the government and industry.

## **Taxation**

An entrepreneur willing to expand his/her business abroad must abide by the tax laws of the home country as well as of the particular foreign country and accordingly pay the required taxes. Taxes (or duties) are defined as the financial charges levied by the Government upon an individual or an organisation or property in return for the government services received by them. These taxes may be broadly classified into direct and indirect taxes. Direct taxes are those where the tax payer pays the taxes directly to the imposing authority like income tax and corporate tax. Whereas, indirect taxes are those which are not paid directly to the imposing authority but paid to someone else who acts as an intermediary link between the tax payer and the tax levying authority like customs duty and service tax. In India, the power to levy taxes and duties is distributed among the three tiers of Government, in accordance with the provisions of the Constitution.

The most important tax which an entrepreneur is subjected to is the 'customs duty' which is a type of indirect tax levied on goods imported into India as well as on goods exported from India. In India, the basic law for levy and collection of customs duty is Customs Act, 1962.

It provides for levy and collection of duty on imports and exports, import/export procedures, prohibitions on importation and exportation of goods, penalties, offences, etc. The Central Board of Excise & Customs (CBEC) is the apex body for customs matters. It is a part of the Department of Revenue under the Ministry of Finance, Government of India.

But due to different tax laws and rules prevailing in different countries, a businessmen faces the problem of 'double taxation'. Double taxation refers to a situation where the same income becomes taxable in the hands of the same company or individual (tax-payer) in more than one country. This puts unnecessary and prohibitive burden on the tax-payer. In India, the liability under the Income tax Act arises on the basis of the residential status of the assessee during the previous year. Hence, if the assessee is resident in India, he/she has to pay tax not only on the income which is received in India but also on that income which accrues, arises outside India or received outside India. Thus he becomes liable to pay double taxes. The relief against such double taxation in India has been provided through, bilateral relief and unilateral relief.

## **CH.7:- PRESENT TRADE BARRIERS FOR IMPORT/ EXPORT**

There are three very general barriers to international trade that can take a variety of forms. Normally, "trade barrier" is equivalent to "tariff," yet, non-tariff barriers can be used as a way to avoid treaties and agreements that limit or eliminate taxes on imports. Non-tariff barrier are effective as indirect tariffs. Government usually uses to protect domestic industries from competition by making foreign goods more expensive. Indian customs duties are 5-40%, depending on the method of entry (land, air or sea) and product type. There are 3 main trade barriers are:

### **Tariffs**

Tariffs are the most common trade barrier. A tariff is simply a tax on foreign imports, making them more expensive. The purpose of the tariff is to assist domestic industry against foreign competition. If domestic industry is just getting off the ground, it might be destructive to the economy to permit these infant industries to compete with well-developed foreign firms. Therefore, a constructive tariff is one that protects a new, domestic industry, permitting it to develop to the level of their foreign competitors.

### **Non-Tariff Barriers**

Some countries use an array of nontariff barriers to control trade. These three often comprise standards, technical regulations and conformity procedures. Standards are the basic rules of a country concerning what quality of products are permitted to be imported. Technical regulations comprise the basic bureaucratic paperwork necessary to inspect and pass products, while conformity procedures are the measures taken by the importer to make sure the products being imported measure up to local standards. All of these delay imports and make trading less convenient and more expensive.

### **Natural Barriers**

Natural barriers refer to the difficulties of transporting. American trade with Canada is easier than trade with Japan simply because the distances are much shorter. Language and culture might also be considered another "natural barrier" of a sort. Mountains, deserts and marshes have traditionally also been barriers to trade, but modern technology has largely obviated many of these.

Although India has steadily opened up its economy, its tariffs continue to be high when compared with other countries, and its investment norms are still restrictive. This leads some to see India as a ‘rapid globalizer’ while others still see it as a ‘highly protectionist’ economy.

Till the early 1990s, India was a closed economy: average tariffs exceeded 200 per cent, quantitative restrictions on imports were extensive, and there were stringent restrictions on foreign investment. The country began to cautiously reform in the 1990s, liberalizing only under conditions of extreme necessity.

The country is among the few in the world that continue to ban foreign investment in retail trade. Although this policy has been somewhat relaxed recently, it remains considerably restrictive.

India is now aggressively pushing for a more liberal global trade regime, especially in services. It has assumed a leadership role among developing nations in global trade negotiations. India is actively pursuing bilateral/regional Free Trade Agreements. While Free Trade Agreements would certainly imply a reduction in tariffs, the gains from such trade would be limited in the presence of non-tariff barriers.

## CH.8:- POTENTIAL FOR IMPORT/ EXPORT IN INDIAN MARKET

Glass is one of the most useful materials in our daily lives. There is a special relationship between glass and buildings. Glass is a magical material which has so many different properties and uses, that it has presented many new possibilities and designs. The types of glass presently manufactured in India are float glass and sheet glass.

The glass industry in India is worth around Rs 5,500 crore, which has shown good growth in the past few quarters driven by an uptick in demand from user-industries such as infrastructure, construction, automobiles, food processing, beverages, pharmaceuticals and cosmetics, among others. The glass industry is diversifying into interior decoration, furniture, murals and other value additions to keep the show going. The growth of the industry is dependent on construction and architecture activities. However, the automobile sector is still a big user of flat glass. The construction sector is the largest consumer of float glass. Around 60 % of the total production is used by the construction sector. The glass sector has been growing at 10-12 per cent a year over the past five years. Real estate is the biggest consumer of flat glass for windows, doors, partitions and a host of other applications.

Global demand for flat glass will rise 5.5 percent annually through 2012, spurred by a healthy building construction environment and rapid growth in newer flat glass technologies. **India's Imports at a Glance**

The nation of India is the seventh largest in the world in land mass, number ten in the world for the size of their economy by GDP, and the fourth largest international economy in purchasing power parity. India has the second largest labour force in the world and abundant natural resources. India's economy has grown by about 7.5% yearly since 2000, and that rate is predicted to increase. It is also the fifteenth largest nation in imports and the eighteenth largest in exports worldwide in 2009. This means that India imports and exports are a huge potential market.

More than 78% of India imports into other countries are manufactured goods, such as clothing, textiles and jewellery and have low entry duties into most other countries, such as the US, due to trade agreements. However, a smaller importer might do better to tap into the small but vital markets for unique Indian products such as spices, certain textiles, teas, carpets, and handicrafts. There is even a substantial demand for "Bollywood" films,

Indian music, and food products, as the Indian emigrant populations in other countries increase.

The glass and glazing industry for architectural application in India for the year 200 was estimated at a minimum of Rs 100 crores. Of this, the glass component would be about 1.2 million square meters. Indian and imported ACP would come to about 1 million square meters and another 700,000 square meters would constitute residential windows.

In geographical terms, the South Indian region dominated by Bangalore, Chennai, Hyderabad and parts of Kerala, contributes to 30 percent of the glass consumption. West India follows with 29 percent. Here Mumbai, Pune and parts of Gujarat are big consumers. The North Indian market, comprising mainly of Delhi and the National Capital Region accounts for 20 percent of the total architectural glass and glazing market. East India currently contributes only 7 percent of the consumption. However, with a renewed focus on real estate in West Bengal, this is set to change and this regional market is growing very fast.

The growth of the Indian glazing market is impressive. While it was a Rs 100 crores market in the year 2000, it is estimated to touch Rs 1000 crores by 2005. Even so, this is a very small market size compared to other evolving market for the glass industry. India is at an early stage in terms of market maturity at present, but glass demand is growing steadily. Aggressive and organized efforts on the part of manufacturers and processors are expected to achieve higher levels of awareness among glass specifies and users.

In the next five years, the Indian architectural glass market will move to higher maturity levels. However, policy and regulations including the lack of standards and glass codes for India are a source of anxiety for manufacturers and processors alike. The industry also needs increased exposure. Followed the opening up of FDI for the real estate sector, here appears to be more chance of foreign investors coming in and a greater demand for international standards in construction.

This, and the ever-growing popularity of glass as a material, will ensure growth. Further, constant technical innovations by manufacturers are keeping customers constantly interested in glass and glass products. With stability on the cost side and good outlook on the demand side, the glass segment has good prospects. Robust growth in automobiles, infrastructure, liquor & other beverages, boom in building and construction will see the glass industry at its best in the coming years.

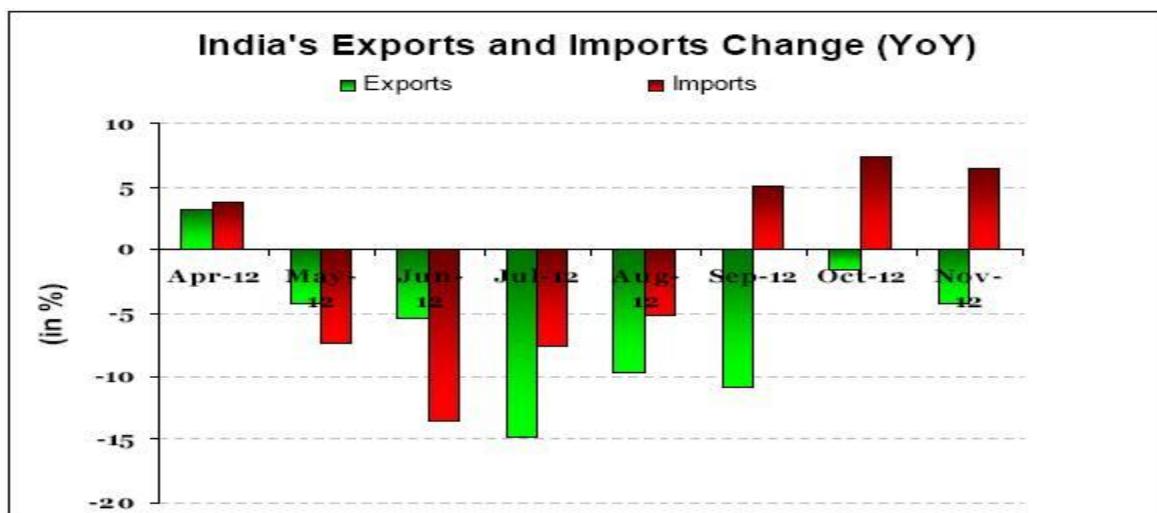
## Export Potential of India

Exports have played an increasingly important role in India's economic growth in the last two decades. This paper analyses the performance of India's exports and the various economic factors which have contributed to its growth. Since manufactured exports comprise a significant share of India's aggregate (merchandise) exports, the paper also provides an overview of the export performance of three important commodities; namely, gems and jewellery, cotton and electronic goods and concludes with key policy changes which could have a bearing on the current trends seen in these sectors.

India's aversion to international trade and reliance on domestic factors to fuel growth during the fifties meant that exports played a smaller role and this is evident from the following table, where India's exports lost its world market share between 1951-1960 and 1961-70.6

Till the mid-seventies, India's policy was restrictive and focused on developing the domestic industry, while tightening control on foreign trade (using quantitative restrictions as a tool). High levels of protection coupled with an overvalued domestic currency resulted in a growing demand for imports and discouraged exports. Moreover, India's exports also suffered because export incentives were only available to a limited number of manufacturing industries and selected agricultural exports (which were subjected to export duties at varying rates). The Indian economy has gained considerable momentum over the last one decade, by achieving and sustaining an annual GDP growth rate of over 7 percent. This high growth rate can be in part attributed to the growing contribution of the export sector to the economy.

Graph 8.1: India's Exports and Import change



In recent years, the Indian government has acknowledged the severity of this issue and taken an important policy initiative in 2011 by approving the New Manufacturing Policy. This policy is aimed at building the capacity of the sector, strengthening its contribution to the GDP (from 16 percent to 25 percent) as well as improving the international competitiveness of the manufacturing sector. The initial industry reactions to the NMP has been positive and it is expected that a proper execution of the NMP will be beneficial for the Indian economy as it can generate large-scale employment for nearly a hundred million workers in the next ten years. The implementation of the policy will involve the establishment of a number of National Manufacturing Investment Zones (NMIZ) which will have features such as a progressive exit policy, strong physical infrastructure, investment incentives and business-friendly approval mechanisms to support the production in these units. Though the implementation of the NMP may take time, this policy is expected to provide a strong impetus to India's manufactured exports in the near future.

## CH.9:- BUSINESS OPPURTUNITIES IN FUTURE

### Social security agreement between India and Belgium

Deputy Prime Minister And Finance Minister And Minister Of Overseas Indian Affairs signed an agreement On 1 September 2009, the long anticipated **Social Security Agreement between the Kingdom of Belgium and the Republic of India (the “SSA”)** entered into force. The SSA was signed in New Delhi on 3 November 2006 and is considered as a landmark agreement as it was the first treaty of its kind to be signed by the Indian authorities.

It goes without saying that this SSA will greatly affect Indian companies who are actively engaged in business in Belgium or who aspire to do so. Moreover, the SSA will affect Indian individuals who are working or who envisage working in Belgium (and Belgian individuals working or planning to work in India), with regard to some of their social security benefit rights.

The SSA covers the main social security insurance schemes in both countries, which are:

- (1) The old-age and widows' pension for employees and the self-employed;
- (2) The Belgian invalidity insurance and the Indian Total Disability benefit; and
- (3)The social security regulations for employees

The SSA applies to all individuals who are, or were, subject to the social security legislation of Belgium or India and hence both the countries are involved.

This means the SSA's scope extends to third-country nationals who are, or were, subject to Indian or Belgian social security legislation, as well as to Indian and Belgian citizens, all of whom can rely on the rights granted under the SSA. Due to the SSA, social security benefits will no longer be restricted by the claimant's place of residence, i.e. social security benefits will be paid to Indian nationals living in Belgium and to the Belgian nationals living or residing in India. For example, Indian nationals who have paid or who will be paying Belgian social security contributions will receive a Belgian old-age pension upon their retirement, also even if they have returned back to their home town to India. An Indian national seconded by his employer to Belgium can live and work in Belgium without paying Belgian social security contributions (but still paying Indian social security contributions) for up to five years, or more.

Notwithstanding the provisions on second amendment set out in the SSA an Indian employer can nevertheless opt to apply the general rule instead, hence subjecting his employee to the social security scheme of Belgium, and vice versa.

This bilateral SSA led to the Indian government introducing the concept of international workers into its social security scheme, which in turn led to an increase of contributions for international workers to approximately 12% of basic pay for both employees and employers.

### **DOUBLE TAXATION AVOIDANCE AGREEMENT**

Agreement between The Government of the Republic of India And The Government Of The Kingdom Of Belgium for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income

*Table: 9.1 Import-Export data between India and Belgium*

| Sr.No. | Year        | 2007-2008    | 2008-2009    | 2009-2010    | 2010-2011    | 2011-2012    |
|--------|-------------|--------------|--------------|--------------|--------------|--------------|
| 1      | Export      | 1,694,309.84 | 2,030,939.59 | 1,775,704.94 | 2,634,703.81 | 3,420,614.59 |
| 2      | %Growth     | -            | 28.19        | 0.57         | 35.17        | 28.26        |
| 3      | %Share      | 2.58         | 2.42         | 2.10         | 2.31         | 2.33         |
| 4      | Import      | 1,754,571.92 | 2,605,788.66 | 2,846,578.31 | 3,917,866.54 | 5,000,278.79 |
| 5      | %Growth     | -            | 48.51        | 9.42         | 37.63        | 27.63        |
| 6      | %Share      | 1.73         | 1.90         | 2.09         | 2.33         | 2.13         |
| 7      | Total Trade | 166,817,522  | 221,519,061  | 220,926,919  | 282,628,887  | 381,142,264  |
| 8      | %Growth     | -            | 32.79        | -0.27        | 27.93        | 34.85        |
| 9      | %Share      | 2.07         | 2.09         | 2.09         | 2.32         | 2.21         |

**Source:** Export-Import Databank, Ministry of Commerce

From above table, it is evident that India's exports have multiplied in the past five years, while the share of imports is equally remarkable.

Clearly, the two nations complement each other in a number of areas. Trade meetings and delegation level talks could do more to promote better trade, and government to government contact would reassure the business community of both countries.

For the future, the glass industry will need to be able to provide superior products with unique properties that are more desirable than the products made from other materials and developing countries.

This will require the development of new process technologies that reduce production costs and enhance desirable characteristics. Innovations in glass composition and glass properties will be necessary to support the expansion of glass into completely new markets.

The area where the industry has to focus its technological efforts are the following:

**Production Efficiency: development of melting, refining and forming processes with higher product yield and reduction of energy and other production costs.**

Campaigns for

- 1) increasing the life of a furnace;
- 2) **Energy Efficiency:** development of more energy-efficient manufacturing processes and technologies to achieve significant energy saving;
- 3) **Environmental Performance:** reduction of emissions and waste in the glass industry through more stream-lined, cleaner processing.
- 4) Increased use of natural resources and solid waste reduction.
- 5) Increased recycling within the industry;
- 6) **Innovative Uses of Glass:** Broadening the use of glass in existing markets and supporting research to create completely new and innovative uses for glass by investigating new glass compositions,
- 7) Developing a better understanding of glass properties and interactions, and modifying and improving essential glassmaking processes.

The industry has to be able to respond to rapidly changing market needs with sufficient volumes.

In many markets, customers' demand for lighter, stronger glass products is increasing rapidly.

In Europe, there are different **public and private research centers** specialized in glass that can support the glass industry as it faces these challenges. The most important centers are the following: SSV (Stazione Sperimentale del Vetro, Italy), TNO (the Netherlands), CRITT (France), IKATES (Czech Republic), INSTITUT DU VERRE (France), GLAFO (Sweden), BRITISH GLASS/GLASS TECHNOLOGY SERVICES (UK), ISTITUTO DE CERAMICA Y VIDRIO (Spain), HVG (Germany).

For the future, a stronger connection between these main players will be crucial in order to support the whole European glass industry on a global market and to act for the common good of the sector.

## CH.10:- CONCLUSION AND RECOMMENDATIONS

In the 19th century Belgium was the largest exporter of glass in the world and one of the main producers of polished glass.

Belgium produces 12.3% of Glass of total production of EU and about 4% of worlds Glass production.

Also Belgium Produces 84% of World's Recycled Glass.

The international crisis of the last six to ten months is also affecting the glass industry. Some sectors are suffering more (tableware, flat glass and fibre glass) than others (container glass).

As packaging, glass containers assure the preservation, safe delivery and attractive presentation of a vast array of consumer products, supplied to European and world markets. Whether used for drinks, food, cosmetics, perfumes or pharmaceuticals, glass plays a vital role in supporting European trade and commerce. Glass is 100 percent recyclable, virtually inert and preserves the original taste of the products it contains. Baby food products—like milk—need the protection of its container to preserve its purity and its vitamins. Because health is not only in the ingredients but also in the packaging that preserves these ingredients.

Despite encouraging results, the impact of the long-winded financial crisis on the glass industry continues to weigh heavily on the competitiveness of the EU industry. Increasing energy prices, unilateral CO<sub>2</sub> costs, fluctuating and unfavorable exchange rates, and high labour costs hamper the cost competitiveness at global level of the container glass sector. Combined, these challenges delay long-term investment decisions and rather become incentives for delocalization of production sites and R&D investments outside EU to more industry friendly environment with lower costs.

However, considering the trend of the last year, it is possible to identify some general trends: the **growth of the glass industry is slowing down** and sometimes, in specific sectors, there is **stagnation or even decline**.

This problem is mainly due to **international competition**, especially from the Far East (China, India) the **increase in production costs** within the EU (labour costs, energy, raw

materials, etc.) and the **legislative burden**, particularly in terms of environmental protection (IPPC, ETS, REACH, etc.);

Relocation of the industry is becoming more and more evident.

The number of plants in Europe is decreasing and it is very rare to see the construction of new plants; the import of glass articles is on the rise, especially for flat glass and container glass.

Countries such as China, India, and North Africa are now more competitive on the market, with low prices and product quality which sometimes is as good as that of the European or western countries.

For the future, the glass industry will have to be able to provide superior products with unique properties that are more desirable than those made with competing materials and by developing countries.

This will also require the development of new process technologies that reduce production costs and polluting emissions and enhance the characteristics desired by the customer. Innovations in glass composition and glass properties will be necessary to support the expansion of glass into completely new markets.

**ANALYSIS  
OF  
PAPER &  
PACKAGING  
INDUSTRY**

# **CH.1:- INTRODUCTION OF PACKAGING INDUSTRY AND ITS ROLE IN BELGIUM**

## **PACKAGING INDUSTRY GLOBALLY**

Packaging is vital for the safeguarding and movement of retail, institutional and manufacturing goods. With dynamic lifestyles and increased consumerism, packaging has gained superior importance. It performs 4 basic functions: safety, restraint, spreading of information and utility of product. Packaging Industry is an important sector, adds value to the various mechanized sectors including agriculture and FMCG segments. Size of packaging Industry Globally (est.): \$ 600Bn. (excluding Machinery). US packaging market accounts for 24 percent. Western European Packaging industry is influenced by Belgium, France, Italy & U.K. Paper and Board Leads with 36% of the world market followed by Polymer.

World packaging industry has been mounting at a rate of 3-5 percent per annum. The technology and innovation in this sector is humanizing gradually. The global packaging industry is currently valued at \$433 billion and is expected to further go up to US \$820 billion by 2016.

## **INTRODUCTION**

With the exception of radioactive waste, in Belgium waste policies are exclusive competencies of the three Belgian regions since 1994. It was during this year that country was constituted as a federal state compiled by communities (The Flemish, French and German communities) and regions (Flanders, Wallonia and Brussels-Capital).

Before the European Union (EU) Directive 94/62/EC on packaging waste (PPW) the Belgian government had already put into action of fiscal instruments to encourage the eco-design of products. The PPW Directive was transposed into Belgian legislation through an Agreement established in 30<sup>th</sup> June 1997 among the 3 regions. It is called the Interregional Cooperation Agreement. This agreement introduced the “shared responsibility of Producer” principle in Belgium. Order to comply with the ambitious targets of recycling and recovery, it imposed “take-back” obligations to all economic operators who place packaging and packaged products on the national market.

The packaging industry is increasingly becoming technology-oriented with innovations driving the market; this is expected to lead to packaging that increases shelf life, reduces cost and is light weight.

## **Market Overview**

The worldwide market for packaging materials is highly competitive, composed of mostly large and medium-sized companies. Potential industry modernization is likely to come from overall renovation and consolidation. A growing move away from immensity formats in the food industry in favor of single-supply products also calls for more packaging. Packaging for medical and pharmaceutical products will also spur growth in the packaging industry.

## **The Current state**

The growth is primarily driven by factors like growing urbanization, investment in housing and construction, a burgeoning healthcare sector and quick development in the emerging economies like Brazil, Russia, India, China and few other East European Economies. The consumer market influences the global packaging industry and accounts for an estimated 65 % of the sales, while trade submission accounting for rest 35 %

## CH.2:- FUNCTION/STRUCTURE OF PACKAGING INDUSTRY

### FUNCTIONS OF PACKAGING INDUSTRY

Following are the functions:

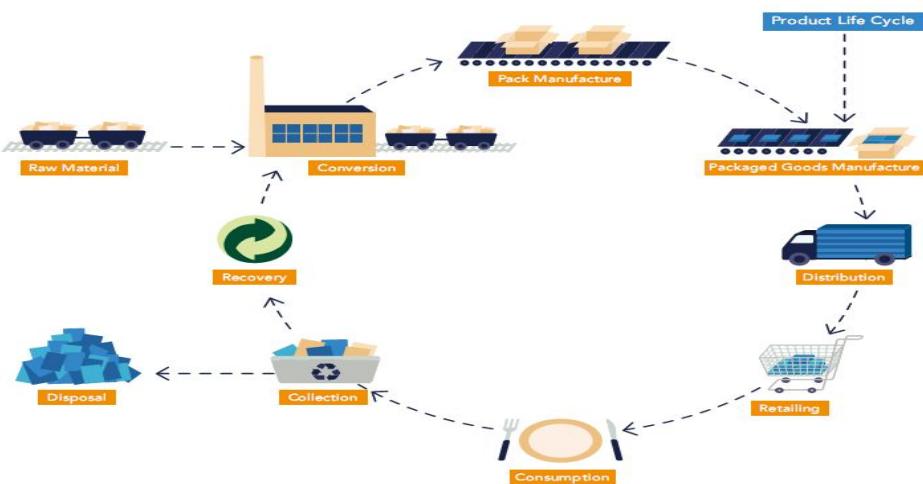
|  |               |
|--|---------------|
| ➤ Protection   | ➤ Convenience |
| ➤ Promotion  | ➤ Unitization |
| ➤ Information  | ➤ Handling    |
| ➤ Waste reduction and recycling and reuse of by-products |               |

### ROLE OF PACKAGING SECTOR

Packaging is not an end product but a mode of transport and protection for the product. The aim of the packaging sector is to make the transport cost to minimum to remote their goods with minimal damage. As per the UK based packaging federation there has been fall in mass of bottles and steel at 50%.

Packaging is not only confined to protection and transportation of the product it also plays a role in attracting customers through aesthetic attractive display. Packaging also fills the function of labeling and branding products.

### LIFE CYCLE OF PACKAGING



## **CH.3:- COMPARATIVE STUDY POSITION OF PACKAGING WITH INDIA**

### **TOP POLYMER PACKAGING COMPANIES IN INDIA**

#### **1. Excel Polymers, Mumbai**

**Annual Turnover:** 600 cr INR

#### **Activities:**

Excel Polymers is a emerging global supplier of performance elastomer solutions, offering a wide portfolio of compounded polymer materials, performance additives and technical know-how, mainly sold to rubber parts manufacturers.

#### **2. Supreme Industries**

**Annual Turnover:** 450 Cr INR

#### **Activities:**

Supreme Industries Limited is india's leading plastic processing company with seven business divisions. The company has forayed into different types of plastic processing in Injection Moulding, Rotational Moulding (ROTO), Extrusion, Compression Moulding, Blow Moulding etc.

Supreme Industries limited offers wide range of plastic products with a variety of applications in Mulded Furniture, Storage & Material Handling Products, XF Films & Products, Performance Films, Industrial Moulded Products, Protective Packaging Products, Plastic Piping System & Petrochemicals

#### **3. Polymer Industries India Ltd, Hyderabad**

**Annual Turnover:** 250 Cr INR

#### **Activities**

Manufacturer of Wide Range Ultra High Molecular Polyethylene (UHMWPE).Polymer Industries India Limited Offers a Wide Range of Engineered Polymers and Chemical & Corrosion Resistant Polymers, Fabricating Items for Paper and Bolting and Conveying Industries, New Grades of Polyslick Ultra, Polyslick-Seal (Cold-Water), Polymer Liners for

Cement, Steel, Mining's, Power Plants, Dock Fenders for Sea Ports and General Engineering Items.

HDPE Sheet, Sign Board, Marine Board, Cutting Board, Arena Board, Partition Board, Pipe Grade, HDPE Rod, Plat Ground Board and HMW Sheet.

#### **4. Krishna Plastics, Delhi**

**Annual Turnover:** 200 cr INR (*Trading / Manufacturing*)

##### **Activities:**

Incorporated in the year 1989, SHEEL PACK (INDIA) manufacturer and supplier of a broad collection of PP Bags, Bio Degradable Plastic Bags, HM Bags, Polythene Packing bags, Plastic packaging, Packaging material Printed Polythene Bags, Diaper bags, Tamper proof bags, Printed Packaging Bags, LDPE bags, Plastic Packaging Bags and Carry Bags. Our offered assortment comprises Tamper Proof Bags, Self Adhesive Tape Bags, Plastic Courier Bags, Zip Lock Bags, Plastic Packaging Bags, Polythene Bags, Security Bags, Vest Type Carrier Bags, Carrier bags, Garment Packaging Bags, Food Packaging Bags, Retail Bags, Multi utility Bags, Sports Apparel Bags and many more .

#### **5. Lincon Polymers Pvt. Ltd., Ahmadabad**

**Annual Turnover:** 200 Cr INR

##### **Activities:**

BOPP Film Lamination on the outer surface of woven bags, gives superfine bright printing, Enhanced visibility, attractive look to the product, innovative & attractive finishing that influences buying motivation of the Customer and also repeated use.

Manufactures bags of various specification for the packing of 5kgs, 10kgs, 20kgs, 50kgs etc with or without Handle, to meet customers specific requirements.

Y Multi Color Bag For Packing

Y Multi Coloured Bag of BOPP

Y Multi Coloured Bag

Y BOPP Woven Bags

Y Atta Packing Bags

## CH.4:- PRESENT POSITION & TREND OF BUSINESS, i.e. IMPORT & EXPORT WITH INDIA DURING LAST 3-5 YEARS

**EU27** trade in goods with **India** reached a peak in 2010, after the decrease recorded in 2009 which interrupted a period of growth since 2001. **EU27** exports to **India** chop down from 31.3 billion euro in 2008 to 27.4 bn in 2009, then rise to 34.8 bn in 2010. Imports decrease from 29.5 bn in 2008 to 25.4 bn in 2009, then improved to 33.2 bn in 2010. As a result, the **EU27** trade excess with **India** fell from 2.0 bn euro in 2009 to 1.6 bn in 2010.

The first ten months of 2011 show sustained growth in **EU27** trade with **India**. **EU27** trade with **India** record a small surplus of 0.1 bn in the first ten months of 2011. Over the last 10 years, the share of **India** in **EU27** trade has risen, reaching 2.7% of **EU27** exports and 2.4% of **EU27** imports in the first ten months of 2011. **India** is the **EU27**'s 8th most important trading partner.

| million euro<br>2000    | 2001       | 2002       | 2003       | 2004       | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         |              |
|-------------------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>India</b>            |            |            |            |            |              |              |              |              |              |              |              |
| <b>Exports</b>          | 13<br>678  | 12<br>950  | 14<br>330  | 14<br>572  | 17<br>154    | 21<br>322    | 24<br>392    | 29<br>177    | 31<br>263    | 27<br>427    | 34<br>797    |
| <b>Imports</b>          | 12<br>846  | 13<br>463  | 13<br>682  | 14<br>064  | 16<br>369    | 19<br>086    | 22<br>614    | 26<br>587    | 29<br>530    | 25<br>443    | 33<br>228    |
| <b>Balance</b>          | 832        | -513       | 648        | 507        | 784          | 2 236        | 1 778        | 2 591        | 1 732        | 1 984        | 1 569        |
| <b>Total Extra-EU27</b> |            |            |            |            |              |              |              |              |              |              |              |
| <b>Exports</b>          | 849<br>739 | 884<br>707 | 891<br>899 | 869<br>237 | 952<br>954   | 1 052<br>719 | 1 160<br>100 | 1 240<br>984 | 1 309<br>218 | 1 097<br>990 | 1 349<br>610 |
| <b>Imports</b>          | 992<br>698 | 979<br>145 | 936<br>972 | 935<br>241 | 1 027<br>522 | 1 179<br>569 | 1 352<br>787 | 1 435<br>083 | 1 566<br>379 | 1 207<br>810 | 1 509<br>092 |
| <b>Balance</b>          | -142       | -94        | -45        | -66        | -74          | -126         | -192         | -194         | -257         | -109         | -159         |

|                      |      |      |      |      |      |      |      |      |      |      |      |
|----------------------|------|------|------|------|------|------|------|------|------|------|------|
|                      | 959  | 438  | 073  | 004  | 567  | 850  | 686  | 099  | 161  | 820  | 481  |
| <b>India / Total</b> |      |      |      |      |      |      |      |      |      |      |      |
| <b>Exports</b>       | 1.6% | 1.5% | 1.6% | 1.7% | 1.8% | 2.0% | 2.1% | 2.4% | 2.4% | 2.5% | 2.6% |
| <b>Imports</b>       | 1.3% | 1.4% | 1.5% | 1.5% | 1.6% | 1.6% | 1.7% | 1.9% | 1.9% | 2.1% | 2.2% |

### EU27 Member States trade in with India

|                       | million euro Exports |               | Imports       |               | Balance      |           |              |
|-----------------------|----------------------|---------------|---------------|---------------|--------------|-----------|--------------|
|                       | Jan-OCT10            | Jan-Oct11     | Jan-Oct10     | Jan-Oct11     | Jan-Oct10    | Jan-Oct11 | Jan-Oct11    |
| <b>EU27</b>           | <b>27 958</b>        | <b>33 411</b> | <b>27 841</b> | <b>33 318</b> | <b>117</b>   |           | <b>93</b>    |
| <b>Belgium1</b>       | <b>5 572</b>         | <b>6 593</b>  | <b>3 180</b>  | <b>4 669</b>  | <b>2 393</b> |           | <b>1 924</b> |
| <b>Bulgaria</b>       | 31                   | 59            | 42            | 51            | -10          |           | 8            |
| <b>Czech Republic</b> | 488                  | 519           | 224           | 256           | 264          |           | 263          |
| <b>Denmark</b>        | 277                  | 356           | 451           | 526           | -173         |           | -170         |
| <b>Germany</b>        | 7 484                | 8 777         | 4 497         | 5 541         | 2 987        |           | 3 236        |
| <b>Estonia</b>        | 15                   | 29            | 13            | 22            | 2            |           | 7            |
| <b>Ireland</b>        | 136                  | 171           | 204           | 264           | -69          |           | -93          |
| <b>Greece</b>         | 46                   | 43            | 373           | 461           | -327         |           | -418         |
| <b>Spain</b>          | 957                  | 1 117         | 1 889         | 2 114         | -932         |           | -997         |
| <b>France</b>         | 2 462                | 2 461         | 3 046         | 3 362         | -585         |           | -901         |
| <b>Italy</b>          | 2 601                | 3 074         | 3 179         | 4 108         | -578         |           | -1 034       |

|                                |              |              |           |              |          |          |
|--------------------------------|--------------|--------------|-----------|--------------|----------|----------|
| <b>Cyprus</b>                  | 11           | 14           | 32        | 46           | -21      | -32      |
| <b>Latvia</b>                  | 24           | 66           | 18        | 19           | 5        | 48       |
| <b>Lithuania</b>               | 106          | 100          | 18        | 29           | 88       | 71       |
| <b>Luxembourg</b>              | 39           | 49           | 7         | 11           | 32       | 38       |
| <b>Hungary</b>                 | 210          | 307          | 174       | 231          | 35       | 77       |
| <b>Malta</b>                   | 7            | 12           | 50        | 62           | -43      | -49      |
| <b>Netherlands<sup>1</sup></b> | 1 417        | 1 548        | 3 114     | 3 057        | -1 697   | -1 509   |
| <b>Austria</b>                 | 520          | 690          | 264       | 330          | 256      | 360      |
| <b>Poland</b>                  | 213          | 302          | 414       | 548          | -201     | -246     |
| <b>Portugal</b>                | 46           | 77           | 342       | 415          | -296     | -337     |
| <b>Romania</b>                 | 121          | 133          | 438       | 312          | -316     | -180     |
| <b>Slovenia</b>                | 68           | 82           | 169       | 188          | -102     | -106     |
| <b>Slovakia</b>                | 60           | 59           | 54        | 87           | 5        | -29      |
| <b>Finland</b>                 | 473          | 494          | 193       | 390          | 280      | 104      |
| <b>Sweden</b>                  | 1 040        | 1 276        | 495       | 647          | 545      | 629      |
| <b>United Kingdom</b>          | 3 535        | 5 003        | 4 960     | 5 572        | -1 425   | -570     |
| <b>Total Extra-EU27</b>        | 1 103<br>900 | 1 258<br>536 | 1 234 516 | 1 403<br>866 | -130 617 | -145 330 |
| <b>India / Total</b>           | 2.5%         | 2.7%         | 2.3%      |              | 2.4%     |          |

# **CH.5:- POLICIES & NORMS OF BELGIUM FOR PACKAGING INDUSTRY FOR IMPORT/EXPORT INCLUDING LICENCING/PERMISSIONS/TAXATION**

## **Legal obligations – packaging waste**

Waste management is the liability of the three Belgian Regions, but they negotiate an Inter-regional support Agreement to ensure constancy in the transposition of the Directive's recovery and recycling necessities. The Agreement requires packer/fillers and importers insertion more than 300 kg of packaging on the market each year to take back as much used packaging as is necessary to meet the recovery and recycling target. The targets applicable to the household packaging recovery organization FOST plus are an collective of the targets imposed on its members.

## **Green Dot**

Green Dot is a registered trademark of PRO EUROPE and is sheltered in 170 countries. PRO EUROPE has sublicensed the Green Dot trademark to several European countries plus Canada and Turkey. It is not a recycling logo but just shows that the manufacturer has signed an conformity with a packaging recovery organization in that country and the suitable fees are being paid. By doing so, they are absolve of their liability to recover their own packaging.

The Green Dot is the most extensively-used trademark in the world, and positively one of the most familiar in Europe. More than 130 000 companies use the Green Dot trademark worldwide. Over 200 million people set out of their packaging via a collection system set up by a Green Dot organization and more than 14.7 million tonnes of used packaging were recovered and recycled in 2005 by the European organizations

## **Compliance Options**

Manufacturers basically have two options for complying with the Directive. They can link a pan-European compliance scheme such as Green Dot or choose to come up with their own packaging recovery programmed that complies with the packaging waste recovery targets set forth in the national laws.

Participation in the Green Dot recovery scheme - or any scheme - is not compulsory. A company may select to carry out the responsibility to comply on its own.

## **Using the Green Dot Logo**

Only companies that have signed a licence harmony can use the Green Dot trademark. The use of the Green Dot trademark and partaking in the Green Dot programme allows manufacturers who sell their products in the EU to comply with the EU's Packaging Directive, which requires producers to collect their packaging waste. Companies that are register in the Green Dot programme are exempted from their entity obligation to take back and recycle used packaging.

However, they also have a distributor in Belgium that sends products all over Europe. The manufacturer is obliged to join the Green Dot programme in all countries where their product is sold and pay the appropriate fees depending on the volume of packaging entering each country. If they use the Green Dot logo in Germany without permission, that would be a violation of trademark law.

## **Payment of Fees**

Green Dot fees are paid by the producers of packaging. The fees themselves vary by country and differ based on the type of material (e.g. paper, plastic or metal). The structure is based upon the 'producer pays' principle and takes into account the varying costs of collection, sorting and recycling of various packaging materials. The system encourages waste reduction since manufacturers that cut down on packaging waste ultimately pay less in fees. Fees are more often than based on packaging material type, 'recyclability' of the material, weight and in some countries, a volume fee per product unit sold.

## **Targets**

The current Inter-regional Co-operation Agreement, which came into force in 2009, sets higher recycling target for some materials than those in the Directive.30% of plastics packaging must be recycled (22.5%in the Directive), and there is a separate 60%recycling target for beverage cartons.

In addition, there are separate overall recovery and recycling targets for household and for non -household packaging waste: 80% recycling and 90%recovery for household waste, and 80% recycling and 85% recovery for non-household waste. The Directive's targets – 55% recycling and 60%recovery – apply to all packaging waste.

## **EU Packaging Waste Directive Compliance and Enforcement.**

- ✓ European government authorities and Green Dot organizations are growing observation and their standard checks of retail locations to make sure that all products displaying the Green Dot trademark are registered under a real Green Dot licence. If they are not, the manufacturer is infringing on international trademark law and will be held accountable.
- ✓ In the UK, it is considered a criminal offence not to comply with the Packaging Waste system and cases may be heard by the High Court. Similar legal action can be taken in other European countries as well.
- ✓ Legal compulsion sideways, companies should regard their moral liability to comply with the regulations. Recovery and recycling is extensively embraced in Europe and those who choose not to participate may feel strain from retailers or distributors who refuse to carry their products or end-users who deliberately or automatically choose another brand based on their insight of the company's devotion to sustainability.
- ✓ The smart companies seem beyond the apparently composite web of regulations and embrace the ultimate ambition of the Directive - to promote sustainability in Europe through a decline in the amount of packaging generated.

## **CH.6:- POLICIES AND NORMS OF INDIA IN IMPORT / EXPORT TO THE BELGIUM**

### **Introduction**

- Governed by the Foreign Trade Act, 1992
- Foreign Trade Regulation Rules,1993, provide for grant of special license, application for grant of license, fee, conditions for licenses, refusal of license, amendment of license, suspension of a license, cancellation of license, declaration as to the value and quality of imported goods, declaration as to the Importer- Exporter Code number, utilization of imported goods, provisions regarding making, signing of any declaration/statement or documents, power to enter the premises and inspect, search and seizure of goods, documents ,things and conveyance, settlement, confiscation (Elimination) and redemption and confiscation of conveyance.

#### **➤ Details of Registration with Regional Licensing Authority**

- Registration with Regional Licensing Authority is a pre-requisite for import/export of goods & services.
  - **IEC (Importer Exporter Code) Number**

An application for grant of IEC Code Number duly signed by the applicant should be supported by the following documents:

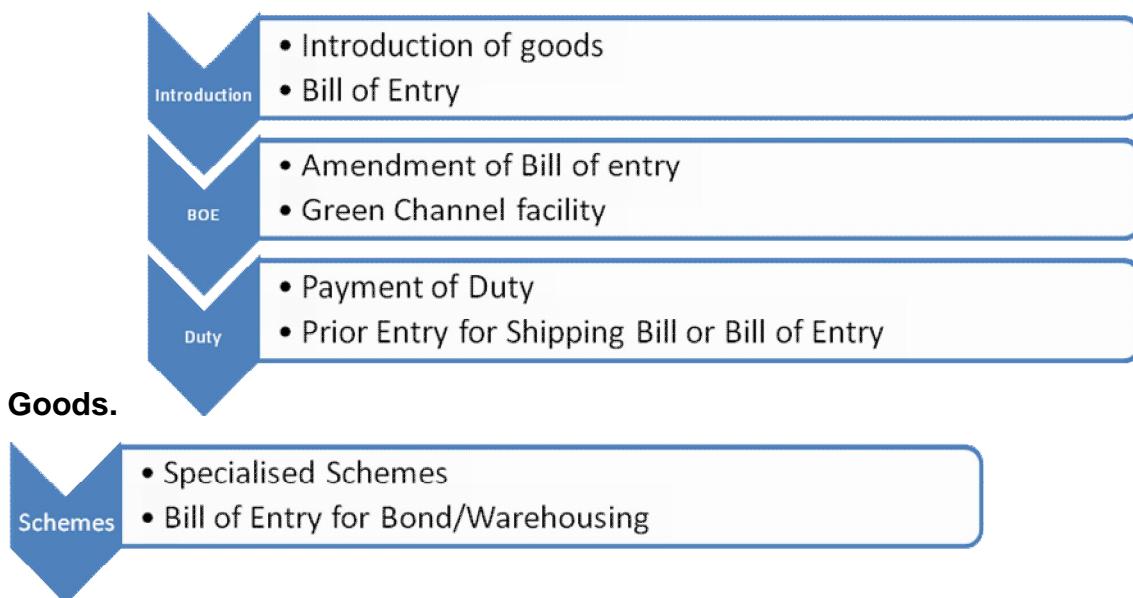
- ✓ Bank Receipt (induplicate) / demand draft for payment of the fee of Rs.1000/
- ✓ A photocopy of Permanent Account Number issued by Income Tax Authorities, if PAN has not been allotted, a copy of the letter of legal authority may be furnished.
- ✓ If there is any non-resident interest in the firm and NRI investment is to be made with repatriation benefits, full particulars thereof along with a photo copy of RBI's approval.
- **Import License Issuing Authority :** Director General of Foreign Trade.

- **Validity of Import License** : 24 months for capital goods and 18 months for raw materials components, consumable and spares, with the license term renewable.

➤ **Fees for License Application:**

- ✓ Every request for import license or CCP(Customs Clearance Permit) should be accompanied by 2 copies of a bank receipt from the Central Bank of India or a Bank Draft from any Bank indicating the deposit in accordance with the prescribed scale offers.
- ✓ Rs.2 per thousand or part thereof subject to a least amount of Rs. 200 and a ceiling of Rs. 1,50,000, where the value of goods exceeds Rs. 50,000.
- ✓ Rs.200 where Application is filed be SSI units where the CIF (cost insurance and freight) value of goods specified in the application does exceed Rs. 2,00,000.

➤ **Process of Custom Clearance of Imported Goods.**



➤ **Custom Duty on Importing Goods.**

• **Introduction**

The concept of import duty is very wide and is almost applicable to every product or item imported to India excluding a few goods alike food grains, fertilizer, life saving drugs etc. Import duty form a important source of revenue for the country and are levied on the goods and at the rates specified in the Schedules to the Customs Tariff Act, 1975.

- **Import through Sea**

Territorial water extends up to 12 nautical miles into the sea from the coast of India and so the liability to pay import duty commences as soon as goods enter the territorial waters of India. No duty is payable on goods which are in transit in the same ship or if goods are in transit from one ship to another.

- **Basic duty**

Basic Duty is a type of duty or tax imposed under the Customs Act (1962). Basic Customs Duty varies for different items from 5% to 40%. The duty rates are mentioned in the First Schedule of the Customs Tariff Act, 1975 and have been updated from time to time under the Finance Act

- **Additional customs**

Additional duty also known as countervailing duty or C.V.D is equal to excise duty imposed on a like product manufactured or formed in India. It is implemented under the Section 3 (1) of the Indian Custom Tariff Act.

- **Special additional duty**

Special Additional Duty of Customs is imposed at the rate of 4% in order to provide a level playing field to indigenous goods which have to bear sales tax. This duty is to be calculated on the aggregate of –

- assessable value (AV);
- basic duty of Customs;
- surcharge

- **Anti-Dumping Duty**

Dumping means exporting goods in a foreign market at a price which is less than their cost of production or below their "fair" market value available.

➤ **HS Code Item Description w.e.f. 01.03.13 Custom Duty Unit Type Import Policy Notes-** Section VII-Plastics and Articles thereof; Rubber and Articles Thereof

**Polyethylene having a specific gravity of less than 0.94**

Polyethylene having a specific gravity of less than 0.94: Linear low density polyethylene (LLDPE)

| <b>HS Code</b> | <b>Item Description</b>  | <b>W.e.f.</b> | <b>Custom Duty</b>      | <b>Unit Type</b> |
|----------------|--|---------------|-------------------------|------------------|
| 3901           | I. primary forms polymers of ethylene, in primary  |               |                         |                  |
| 390110         | Polyethylene having a specific gravity of less than 0.94   |               |                         |                  |
| 39011010       | Polyethylene having a specific gravity of less than 0.94:Linear low density polyethylene (LLDPE) | 01.03.13      | Customs Basic Duty:     | 7.5 kg           |
|                |  |               | Basic Duty Pref:        |                  |
|                |  |               | Addl Duty(CVD):         | 12               |
|                |  |               | Spl Addl Duty(Spl.CVD): | 4                |
|                |  |               | Excise Cess             |                  |
|                |  |               | Customs Cess            | 3                |
| 39011090       | Polyethylene having a specific gravity of less than 0.94: Other                                  | 01.03.13      | Customs Basic Duty:     | 7.5 kg           |
|                |  |               | Basic Duty Pref:        |                  |
|                |  |               | Addl Duty(CVD):         | 12               |
|                |  |               | Spl Addl Duty(Spl.CVD): | 4                |
|                |  |               | Excise Cess             |                  |
|                |  |               | Customs Cess            | 3                |
| 39012000       | Polyethylene having a  | 01.03.13      | Customs Basic           | 7.5 kg           |

|          |   |          |                         |     |    |
|----------|---|----------|-------------------------|-----|----|
|          | specific gravity of less than 0.94: Polyethylene having a specific gravity of 0.94 or more  |          | Duty:                   |     |    |
|          |   |          | Basic Duty Pref:        |     |    |
|          |   |          | Addl Duty(CVD):         | 12  |    |
|          |   |          | Spl Addl Duty(Spl.CVD): | 4   |    |
|          |   |          | Excise Cess             |     |    |
|          |   |          | Customs Cess            | 3   |    |
| 39013000 | Polyethylene having a specific gravity of less than 0.94: Ethylene-vinyl acetate copolymers | 01.03.13 | Customs Basic Duty:     | 7.5 | kg |
|          |   |          | Basic Duty Pref:        |     |    |
|          |   |          | Addl Duty(CVD):         | 12  |    |
|          |   |          | Spl Addl Duty(Spl.CVD): | 4   |    |
|          |   |          | Excise Cess             |     |    |
|          |   |          | Customs Cess            | 3   |    |
| 390190   |   |          |                         |     |    |
| 39019010 | Other: Linear medium density polyethylene (LMDPE)   | 01.03.13 | Customs Basic Duty:     | 7.5 | kg |
|          |   |          | Basic Duty Pref:        |     |    |
|          |   |          | Addl Duty(CVD):         | 12  |    |
|          |   |          | Spl Addl                | 4   |    |

|          |       |          |                         |     |    |
|----------|-------|----------|-------------------------|-----|----|
|          |       |          | Duty(Spl.CVD):          |     |    |
|          |       |          | Excise Cess             |     |    |
|          |       |          | Customs Cess            | 3   |    |
| 39019090 | Other | 01.03.13 | Customs Basic Duty:     | 7.5 | kg |
|          |       |          | Basic Duty Pref:        |     |    |
|          |       |          | Addl Duty(CVD):         | 12  |    |
|          |       |          | Spl Addl Duty(Spl.CVD): | 4   |    |
|          |       |          | Excise Cess             |     |    |
|          |       |          | Customs Cess            | 3   |    |

## ➤ EXPORT PROCEDURES

Procedures have to be followed by (a) 'person-in-charge of conveyance' and (b) the exporter. The procedures are similar to procedures for import, of course, in reverse direction.

- 1 • Entry Outward
- 2 • Export Manifest
- 3 • Registration with DGFT
- 4 • Shipping Bill
- 5 • FEMA formalities
- 6 • Examination of goods
- 7 • Let Export Order

## **CH.7:- PRESENT TRADE BARRIER FOR IMPORT/EXPORT IN PACKAGING**

Goods and products from European Union nations enter Belgium without any duties or tariffs. However, goods from nations outside of the European Union face import duties and a value-added tax (VAT). Depending on the product, these taxes amount to an average of 5% to 6% of the total value of the product. Consequently, many goods from outside of the EU face a price disadvantage.

Belgium is part of the harmonized trade system of the European Union. Common Customs Tariff (CCT) is applicable to goods from non-EU countries, including Australia. Most duties are ad valorem (%), based on the GATT Valuation Code (approximate CIF value).

Belgium is a member of the European Union (EU) and preference is given to associate members of the Union and to developing countries and European Free Trade Association (EFTA) members. The European Community has steadily replaced national rules and regulations with European-wide directives. These must be met in addition to all local and national regulations in Belgium.

All merchandise coming into Belgium must clear Customs and is subject to customs duty assessment unless the goods are duty or tax exempt by law. Customs duties are, generally, an ad valorem rate (a percentage), which is applied to the transaction value (euro) of the imported goods based on the cost of the goods, insurance, and freight charges. Some articles, however, are dutiable at a specific rate of duty (so much per piece, liter, kilo, etc.) and others at a compound rate (combination of both ad valorem and specific rates).

### **ECO-TAX (ENVIRONMENTAL TAX)**

Eco tax will be added at the time of import on some products such as: packaging materials made from paper and plastic; disposable cameras; batteries and industrial packaging; containers used to transport solvents, glues and pesticides and the actual pesticides. The tax is levied to assist the local government to control the cost of the environmentally safe disposal of waste by-products associated with these type products.

A packing list is compulsory if the shipment contains more than one package and if the contents of each package are not shown in the commercial invoice. In all circumstances a packing list facilitates clearance. All discounts must be clearly shown. Digital signatures are now recognized as a legal instrument for most commercial transactions.

## **CH.8:- POTENTIALS FOR IMPORT/EXPORT IN INDIAN MARKET**

### **New packaging material developments**

High-performance packaging has been developed with strong barrier characteristics, and also in certain instances active and intelligent components too, respectively, adapt to changes in pack contents and environment and extend shelf life; or provide information on the pack and its contents to promote supply chain efficiencies.

New developments in packaging materials were rated as the fourth most important driver to growth out of those detailed in Table E.1, with 18% of respondents viewing this as critical, 46% as very important and 36% as fairly important. Key areas under consideration include:

- . High barrier materials
- . Active packaging
- . Intelligent packaging
- . Nanotechnology
- . Digital print for packaging

### **Paper and board**

The world market for paper and board packaging was valued at \$164.7 billion in 2003, representing an increase of 10% on 2002 – principally as a result of the weakness of the dollar boosting non-US sales –with consumption growing at an annual average rate of 3% since 1999. North American markets accountedfor 32% of sales at \$52.2 billion, growing at a rate of just 0.4% over the period as US demand fell back.Growth was of the order of just over 3% in Asia, depressed somewhat by weak Japanese demand wheresales fell by almost 3% year-on-year.

The fastest growing markets for paper and board packaging between 1999-2003 were in eastern Europe,with investment in new capacity on the up as major players in this sector – as well as key customers – haveshifted the balance of production away from high-cost locations in western Europe. In addition, there hasbeen strong growth in Russian paper and board packaging demand, with consumption rising from \$1.2billion in 1999 to almost \$3 billion in 2003.

On the whole, the paper and board packaging industry has experienced difficult trading conditions in developed markets in recent years, affected by downward pressure on prices from end-customers, exacerbated by overcapacity within the industry. With only very modest growth in shipment volumes and declining shipment values in some mature markets, there has been a greater focus on developing markets in Asia, Latin America and eastern Europe. While there was strong output growth in both Asia and eastern Europe in 2003, output fell back in South America with corrugated board volumes down by around 6% .

## CH.9:- BUSINESS OPPORTUNITIES IN FUTURE

- The India's packaging industry is growing at an annual rate of more than 15 per cent, driven by high demand for processed food and other consumer areas.
- Western European Packaging industry is dominated by Belgium, France, Italy & U.K. Paper and Board Leads with 36% of the world market followed by Plastics. World packaging industry has been growing at a rate of 3-5% per annum. . The technology and innovation in this sector is improving day-by-day.
- Belgium can buy the waste plastic and paper board materials which are used in India and can recycle the product that will help the country to attain high return.
- At the similar time the India is been benefited as the recycling of paper and plastic in India is comparatively lower than that of Belgium.
- The competitive Advantage of Belgium is that the country focuses more on environmental protection better than India so they can sell the concepts of their packaging like waste management.
- Can establish more number of companies that are following Belgium's formula for recycling the Packaging Materials.
- India has established itself in multilayer films which is competitive advantage of India. India can outsource this packaging to Belgium and the country can pack its food and beverages in this type of packaging which will help to gain the cost advantage

## CH.10:- CONCLUSION

Belgium is leading in Diamond Industry, Glass, Pharmaceuticals, Confectionary industry, food and beverages, metals and cosmetics etc., so there is a high potential need of well managed packaging industry that will add the value in Belgian market in both ways i.e, economic and market growth. Belgium has a very high opportunity to grow in this sector because packaging is the most important aspect of any product to make it a complete finished good. If the packaging of the product is not proper it will be detrimental for the industry. That will have a negative impact on the image of the each industry and the economy of the country. The organized packaging profession is in boom. So every developing country has advantage to enter in this industry.

There are a number of market developments with major implications for the packaging industry. Designs have to improve continuously to meet the changing market and sustainability needs. Emerging markets, with a growing middle class, adopting a consumption life style, implies business opportunities. New lean, functional and convenient packaging, are paths to follow, both in mature and emerging markets. Fluctuating raw material prices in combination with pressure for price reductions from consolidated brand owners and retailers is a challenge for the industry. Demands are changing as retailers globalize and increase penetration in emerging markets. Also packaging suitable for e-business is a future demand together with active and smart packaging. The need for packaging has been “long-lasting/ sustainable”, but the designs, materials, styles and functions have evolved and developed tremendously over the years. Today market demands are getting stronger for packaging development supporting a sustainable society.

Packaging must perform well in all three magnitudes of sustainability, i.e. people (social), profit (economy) and planet (environment). A good package should be cost-efficient and provide value to generate revenue; it should have a good user interface (handleability, information etc) and should be lean on resources, recoverable and prevent its contents from being spoilt. Innovation, knowledge generation and transfer are key elements to realise this and WPO – World Packaging Organisation tries to contribute through e.g. the World Star (Student) Award Scheme, within the framework of its mission: “Better Quality of Life through Better Packaging to More People”

To summarize, also in limited growth, mature markets in western Europe, Japan and North America, there remain opportunities for growth driven by more functional and convenient packaging, as well as general growth across a range of consumer goods areas. At the same time, rapid growth in packaging usage in the fast-growing economies of Asia, Middle East, Latin America and also eastern Europe has presented new opportunities for packaging suppliers.

**ANALYSIS  
OF  
TRAVELS &  
TOURISM  
INDUSTRY**

## **CH.1:- INTRODUCTION OF THE SELECTED COMPANY / INDUSTRY / SECTOR AND ITS ROLE IN THE ECONOMY OF SPECIFIED COUNTRY**

- Belgium ranked 21st on the **World Economic Forum's 2007 “Travel and Tourism Competitiveness Index”**, lower than all the neighbouring countries. Although the country scored highly for 'natural and cultural resources', it was ranked only 114th in the world for both 'price competitiveness' and 'availability of qualified labour'.
- An investigation of "tourism for all" social tourism practices operating across the then 15 EU Member States was a further initiative of the 2001 Belgian Presidency. Belgium also has led the development of social tourism policy and practice<sup>41</sup>.
- Signatories to the Tourism 2023 Vision commit to taking action individually and as an industry group to achieve a sustainable industry by 2023.

### **It is based on six principles**

- i. protecting the environment;
- ii. developing employees;
- iii. providing customers with mainstream sustainable products;
- iv. ensuring that destinations benefit from tourism;
- v. innovating to create sustainable transport and resorts; and
- vi. Developing a business which is environmentally, socially and financially sustainable.

## INTRODUCTION OF THE COMPANY



BCD Travel is a family-owned company founded on January 3, 2006. The company was born when BCD Holdings N.V. announced the purchase of TQ3 Travel Solutions Management Holding GmbH and a majority interest in The Travel Company. Combined with WorldTravel BTI, these two companies became BCD Travel's ownership.

### About BCD Travel

As a leading provider of global corporate travel management, BCD Travel simplifies and streamlines the business of travel. This benefits the organization on every level: from the bottom line to the business traveler. BCD Travel operates in more than 90 countries, with US\$17.2 billion in total sales and a combined worldwide work force of 10,800 people. BCD Travel is a BCD Holdings N.V. company..

### About BCD Holdings N.V.

BCD Holdings N.V., a Dutch family-owned company founded in 1975 by John Fentener van Vlissingen, is a market leader in the travel industry. The BCD Holdings companies are BCD Travel (global corporate travel management), Travix (online travel: CheapTickets, Vliegwinkel, BudgetAir and Vayama), Park 'N Fly (off-airport parking), TRX (travel transaction processing and data integration), Airtrade (consolidating), VakantieXperts (leisure) and Parkmobile International (mobile parking and traffic applications). BCD Holdings employs approximately 13,000 people and operates in more than 90 countries with total sales, including franchising, of US\$20.3 billion

**Facts and Figures**

**Market position** : number 1

**Employees** over 500

**Locations** Antwerp, Brussels, Liège, Gent

**Global Reach** BCD Travel operates in more than 90 countries on six continents

## **Headquarters**

|              |                          |
|--------------|--------------------------|
| Belgium      | Antwerp                  |
| Europe       | Utrecht, The Netherlands |
| Global       | Utrecht, The Netherlands |
| Americas     | Atlanta                  |
| Asia Pacific | Singapore                |

## **MISSION, VISION AND VALUES**

### **Our Mission**

To power our customers' success by making the most of their travel investment, keeping travelers safe and enhancing the traveler experience.

### **Our Vision**

To promote global business growth and positive social impact by improving our clients' performance, their travelers' lives and communities worldwide.

### **Our Values**

#### *Vision*

We look beyond the horizon to anticipate change. We deliver tomorrow's travel, today. We push the boundaries of what we do and how we do it. We embrace the new and use it intelligently. We are passionate about shaping the next generation of business travel.

#### *Innovation*

We're creative, and we love solving problems in new ways. With a genuinely talented groupof people, great products, open minds and clients with complex and unique challenges, we just can't help ourselves.

### *Service*

Business travel isn't just about technology and systems. It's what we do for people with them that counts. Simply put, we like helping people. We put our customers first—whether we're talking about colleagues, clients or partners.

### *Integrity*

We deliver what we promise, and only promise what we can deliver. We do what we say with warmth, humor, and a great deal of thought. (That's why people enjoy working with us!)

### *Teamwork*

We are natural partners with our clients, colleagues, and our community, and we are at our best when working together to produce extraordinary results. We create bonds that stretch across departments, organizations, countries and time zones.

### *Strength*

We aim to always exceed our financial goals and the expectations of our clients, our colleagues and our shareholders. We build our human resources by giving exciting opportunities to our own people, and bringing aboard new people whose skills enhance and expand our already strong base. We're committed to growing our global footprint together with our customers.

## **CH.2:-Structure, Functions and Business Activities of selected Industry / Sector / Company**

### **Simplifying and streamlining the Business of Travel**

BCD Travel combines service leadership with flexible technology, intelligent data analysis and strategic solutions to provide travel management advantages to customers of all sizes, all around the globe.

Our integrated and global technology infrastructure gives you the resources to access, analyze and act on the dynamic data your travel program is producing at any given moment in time.

Our consistent service delivery provides your travelers with a broad range of resources to help them stay satisfied, productive and focused on their business objectives. Our comprehensive industry insight and strong, stable ownership help you navigate safely through a rapidly changing and complex business travel landscape.

### **A customized solution**

Online booking tools can drive significant savings through reduced agent-assisted booking fees. We have the expertise to help customize an online solution that best fits needs. We offer the ability to integrate with virtually every commercially available online booking tool.

### **Why choose Business Online?**

Are you looking for a modern booking tool that is accessible online? Are you looking for a simple, straightforward solution, and don't want to purchase extra software to get started? Then Business Online is the ideal solution for you.

Business Online makes optimal use of your travel processes, can be adapted to your company model, and monitors adherence to your travel policy.

Business Online is ideal for companies who want to streamline their business travel booking processes while lowering the total cost of travel.

Here is a summary of some features:

- Full itinerary with flight schedule, time zone converter, exchange rate, visa and health information
- English and Dutch translation of the booking tool
- Full functionality for travel bookers
- Availability of detailed traveler profiles
- Fare comparisons : the best deal for the best price, including low-cost carriers
- Invoicing via AirPlus, American Express and VISA

### **Why choose Enterprise Online?**

Enterprise Online is one of the most advanced solutions for booking business travel. With Enterprise Online, you not only have complete control over the booking process but also over the prior purchasing and approval steps preceding the booking.

Enterprise Online is a booking tool that can be adapted to your wishes and requirements. Which is why it is perfectly suited to companies that want to book their own business trips simply and safely.

Summary of specific features:

- Reflects the hierarchy of your organization within the system structure
- Possibility of adapting the concept and layout of the site
- Multilingual : available in many languages
- Supports multiple currencies
- Able to integrate several approval levels
- Variety of system control levels
- Variety of payment options allowed when booking
- Modifiable data fields to allow for detailed descriptions when invoicing
- Can be implemented in multiple locations and departments

## **CH.3:- COMPARATIVE POSITION OF TOURISM INDUSTRY OF BELGIUM WITH INDIA**

- Tourism industry in india has been developed very rapidly in comparision to Belgium. economy of the country has contributed a lot due to tourism sector
- Ministry of tourism made immense efforts to develop tourism .Ministry of Tourism made uniform efforts to develop quality tourism infrastructure at tourist destinations and circuits.
- Ministry of Tourism released Social Awareness Campaigns on Television, Radio, Internert and outdoor media with the objective of sensitizing the masses and stakeholders about the importance of tourism
- Ministry of tourism ,india performs various activities like developing the policies. promotions and advertising, planning ,controlling .in short it manages each and every activities systematically and this is the reason that india has grown in tourism sectors
- A maximum amount of `50.00 lakh is approved for each rural tourism project under this scheme for development of tourism related infrastructure
- various schemes are implemented to develop villages . The promotion and marketing of village tourism is also aimed at generating revenue for the rural communities through tourists visitation
- In the year 2010, the tourism sector had a substantial growth as compared to 2009. The Foreign Tourist Arrivals (FTA) in India during 2010 were 5.58 million as compared to the FTAs of 5.17 million during 2009 which shows a growth of 8.1%.
- The growth rate during 2009 over 2008 was (-) 2.2%. FEE from tourism during 2010 were ` 64889 crore as compared to ` 54960 crore during 2009, registering a growthrate of 18.1%. The growth rate in FEE from tourism during 2009 was 8.3%.
- The tourist industry generates 2.8% of Belgium's Gross Domestic Product and employs about 3.3% of the working population (142,000 people). 6.7 million people travelled to Belgium.which is very less in comparision to india

- Belgium has got good natural and cultural riches.but due to its bad economic condition it cannot make huge investments in tourism sector.no doubt country is doing well in other sectors like steel, glass etc
- Various countries like India ,China , Malaysia, Singapore have made efforts in developing tourism sector and have improved their economic conditions.belgium should also makes efforts to develop tourism
- Belgium generates very less income in comparision to other countries .belgium has not made more efforts in marketing their tourism sector

## **CH.4:- PRESENT POSITION AND TREND OF BUSINESS (IMPORT / EXPORT) WITH INDIA / GUJARAT DURING LAST 3 TO 5 YEARS**

### **Why India is Popular for Tourism ?**

- India is a vast country with diverse cultures and traditions.
- Our country offers a great attraction for those who crave to know about the splendour and magnificence of one of the oldest civilizations of the world and for its scenic beauty, right from Himalayas to Kanyakumari and from Gujarat to Arunachal Pradesh.
- We also have a stable political government which a pre-requisite to promote tourism.
- We are famous for our hospitality.

**Tourism in India** is a large industry.

- The World Travel and Tourism Council calculated that tourism generated \$121 billion or 6.4% of the nation's GDP in 2011. It was responsible for 39,3 million jobs, 7.9% of its total employment. The GDP of the tourism sector has expanded 229% between 1990 and 2011. The sector is predicted to grow at an average annual rate of 7.7% in the next decade.
- In a 2011 forecast the World Travel and Tourism Council predicted the annual growth to be 8.8% between 2011 and 2021. This gave India the fifth rank among countries with the fastest growing tourism industry.
- India has a large medical tourism sector which is expected to grow at an estimated rate of 30% annually to reach about 9,500 crore by 2015.

**The Travel & Tourism Competitiveness Report 2011** ranked the price competitiveness of India's tourism sector 28th out of 139 countries. It mentions that India has quite good air transport (ranked 39th), particularly given the country's stage of development, and reasonable ground transport infrastructure (ranked 43rd).

- India's rich history and its cultural and geographical diversity make its international tourism appeal large and diverse. It presents heritage and cultural tourism along with medical, business and sports tourism.

### **Recent Trends In Indian Tourism :**

- The tourist numbers and activities in India seem to suggest more of an optimistic scenario. The gloomy phase of 2008-09 has been mediated successfully with focused policy
- interventions and industry initiatives that in turn added momentum to the growth process.
- From a negative growth of -2.2% in 2009/08, foreign tourist arrivals increased considerably to register a growth of 8.1% in 2010/09. This turn-around is indeed encouraging given the fact that global economy was still recovering and has not reached its usual growth trajectory.
- In the contrary, the increase in dollar terms was comparatively less at about 20.8%
- during the same period. This could perhaps be attributed to the factors like variations in the
- exchange rate as well as reduced tourist expenditure. Another pertinent dimension worth noticing is the relationship between the growth in tourist arrivals and the earnings during this period. For instance, in rupee terms, the annual increase in earnings has been much faster to that of arrivals with the figures for 2009/08 and 2010/09 recording 8.3% and 18.1% respectively.
- Further, while examining the monthly change, it was also observed that the earnings were fairing much better with only first three months of 2009 accounting a negative change over corresponding months previous year. But, when it came to the arrivals, barring December, as the scenario in 2009 was that of either negative or negligible growth compared to 2008.

## Statistics of tourism by state

| <b>Share of top 10 states/UT's of India in number of foreign tourist visits in 2011<br/>(provisional)</b> |                               |                   |                   |
|---|-------------------------------|-------------------|-------------------|
| <b>Rank</b>   | <b>State/Union Territory</b>  | <b>Number</b>     | <b>Share in %</b> |
| <b>1</b>  | Maharashtra                   | 4,815,421         | 24.7              |
| <b>2</b>  | Tamil Nadu                    | 3,373,870         | 17.3              |
| <b>3</b>  | Delhi                         | 2,159,925         | 11.1              |
| <b>4</b>  | Uttar Pradesh                 | 1,887,095         | 9.7               |
| <b>5</b>  | Rajasthan                     | 1,351,974         | 6.9               |
| <b>6</b>  | West Bengal                   | 1,213,270         | 6.2               |
| <b>7</b>  | Bihar                         | 972,487           | 5.0               |
| <b>8</b>  | Kerala                        | 732,985           | 3.8               |
| <b>9</b>  | Karnataka                     | 574,005           | 2.9               |
| <b>10</b>   | Himachal Pradesh              | 484,518           | 2.5               |
|   | <b>Total of top 10 states</b> | <b>17,565,550</b> | <b>90.1</b>       |
|   | <b>Others</b>                 | <b>1,929,329</b>  | <b>9.9</b>        |
|   | <b>Total</b>                  | <b>19,494,879</b> | <b>100</b>        |

| <b>Share of top 10 states/UT's of India in number of domestic tourist visits in 2011<br/>(provisional)<sup>1</sup></b> |                               |                    |                   |
|--|-------------------------------|--------------------|-------------------|
| <b>Rank</b>  | <b>State/Union Territory</b>  | <b>Number</b>      | <b>Share in %</b> |
| <b>1</b>   | Uttar Pradesh                 | 155,430,364        | 18.3              |
| <b>2</b>   | Andhra Pradesh                | 153,119,816        | 18.0              |
| <b>3</b>   | Tamil Nadu                    | 137,512,991        | 16.2              |
| <b>4</b>   | Karnataka                     | 84,107,390         | 9.9               |
| <b>5</b>   | Maharashtra                   | 55,333,467         | 6.5               |
| <b>6</b>   | Madhya Pradesh                | 44,119,820         | 5.2               |
| <b>7</b>   | Rajasthan                     | 27,137,323         | 3.2               |
| <b>8</b>   | Uttarakhand                   | 25,946,254         | 3.0               |
| <b>9</b>   | West Bengal                   | 22,256,968         | 2.6               |
| <b>10</b>  | Gujarat                       | 21,017,478         | 2.5               |
|  | <b>Total of top 10 states</b> | <b>725,981,871</b> | <b>85.3</b>       |
|  | <b>Others</b>                 | <b>124,874,769</b> | <b>14.7</b>       |
|  | <b>Total</b>                  | <b>850,856,640</b> | <b>100</b>        |

## **CH.5:- POLICES & NORMS OF BELGIUM FOR TOURISM INDUSTRY**

- The International tourism; expenditures for travel stuff (US dollar) in Belgium was last reported at 18679000000 in 2010, according to a World Bank report published in 2012.
- The International tourism; expenditures for passenger transport stuff (US dollar) in Belgium was last reported at 1879000000 in 2010, according to a World Bank report published in 2012.
- The International tourism; expenditures (% of total imports) in Belgium was details at 5.60 in 2010 according to a World Bank report in print in 2012.
- The International tourism; expenditures (US dollar) in Belgium was last reported at 20558000000 in 2010, according to a World Bank report published in 2012.
- The International tourism; expenditures (US dollar) in Belgium was last reported at 20558000000 in 2010, according to a World Bank report published in 2012. a person who makes several trips from a country during a given period is counted each time as a new departure.
- The International tourism; receipts for passenger transport stuff (US dollar) in Belgium was last information at 1196000000 in 2010 according to a World Bank report available in 2012. In addition to the services covered by passenger fares-- including fares that are a part of package tours
- The International tourism revenue for travel stuff (US dollar) in Belgium was last details at 10235000000 in 2010 according to a World Bank report available in 2012. These revenue should include any other prepayment made for goods or services received in the destination country.
- The International tourism revenue (% of total exports) in Belgium was last details at 3.08 in 2010 according to a World Bank report published in 2012. They also may contain revenue from same day visitors, except for when these are important enough to justify separate classification.
- The International tourism revenue (US dollar) in Belgium were last details at 11431000000 in 2010 according to a World Bank report available in 2012. . These

revenue include any other prepayment made for commodities or services received in the destination country.

- City tax is 1.8% (calculation formula: number of hotel rooms multiply by average rate for a double room counting breakfast multiply by number of days open multiply by 65%). The city tax should always be an broad part of the charge and not charge alone.
- Today, twenty-two EU countries (Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden), plus Norway, Liechtenstein, Monaco, Iceland and Switzerland fully apply the provisions of the Schengen *acquis* and may move freely.
- Other aliens i.e. national of any country other than those referred to over wish to stay in Belgium for longer than three months necessitate a long-term visa. Official documents drawn up in a language other than French Dutch English or German must be translated by a confirmed translator
- When roving into Belgium you might be ask to present one or more of the following documents: a hotel reservation return ticket or some form of proof that you have sufficient funds to cover your visit (e.g. cash, cheques or credit cards that are accepted in Belgium or an original financial support certificate initialled by the respective embassy or consulate).
- Time required to issue visa48 hours to 8 weeks, depending on nationality and resident status and whether applying by post or in person. Certain nationals must apply in person (contact Consulate or Consular section at Embassy for further details).
- Short-stay (single- and multiple-entry): usually valid for 6 months from date of issue for stays of maximum 30 or 90 days per entry. Transit (single- and multiple-entry): valid for a maximum of 5 days per access including the day of arrival

## **CH.6:- POLICIES AND NORMS OF INDIA FOR IMPORT OR EXPORT TO BELIGUM INCLUDING LICENSING /PERMISSION, TAXATION**

In an attempt to develop tourism in India systematically and to harness full potential of the industry, GoI has taken several measures from time to time. These include formulation of the tourism policy and various initiatives to promote tourism infrastructure development and marketing and promotion activities.

### **KEY AREAS OF TOURISM POLICY 2002**



### **SALIENTS OF TOURISM POLICY**

- Position tourism as major engine of economic growth.
- Harness direct and multiplier effects of tourism for employment generation and economic development and to provide impetus to rural development.
- Focus on tourism as major driver of tourism growth.
- Position India as global brand to take advantage of the burgeoning global travel trade and the vast untapped potential of the country as a destination.
- Acknowledge the critical role of the private sector with the government working as pro-active facilitator and catalyst.
- Create and develop integrated tourism circuits based on Indian's unique civilization, heritage, and culture partnership with states.

- Ensure that tourist to the India are physically invigorated, mentally rejuvenated, culturally enriched, spiritually elevated and “feel India from within”.

### → **Open Sky Policy**

Gol's Open Sky policy, which gives permission to domestic airlines to commence international flights, start-up of various low-cost carriers, and fleet expansion by domestic players have created immense incentives for domestic travelers to explore far-off destinations within and outside India.

### → **Foreign Direct Investment**

In the hotel and tourism industry, 100% FDI is permissible through the automatic route. Here, the term 'hotel' refers to restaurants, beach resorts, and other tourist complexes providing accommodation and/or catering and food facilities to tourists. The tourism industry includes travel agencies; tour operating agencies; tourist transport operating agencies; and units providing facilities for cultural, adventure and wild life experience and surface, air and water transport facilities; and leisure, entertainment, amusement, sports, health and convention/seminar units.

### **Indian Exports to Belgium**

**1) Handicrafts and Gifts**

**2) Leather**

**3) Jewelry**

**4) Home Furnishing**

## **CH.7:-Trade Barriers in Import and Export between India & Belgium**

Trade barriers refer to government-imposed policies to restrict international trade. Most commonly, a country's government employs tariffs, duties, embargoes and subsidies as trade barriers. However, imposing trade barriers are against the concept of free trade, popularized by developed nations.

### Economic Impact of Trade Barriers

Import restrictions affect international trade relations, which in turn leads to a decline in exports. Thus, the protectionism regime that is employed to protect certain sectors actually tends to retard the growth of the entire economy.

The opportunities and challenges of international trade have been an issue of major concern for the economists and policy makers of the contemporary world. As far as the challenges facing the international trade are concerned, they vary with the economic and social scenarios of the countries involved in cross border trade. Be it a developed or developing economy, the primary challenge of global trade is to maximize the gains from trade. The countries involved in international trade always try to focus on the efficient utilization of the opportunities derived from exchange of goods and services with their trading partners. To utilize the benefits of the open market economy is another major challenge before world trade.

In this era of globalization, international trade has a crucial role to play so as to bring about economic and social harmony among the developed and developing nations of the world. With openness to trade becoming more popular, the issues of trade solidarity both at the domestic and multilateral level have gained huge importance across the world.

### India: Foreign Trade Policy

- Till the early 1990s, India was a closed economy: average tariffs exceeded 200 percent, quantitative restrictions on imports were extensive, and there were stringent restrictions on foreign investment. The country began to cautiously reform in the 1990s, liberalizing only under conditions of extreme necessity.
- India is now aggressively pushing for a more liberal global trade regime, especially in services. It has assumed a leadership role among developing nations in global trade negotiations, and played a critical part in the Doha negotiations.

- India has recently signed trade agreements with its neighbors and is seeking new ones with the East Asian countries and the United States. Its regional and bilateral trade agreements - or variants of them - are at different stages of development.

### Trade picture

- India is an important trade partner for the EU and an emerging global economic power. The country combines a sizable and growing market of more than 1 billion people.
- The value of EU-India trade grew from €28.6 billion in 2003 to €79.9 billion in 2011.
- EU investment in India more than tripled between 2003 and 2010: going from €759million in 2003 to €3 billion in 2010.
- Trade in commercial services tripled during the same time period, going from €5.2billion in 2002 to €17.9 billion in 2010.

### Belgium Trade, Exports and Imports

As raw materials and natural resources are not sufficient, the balance of trade is usually towards imports and thus there is always some trade deficit in Belgium.

According to the 2009 estimates, Belgium had an export volume of \$296.1 billion and ranked 13<sup>th</sup> in the world. This, however, showed a tremendous drop from the 2008 figures, which shone bright at \$371.5 billion. The various export commodities include:

- Machinery and equipment
- Chemicals
- Finished diamonds
- Metals and metal products
- Foodstuffs

### Dismantling trade barriers in India

The European Commission's Trade and Investments Barriers Report, published in March 2012, points out that some progress has been made to dismantle trade barriers in India:

- Two trade barriers were fully removed in 2012: export restrictions on cotton and security requirements for telecommunication equipment.

- Progress has also been achieved with regard to sanitary and phyto-sanitary rules.
- No positive movement has been seen in the area of equity caps.
- India's industrial policies contain trade-restrictive elements.
- The report also identified India's national manufacturing policy as a key priority for reform.

## **CH.8:- TOURISM POTENTIALS AND OPPORTUNITIES IN INDIA**

Tourism sector plays vital role in the economy. With its well-built backward and forward linkages with other sectors of the economy, tourism has the not only be the economy driver, but also a competent tool for society up liftmen. Although Indian government had taken remarkable steps to improve the tourism, there is a need to improve those steps with reference to following points.

### **Heritage Tourism:**

India is enormously rich in terms of its plentiful monuments, palaces, heritage areas, intangible resources, cultural heritage, arts and crafts etc. These are extended across the country thus providing for numerous visits. These heritages should be maintained properly and should be marketed to attract tourist.

### **Cultural & Rural Tourism:**

It helps to showcase rural prosperity in terms of rural living, art, culture and heritage at rural locations and in villages, which have core capability in fine art and trade, handloom and textiles. Rural areas also showcase our natural atmosphere. The promotion of village tourism should be aimed and encouraged to generate income for the rural communities.

### **Medical Tourism:**

India is emerging as a key health check tourism destination of the world because of its State of the art medical services, reputed health care professionals, quality nursing facilities, fewer waiting time for availing the medical services etc. These facilities are limited to some cities only which should be extended to more cities and also to the villages.

### **Wellness Tourism:**

The centre point is on 'Body, Mind and Soul'. The Indian structure of medicine, that is Ayurveda, Yoga, Panchakarma, Rejuvenation Therapy etc are among the early systems of medical treatment of the world. Global standard healthcare is given at comparatively low cost and many Ayurveda resorts and centres have come up. These

facilities are more popular in south of india and lots of tourist have to go and travel to enjoy these facilities. They should be made available to more places.

### **Eco Tourism:**

India has numerous natural/ eco regions including Tiger Reserves, Nationwide Parks, Sanctuaries, wilderness areas etc. Sustainable tourism developments are taking place nearby these regions.

### **Adventure Tourism:**

Adventure travel involves exploration or travel to distant, interesting areas. Various adventure tourism products are being developed together with trekking, camping, skiing, aerosports etc.

### **Cruise tourism:**

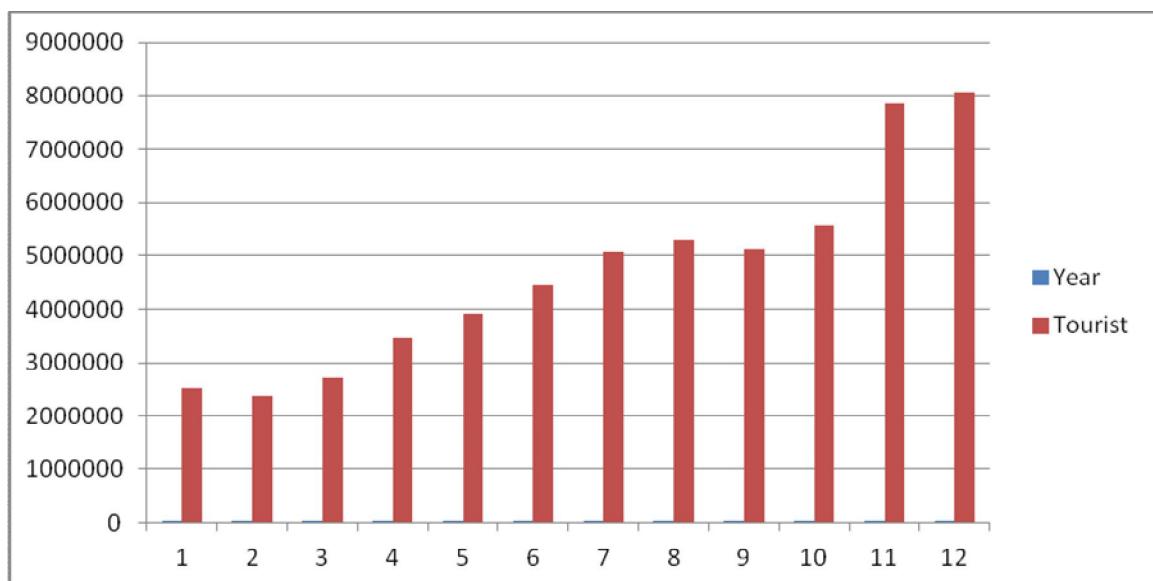
Cruise shipping is being developed as a very vibrant product, mostly in view of the vast and beautiful shores of India, virgin forests undisturbed idyllic islands, custom etc. Due to the numerous rivers, River cruise is also being developed.

## **A. TOURIST ARRIVALS**

Foreign tourist arrivals in India during 2010 to 2012 are as follows:

| 2010    | 2011    | 2012    |
|---------|---------|---------|
| 5583746 | 7846397 | 8072964 |

The above table indicates substantial increase in foreign tourists in 12 years



From the above graphs, it is apparent that numbers of foreign tourist visits to India during last 12 years have been always registering an increasing trend, excluding a decline in foreign tourist visits in the years 2002 and 2009. This has been due to global disturbances affecting travel post 9/11 and the economic slowdown.

#### A. INDIA'S SITUATION IN WORLD TOURISM SCENARIO

##### ***World Tourism Scenario:***

Tourism has become a well-liked global leisure activity. The world tourism situation shows that in 2012, there were over 940 million international tourist arrivals world over, with a expansion of 6.6% as compared to 2009. International tourism revenue grew to US\$919 billion in 2012, corresponding to an increase in real terms of 4.7%.

As per the most recent figures, tourism generates 5% of the world's GDP, 30% of the worldwide exports of services and one in 12 jobs. Tourism is the third major economic activity in the European Union providing directly and indirectly as much as 10% of the GDP and employing as much as 12% of the workforce.

The World Tourism Organization reports the following ten countries (2012) as the most visited by the number of international travellers.

|             |                |               | <b>Tourist<br/>in</b> |
|-------------|----------------|---------------|-----------------------|
| <b>Rank</b> | <b>Country</b> | <b>Region</b> | <b>millions</b>       |
| 1           | France         | Europe        | 86.8                  |
| 2           | USA            | North America | 79.7                  |
| 3           | China          | Asia          | 75.5                  |
| 4           | Germany        | Europe        | 63.8                  |
| 5           | Italy          | Europe        | 61.5                  |
| 6           | England        | Europe        | 58.1                  |
| 7           | Turkey         | Europe        | 35.6                  |
| 8           | Belgium        | Europe        | 32.4                  |
| 9           | Malaysia       | Asia          | 24.5                  |
| 10          | Spain          | Europe        | 22.9                  |

France occupied the top place in terms of arrivals, followed by USA, China, These top 10 countries accounted for 44.4% share of international visitor arrivals in 2012. The maximum arrivals were in **Europe** accounting to **50.7%** of world tourists. In terms of international tourism receipts worldwide, Europe's percentage share is 44.2% of the world. In terms of outbound travel, Europe contributes to **52.8%** of international tourists.

***India's position:***

India's rank in international tourist arrivals was 41<sup>st</sup> with the percentage share a meagre **0.59%**. Tourism is an important contributor to Foreign Exchange Earnings (FEE). In terms of international tourism receipts worldwide, India's percentage share is **1.24%** of the world.

The FEE out of tourism stood at USD 16183 million in 2012 as compared to USD 11394 during 2009 and USD 11747 million during 2008. The increase rate in FEE in USD terms during 2010 was 24.6% as compared to a decline of 3% in 2009 over 2008.

## **CH.9:- REVIEW OF TOURISM GROWTH AND POSSIBILITIES**

While India is affluent in terms of prosperity of its traveller destinations, society and history; it lags behind in transportation, roads, communication and other service sectors compared to European countries. To arrive at tourist destinations in India, it sometime requires extensive and tiring travel unlike in Europe, where the tourist destinations are nearer and travel is relatively short and pleasant.

Tourism should be developed as an important service sector for India. However, it still gets only 1.68% of international travellers and much lesser than outbound travels also. This is the correct time to scale up at a great deal for higher pace, a number of reasons which are preventive India in attracting probable tourists are:

- Poor Infrastructure and Accommodation gaps
- Awareness of safety in the region
- cleanliness and sanitation
- Competitors having more competitive packages
- Severe scarcity of trained manpower
- Perception of tourism environment
- Lack of flawless travel

### **B. ACCOMMODATION INFRASTRUCTURE**

The difficulty of accommodation is the largest drawback of Indian tourism sector. India has only about 129,000 hotel rooms in 1,790 hotels across the country as against required 250,000. Among them five star hotel room comprise of 28 per cent, four star 6.5 per cent and three star 8.5 per cent. On the other hand total number of hotel rooms in China is 1,000,000; Thailand 250,000; and Indonesia 270,000.

The requirement of accommodation in the country is estimated at 250 thousand rooms. The MOT is therefore vigorously involved in monitoring the formation of additional accommodation.

Following plans/strategy/initiatives should be taken for expansion of accommodation infrastructure:

- RBI should separately give credit for hotel projects without considering them in commercial real estate; thereby enable them to avail benefit of long term credit at

relaxed regulations and subsidized interest rates. In addition, the External Commercial Borrowing regulations should be made less stringent by MOF.

- MOT should enthusiastically support the Hospitality Sector to meet the maximum international standards by setting up state of the art infrastructure facilities, new guidelines for project approval, tax holiday for the entrepreneurs who invest in the hotel accommodation projects

### **C. IMPROVED PRIVATE PARTICIPATION**

For reforms in the tourism, speedy clearances of hotel projects and to deal with the problems faced by the hotel industry, Union Cabinet should approve setting up of a 'Hospitality Development and Promotion Board' (HDPB).

### **D. CAPACITY BUILDING EFFORTS**

- Enhancing the Institutional Infrastructure of Hospitality Education by
  - Opening new Institutes of Hotel Management (IHM) and Food Crafts (FCI)
  - To increase the capacity of existing IHMs
  - Facilitating private sector investments
- Hospitality Education to be broad based to cover
  - Universities / Colleges
  - Polytechnics / Industrial Training Institutes
  - Professional Education at +2 level through CBSE and other State Level Boards
- Skill development through short term courses for 8th pass youth up to 28 years of age. Such courses also to be conducted through 2100 Classified hotels
- Skills of existing Service Providers to be certified after a short training to enhance their employability

### **E. HYGIENE AND SANITATION**

This is one of the key differentiating features between developed countries and India. Hygiene, waste management and uncontaminated water are main concern areas in tourism. MOT should come up with an action plan to get better about hygiene and sanitation in general and at destinations in particular:

- Sensitizing and formation of general awareness between all stakeholders, together with local communities
- Widespread societal Awareness should be increased drive under 'Atithi Devo Bhava' initiative being undertaken

## F. TAXATION

The tax structure in the hotels and tourism industry is not as favourable as compared to the other Asian countries.

| Country   | Taxes on Hotel Tariff | Country   | Taxes on Hotel Tariff |
|-----------|-----------------------|-----------|-----------------------|
| China     | 5%                    | Malaysia  | 6%                    |
| Japan     | 5 %                   | Singapore | 7%                    |
| Hong Kong | NIL                   | Thailand  | 7%                    |

In India the tariff on hotel tariff varies from 20 to 30% (depending on State). Rationalisation of tariff and creation of globally competitive tariff rates, is an aspect which could boost tourism.

## **STRATEGY TO ATTRACT MORE TOURISTS**

With the number of tourist in India increasing every year, there is some growth potential and the drivers the MOT should be working on. The following may be a broad level strategy to add more number of tourists.

### A. MARKETING STRATEGY

- ***Sub branding:*** INCREDIBLE INDIA campaign has worked well to get a brand image of India. While continuing this as main branding, sub-branding of key circuits which will attract tourists should have differential branding to create a top of mind recall and these could be well-connected brands under the apex brand of India.
- ***Influencing the Influencers:*** Networking with international tour operators
  - Network of dense promotional bodies which ally public-private partnerships at three levels: national, regional and local are required to promote tourism.
  - Referencing on all the large international tourist operators completed by booking and sales reservation systems of several large transport and accommodation networks.

### B. INTEGRATED DEVELOPMENT & ACTIVITIES OFFERED TO TOURISTS

- Integrated development of prioritised Circuits/ Destinations to become major success stories need to be focussed upon, as discussed in previous section.

- The large diversity of activities which could cover whole set of tourism themes like culture, discovery and adventure, shopping, religion, entertainment, wellness and health, MICE, sport and physical activities, etc are required
- The strength of governance systems, which often combine the public and private sectors, notably in the large density of professional associations
- The high density of security and hygiene norms which assure clients of trustworthy and secure services.

### **C. BEAT THE SEASONALITY OF TOURISM**

Innovative Product development coupled with marketing efforts to counter Seasonality of Tourism will be the key.

### **D. INCREASED PRIVATE SECTOR PARTICIPATION**

Industry incentives: Government has come up with incentives for private players in the Tourism and Hospitality sector. However, there are more incentives and proactive involvement with the industry which could be worked out. In most of the tourism regions, majority of the tourist travel activities are taken care by the private sector. Their involvement is very critical in bridging the gaps.

## BUSINESS OPPORTUNITIES IN FUTURE

- Major companies and organisations have now pledged to collaborate to create a commercially sustainable tourism industry by the year 2023 which benefits communities in tourist destinations and protects the environment.
- The scenarios, vision and a strategy to implement the commitments were launched at the ABTA Travel Convention in Barcelona on October 8th, 2009. More than 100 people with expertise in different facets of the industry - including business leaders, academics, legislators, campaigners and commentators – have been involved in creating them.
- Signatories to the Tourism 2023 Vision commit to taking action individually and as an industry group to achieve a sustainable industry by 2023. It is based on six principlesprotecting the environment; developing employees; providing customers with mainstream sustainable products; ensuring that destinations benefit from tourism; innovating to create sustainable transport and resorts; and developing a business which is environmentally, socially and financially sustainable.
- An important event in Flanders the coming years will be the commemoration of World War I, which will start in 2014.
- The key findings reveal that most of the survey participants associate destination Flanders with its popular Belgian chocolates. The fact that Belgium produces 170,000 tonnes of chocolates every year in over 2,000 chocolate shops was rated as the top most tempting element about the Fabulous Flanders.
- It is also interesting to note that both trade and consumers have shown an active interest in promoting and visiting the Belgian battlefields during the centenary event of First World War in 2014.



## **CH.10:- FINDINGS CONCLUSIONS AND SUGGESTIONS**

### **RECOMMANDATIONS**

- There should be some additional benefits given to the passengers as they are spending their money for food, drink etc. and gain more tourists.
- The city tax should always be an inclusive part of the rate and not charged separately.
- Some hotels include City Tax in the rate; some hotels charge the City Tax as a supplement, so proper tax structure should be there which provides common tax rate for the tourists.
- Visa process for the European countries is very easy compared to other non European countries with whom European union's don't have trade agreement , so there should be some specific agreement required for other non European countries which develops a good relation with between Belgium and other countries
- There should be a standard language for the documents of visa which is applicable to all countries which makes the visa procedure standard and easy to understand for the tourists around the world
- More efforts should be there for increasing the number of tourists in belgium by developing different policies to attract them

### **CONCLUSION**

- The tourist's policies of Belgium are very nice and easy to understand.
- The visa procedure is also easy to proceed and also less costlier on average
- For any applicants to access visa for Belgium financial support is required with having a medical certificate which indicates their fitness and avoid spreading any dieses in the Belgium.
- As the export is less than import in tourism, causes increase in expenditure rather than revenue.
- The visa procedure processing time is also less compared to other European countries.

**ANALYSIS  
OF  
METAL INDUSTRY**

## CH: 1 INTRODUCTION OF IRON &STEEL INDUSTRY

The iron & steel industry has been a major and important industrial sector for the Belgian economy. In fact, from the mid of 19<sup>th</sup> century, it was the largest factory in the world, in Seraing, which is owned by the company “John Cockerill” S.A., located in Belgium, and this factory has become a world leader in steel production for more than a century.

The iron & steel industry in Belgium suffered a significant decline in the period of 1970s and 80s, due to largely deteriorating global demand and growing competition. The sector never really picked up again, though there was a recovery in global demand. More recently, the formation of the Dufco and Arcelor groups has, however, enabled the historic Steel producers begin to grab the world, whilst maintaining and modernizing a certain number of facilities. In fact, the present situation demonstrates how central the iron & steel industry remains to our economy.

Apparently some economies were emerging, such as Asian countries and new EU Member States, first of all, are large consumers of steel and its many by-products of steel. Some of them have also become major producers. Factories located in Belgium, have become profitable once more as a result of a heavy increase in global demand and hence prices were rising for raw materials and steel products, before faltering again due to falling global demand. The emerging challenges such as economic and environmental challenges have led the Bank to consider recent sector developments in terms of economic impact, and also in relation to some closely linked global factors.

### GDP facts & Role of Iron & Steel Industry in India

- The Iron and Steel Industry in India is one of the fastest growing sectors
- The demand drivers for the Indian Iron & Steel industry are increasing in the activities of the various industries such as automobiles industry, transportation system, real estate industry, ship building industry, aircraft industry and so on.
- India's rank is 5th in the world in terms of production of steel
- The quantity of crude steel produced was 50.71 million tons in 2006-07
- The quantity of finished steel produced was 51.9 million tons in 2006-07
- The finished steel production was increased by 16.52%

- The finished carbon steel was produced 24.8 million tonnes in the year 2006-07
- Expectedly India would become the second biggest producer of steel by the year 2016 and the production per year would be 137 million tonnes
- The exports pertaining to the steel industry was 6.26 % in the period 2006-07

➤ **Consumption of Iron and Steel Industry in India**

- The domestic consumption of steel has increased by 12.5% in the last three years
- The domestic steel consumption was 41.14 million tons in the year 2006-07
- The average growth rate is 11.36% of the Indian Iron and Steel Industry
- The construction projects all over India are major consumer of steel
- The per capita consumption of steel in India is 35kgs

## **CH:-2 STRUCTURE/FUNCTION & BUSINESS ACTIVITIES OF IRON & STEEL INDUSTRY**

### **Background**

The establishment of Tata Iron and Steel Company (TISCO) in 1907 was the starting point of modern Indian steel industry. Afterwards a few more steel companies were established namely Mysore Iron and Steel Company, (later renamed Vivesvaraya Iron & Steel Ltd) in 1923; Steel Corporation of Bengal (later renamed Martin Burn Ltd and Indian Iron & Steel Ltd) in 1923; and Steel Corporation of Bengal (later renamed Martin Burn Ltd and Indian Iron and Steel Co) in 1939.<sup>1</sup> All these companies were in the private sector.

### **Key Events**

- 1907\*: Tata Iron and Steel Company set up.
- 1913: Production of steel begins in India.
- 1918: The Indian Iron & Steel Co. set up by Burn & Co. to compete with Tata Iron and Steel Co.
- 1923\*: Mysore Iron and Steel Company set up
- 1939\*: Steel Corporation of Bengal set up
- 1948: A new Industrial Policy Statement states that new ventures in the iron and steel industry are to be undertaken only by the central government.
- 1954: Hindustan Steel is created to oversee the Rourkela plant.
- 1959: Hindustan Steel is responsible for two more plants in Bhilai and Durgapur.
- 1964: Bokaro Steel Ltd. is created.
- 1973: The Steel Authority of India Ltd. (SAIL) is created as a holding company to oversee most of India's iron and steel production.
- 1989: SAIL acquired Vivesvata Iron and Steel Ltd.
- 1993: India sets plans in motion to partially privatize SAIL.

Source: \* Government of India, Joint Plant Committee Report 2007

The policy envisages steel production to reach at 110 mt by 2019-20 with annual growth rate of 7.3 percent. As later sections will show these expectations are not excessively high. With increasing need for large investments in the industry private sector's role would be crucial in the development of the steel industry. The future, it appears, will continue to be dominated by a few large players and the industry will remain oligopolistic – as it is internationally. Moreover, as shown in Appendix I share of fixed cost to total cost for selective steel producers in India is very high making it prone to increasing returns to scale and the consequent market structure (See Table A1.8). TISCO, public sector entities, POSCO, Jindals, Essar, and Arcelor-Mittal will be among the major players accounting for the bulk of the 100 plus million tons of production in the future. There is a key factor behind the predominance of large units and oligopolistic industry structure. And that is the production process. The following section discusses the process and underlying technology.

## **CH.3:- COMPARATIVE POSITION OF IRON & STEEL PRODUCT WITH INDIA & GUJARAT**

### **COMPETITION SCENARIO (INDIA)**

#### **Overview:**

From the biggest players like SAIL and Tata Steel, to mid-level players like Bhushan Steel and Welspun, the next four years are a time to ramp up. SAIL, a state-owned public sector undertaking and India's largest steel manufacturer, is planning to increase its annual production of 12 million tonnes per annum (mtpa) to 22.5 mtpa by 2011-12.

Tata Steel proposes to increase its steel making capacity to 33-34 mtpa by 2015, besides increasing the capacity of its Jamshedpur plant from 5 mtpa to 10 mtpa. In addition, the Tatas are planning to set up a 12-mtpa Greenfield project in Jharkhand, a 6-mtpa plant in Orissa and another 5 mtpa capacity unit in Chhattisgarh.

According to London-based Iron and Steel Statistics Bureau (ISSB), India's Tata Steel, which recently acquired Anglo-Dutch firm Corus Group, has been ranked the world's sixth largest producer of the alloy with an output of 24 million MT. India-born business tycoon Lakshmi Mittal-controlled Arcelor Mittal has emerged as the largest producer with total production of 118 million metric tonnes in 2006, after Mittal Steel acquired European giant Arcelor SA for US\$ 38.3 billion in the industry's biggest ever transaction. Significantly, in the country ranking, India is ranked at the seventh position, with a total output of 44 million MT (up eight percent from previous year).

As India surges ahead in building infrastructure and catapulting its industry to new economic highs, investments in steel will pave the way ahead. Mittal Steel has announced a 12-mtpa Greenfield steel project in Jharkhand and a 12-mtpa Greenfield steel plant in Orissa.

## **Major Players of Steel & Iron Industry:**

### **Tata Steel:**

Tata Steel (earlier known as Tata Iron & Steel Company or Tisco) represents the country's single Largest, integrated steel plant in the private sector. The company has a wide product portfolio, which includes flat and long steel, tubes, bearings, ferro-alloys and minerals as well as cargo handling services. While in terms of size, Tata Steel ranks 34th in the world; it was ranked first (for the second time) among 23 world class steel companies by World Steel Dynamics in June 2005. Recent overseas acquisitions are Tata Steel buying Anglo-Dutch firm Corus for over 12 billion dollars.

With its plant located in Jamshedpur (Jharkhand) and captive iron ore mines and collieries in the vicinity, Tata Steel enjoys a distinct competitive advantage. The main plant at Jamshedpur manufactures 5 MTPA of flat and long products, while its recently acquired Singapore-based company, NatSteel Asia, manufactures 2 MTPA of steel across Singapore, China, Philippines, Malaysia and Vietnam.

### **Steel Authority of India Limited (SAIL):**

Steel Authority of India Limited (SAIL) is a leading Public Sector Undertaking (PSU) in which the Government of India owns about 86 per cent of equity. It is a fully integrated iron and steel maker, producing both basic and special steels for domestic construction, engineering, power, railway, automotive and defense industries and for sale in export markets. It is ranked amongst the top ten public sector companies in India in terms of turnover.

They manufactures and sells a broad range of steel products, including hot and cold rolled sheets And coils, galvanized sheets, electrical sheets, structurals, railway products, plates, bars and rods, stainless steel and other alloy steels. SAIL have five integrated plants and three special steel plants, located principally in the eastern and central regions of India and situated close to domestic sources of raw materials, including the Company's iron ore, lime-stone, and dolomite mines. The company has the distinction of being India's largest producer of iron ore and of having the country's second largest mines network. This gives them a competitive edge in terms of captive availability of iron ore, limestone, and dolomite which are inputs for steel making.

### **Bhushan Power & Steel Ltd:**

Bhushan Power & Steel Ltd., an ISO 9002 certified company, is a merged entity of Bhushan Industries Ltd., Bhushan Metallic's Ltd. and Decor Steel Ltd. Bhushan Steel has a turnover of more than USD 540 Million and is a leading manufacturer of Flat, Round and value added products in Steel.

Bhushan have 7 World class and state of art plants at Chandigarh, Derabassi, Kolkata, and Orissa in India. A completely integrated plant is commissioned under Phase I in Orissa and Phase II is all set for takeoff. In Orissa plant, technology and equipments are procured from world-renowned Companies like Luirgi from Germany, ABB Ltd., SMS Demag, Siemens etc. It is selling its Value added range of products in Secondary Steel through a large distribution network in India (comprising more than 25 sales offices) and abroad.

### **Jindal Steel & Power Limited (JSPL):**

Jindal Steel and Power (JSPL), part of the US\$4 billion Jindal Organization, has business interests in steel production, power generation, mining iron ore, coal and diamond exploration/mining. The current turnover of the company is over Rs. 30 billion and on a path of catalyzing economic development of the country through its contribution to the infrastructure sector. JSPL with its obsession for excellence is increasing its portfolio of value-added products, bringing the world's best to India and making an international mark. Production Capabilities expanded to serve the infrastructure sector, catalyzing economic, development and growth. JSPL has the integrated steel plant (as approved by Joint Plant Committee) at Raigarh in the state of Chhattisgarh, India. The facilities include world's largest coal-based Sponge Iron Plant with a capacity of 1.37 million TPA using ten indigenously developed rotary kilns. The company has achieved complete backward integration with its captive iron & coal mines making it one of the lowest-cost producers of sponge iron .The steel making capacity has been expanded from 400,000TPA to 1.15 million TPA.

JSPL today is the largest private sector investor in Chhattisgarh with a total investment of Rs.100 Billion. JSPL has recently signed an MoU with the State Government of Orissa to set up a 2 million tonne steel plant with an investment of Rs.13.5 billion which would be expanded to 6 million tone and another MoU has been signed with the State Government

of Jharkhand to set up a 5 million steel plant with an investment of Rs.120 billion.

### **ESSAR Steel:**

Essar Steel Limited (the "Company") is the flagship Company of the Essar Group and looks after the Group's interest in the steel business. The Company was incorporated in June 1976 under the name of Essar Construction Limited and was engaged primarily in core sector activities, including marine construction, pipeline laying, dredging, and other port-related activities. In 1984, the Company ventured further into other core sectors mainly the field of exploration and development, drilling onshore and offshore oil and gas wells for Indian Public Sector oil exploration companies. In view of this the Company's name was then changed to Essar Offshore and Exploration Limited in May 1987. In August 1987, the Company's name was changed to Essar Gujarat Limited, to reflect its highly diversified business interest. In 1988, the Company made an initial public offer for its shares, which are now listed on Bombay Stock Exchange, National Stock Exchange of India and 2 other Indian Stock Exchanges.

The Company diversified into the steel business in late 1980s with the purchase of an HBI Manufacturing plant in Emden, Germany, which was dismantled and relocated to Hazira, on the West coast of India.

The HBI plant with a capacity of 0.88 MPTA was completed in March 1990 and commenced commercial production in August 1990. As part of its business strategy of focusing on the iron and steel sector, the Company hived off its unrelated businesses to a series of different companies (each of which form a part of the Group and operate at arm's length relationship) - Offshore and energy operations were transferred to Essar Oil Limited in May 1992, Civil and mechanical construction businesses were transferred to Essar Projects Limited in March 1993. The Company with a vertical integration program in mind, commenced construction of world-class state-of-the-art technology Hot Rolled (HR) sheets and coil plant in 1992. The plant commenced trial production in April 1995 and commenced commercial production in April 1996. To reflect its business strategy of focusing on steel making operations, the name of the Company was changed from Essar Gujarat Limited to Essar Steel Limited in December 1995.

## **CH:-4 PERSENT POSITION & TERN OF IMPORT & EXPORT OF INDIA & BELGIUM**

India enjoys traditional, warm and friendly relations with Belgium. Trade relations go back to the 17th century when ships sailed from Ostend to Indian ports. India established diplomatic relations with Belgium in 1948 and there has been regular interaction at high levels since then.

### **Important Bilateral Treaties and Agreements, with brief notes:**

- Agreement on Avoidance of Double Taxation- August 1997
- Bilateral Investment Protection Agreement signed between India and BLEU in November 1997.
- Cultural Agreement- September , 1973
- Air Services Agreement- April, 1967

### **Commercial and Economic Relations, with trade, aid and investment details:**

Commercial and Economic relations are governed by Agreement on Economic, Industrial, Scientific and Technological Cooperation between BLEU and India in March 1990 and other EU and WTO Agreements. Belgium has emerged India's second largest trade partners within EU with bilateral trade in 2004 at 6.49 billion euros, 75% of which is in diamonds. India's aim is to diversify bilateral trade which is dominated by diamonds to areas of information and communication technology, pharmaceuticals, biotechnology where there is a tremendous potential for synergy.

The liberalization of the Indian economy in the 1990s aroused Belgian interest in India. The initial interest translated into an increasing number of official and business visits to India in recent years. Crown Prince Philippe led three economic missions to India(1995,1998, 2005). The visits generated enormous interest on either side resulting in several viable deals in the form of joint ventures and technology tie-ups. According to the Secretariat for Industrial Assistance(SIA) Belgium's total investment approvals into India for the period 1991- Sep.,2004 touched a record figure of Rs. 46,402.5 million (approx. US \$ 1.2 billion), with 1998 being a particularly good year account for about 80% of this amount. The actual investment flows for this period, however, have

not kept pace with the approvals. There are an estimated 231 joint ventures, most in the small and medium 8 category. Belgium Company Tractabael is the largest investor. BARCO and BEKAERT are established in India for many decades. During the 2005 visit of the Economic Mission, 5 MoUs were signed. CII signed 3 MOUs with Belgian companies Agoria, VBO, Flanders Institute of Logistics. IBA Pharma of Belgium and MK Ali Manekia, a non-resident Indian signed MoU for research and development activities in the health sector. IBA Molecular Imaging signed the MoU with Indian Diagnostic Laboratories of Dewang Chand Agrawal for Molecular Research.

Major items of Indian exports to Belgium are iron & steel products, minerals fuels, oils and products thereof, apparels and clothing accessories, organic chemicals, fishery products, man made staple fibres, electrical machinery etc. Major items of imports to India from Belgium are precious stones and metals, boilers, machinery and mechanical appliances, iron & steel products, pharmaceuticals, organic chemicals, plastic & its products, electrical machinery & equipments, photographic & cinematography equipments, measuring equipment, wood pulp etc. In the case of investment, some Indian companies have acquired business in Belgium.

### **Global trade and investment practices of Belgium & India(Belgium)**

**Principal Exports:** Machinery and equipment, chemicals and pharmaceuticals, diamonds, metals and metal products, foodstuffs, plastic & rubber

**Total Exports:** Euros 197.1 billion in 2004. Belgium is the 10th largest exporter in the world.

**Principal Imports:** Machinery and equipment, chemicals, diamonds, pharmaceuticals, foodstuffs, transportation equipment, oil products

**Total Imports:** Euros 188.9 billion in 2004. Belgium is the 9th largest importer in the world.

**Top 10 Trading partners of India for 2008-09 :**

**TABLE:-4**

| <b>Country</b> | <b>Trade<br/>2008-09<br/>(Rs. In crores)</b> | <b>Trade Balance</b> |
|----------------|--|----------------------|
| CHINA          | 1,63,202                                     | -92,676              |
| USA            | 1,55,353                                     | 12,254               |
| UAE            | 1,52,668                                     | -1,934               |
| SAUDI ARABIA   | 1,05,602                                     | -64,303              |
| GERMANY        | 67,602                                       | -19,497              |
| SINGAPORE      | 63,280                                       | 2,934                |
| U K            | 50,144                                       | 524                  |
| HONG KONG      | 50,129                                       | 1,772                |
| BELGIUM        | 41,552                                       | -5,294               |
| NETHERLAND     | 33,099                                       | 19,049               |

## **CH.5 POLICIES AND NORMS OF BELGIUM FOR IMPORT / EXPORT INCLUDING LICENSING / PERMISSION, TAXATION**

Belgium is part of the European Union so they follow all common trade policy for all member countries of EU. The Belgian government has published regulations relating to customs and other pieces of tax legislation which can be found on the following website:

- Tariffs
- Customs Transit
- Customs Valuation
- Rules of Origin
- Cultural Goods
- Counterfeiting and Piracy

**Licensing:** trade Import licenses with due consideration for the provisions of relevant European Union trade agreements and the needs of the specific importing country.

They have to follow some regulations related to quality, types of product, uses of product etc.

**Quality Standards:** According to EU's "*New Approach to Technical Harmonization*", definite products are required to meet the specific quality standards including toys, machinery, telecommunications terminal equipment, medical devices, electrical equipment, appliances, etc which are mostly directly or indirectly related to metal industry. Qualified products must hold a CE mark to show its compatibility, fixed onto the product by a manufacturer or importer as self-declaration of compliance.

### **IMPORT REGULATIONS:**

#### **Policies and norms of Belgium**

The agreements signed and in oblige between India and Belgium are as under:

Social Security concord in November 2006 (came into force in September 2009); concord on cooperation in the field of Science & Technology, November 2006; concord on

Avoidance of Double Taxation (DTAA) – August 1997; Bilateral Investment Protection concord (BIPA) signed between India and BLEU in November 1997; Cultural harmony-September, 1973; and Air Services Agreement- April, 1967

Belgium is a federal state, the three regions have large self-rule over the design and implementation of policy supporting renewable energy sources and power efficiency of residential housing. Each state therefore has its own strategy in this regard and its own set of policy dealings.

Power efficiency of suburban housing is supported in all regions by a broad set of instruments Which includes loans and premiums for investment in lagging, glazing, heating, appliances, energy audits and probability studies. Here in Belgium Investment is also supported by the federal government by financial incentives and VAT reductions. The support schemes are defined on a yearly basis.

The main endorsement scheme for renewable energy is green certificates. Here all three regions possess their own green certificate (GC) schemes. A allocation obligation on electricity suppliers to supply an increasing ratio of their electricity from renewable sources. The federal government has introduced an added scheme for offshore airstream.

The justification for public support for investment in solar panels is spelled out in the programming certificates of the Walloon area and of Hainaut. The intention goes beyond solar energy production is- By installing stellar panels on communal buildings the government is looking for to increase the consciousness of the people, set an example in the use of renewable energy and give to a positive image of the area. The programming certificates of the Flemish state do not bring out any particular rationale for public interference in power efficiency in societal board.

Belgium is a federal state with three stages of government –

- federal,
- regional,
- linguistic communities – a complex division of responsibilities.

The three regions of Flanders, Wallonia and Brussels-Capital are mainly liable for power efficiency, renewable vigor sources (except offshore wind which is the competence of the

federal government), power R&D (except nuclear) and the allocation and supply of electrical energy and gas

## **CH.6 IMPORT AND EXPORT POLICY AND NORMS OF INDIA IN IRON & STEEL INDUSTRY**

### **Iron & Steel and Scrap**

Steel is decidedly the vital component of a country's economy and is considered as the crux of modernisation. The level of per capita consumption of steel is treated as one of the important indicators of socio-economic development and living standards in any country. Steel continues to be the foremost engineering material, environment-friendly and is recyclable.

The finished steel production in India has grown from a mere 1.1 million tonnes in 1951 to 66.01 million tonnes in 2010-11. The growth in the steel sector in the early decades after independence was mainly in the public sector units. However, following the adoption of new economic policy and subsequent deregulation and decontrol of Indian Iron & Steel Sector, the 1990's witnessed accelerated growth in the private sector, catapulting its share of finished steel from 45% in 1992-93 to 80.1% in 2010-11.

### **Liberalisation of the Indian Steel Sector**

The Government's new economic policies have opened up opportunities for expansion of the Steel Industry. With a view to accelerating growth in the steel sector, the Government since 1991 has been initiating and implementing a number of policy measures. These measures have impacted the Indian steel sector to achieve a positive growth.

### **NATIONAL STEEL POLICY**

The National Steel Policy (NSP) was announced in 2005. The salient features of the NSP 2005 are as under:

- 1) The NSP has set a target of 110 million tonnes of domestic steel production by 2019-20. This would require about 190 million tonnes iron ore. To meet the additional iron ore requirement, the Government plans to take the following steps:
  - (a) Create additional mining capacity of 200 million tonnes iron ore.
  - (b) Encourage investments totalling to about ` 20,000 crore.
  - (c) Ensure that clearances from authorities of Environment & Forest be obtained within a specified time frame.
  - (d) To make investment plans for large number of iron ore leases which are idle.
  - (e) Renewal of existing leases only against credible mining investment plans.
  - (f) Grant of fresh leases only against new norms and stringent assessment of technical and financial capabilities of the applicants.
  - (g) Restrictions on long-term exports of iron ore to a maximum of 5-year contract.
  - (h) Encourage sintering and pollicisation so as to use fines which make up about 90% of the present exports.
- 2) Projections for requirement of coking coal and non-coking coal were fixed at 70 million tonnes and 20 million tonnes, respectively, to achieve the target steel production. The NSP has recommended first priority to the Steel and Sponge Iron Industry in allocation of higher grade (below 12% ash content) non-coking coal. The policy makes it clear that 85% of the requirement of coking coal will have to be imported. Further, reduced rate of production of non-coking coal would necessitate import of non-coking coal as well for utilisation in the steel sector. The coal shortages have prompted the NSP to call for a constant review of allocation and pricing of natural gas as a suitable alternative.
- 3) The NSP assumes that 60% of the new steel capacity would come up through blast furnace route, 33% through sponge iron & EAF route and 7% through other routes. Sponge iron units are expected to increase capacity from 13 million tonnes at present to 38 million tonnes by 2020, especially in Jharkhand and Odisha. The NSP envisages a judicious blend of exports and domestic supply of steel.
- 4) The NSP also seeks the up gradation and modernisation of the refractory industry.

- 5) The NSP seeks to examine and formulate corrective measures to obtain fiscal incentives which are usually available to other infrastructure projects as also the rationalisation of customs and excise duty structure for reducing the fiscal and revenue deficits.
- 6) NSP 2005 is presently under review and Ministry of Steel has formulated a Committee in May, 2012 to review the existing National Steel Policy 2005.

## **TRADE POLICY**

As per the modified Export-Import Policy incorporated under the Foreign Trade Policy (FTP) for 2009-14, the imports of primary forms of pig iron, spiegeleisen, sponge iron, ferroalloys, stainless steel, remelting scrap, as also the semi-finished products of iron, non-alloy steel or stainless steel (such as flat-rolled products, bars, rods, coils and wires), primary and semi-finished forms of other alloy-steels, etc. are unrestricted. Similarly, the exports are also allowed freely. In order to preserve iron ore resources for domestic

## **FOREIGN TRADE**

### **Exports**

Exports of iron and steel (total) increased sharply by 66% in 2010-11 to 10.17 million tonnes from 6.12 million tonnes in the previous year. Steel exports in 2010-11 comprised of finished steel (including cold rolled sheets) 5.1 million tonnes (50%) and semi-finished steel (including steel ingots) 3.51 million tonnes (34%). Other items together accounted for remaining 16% exports. Exports in 2010-11 were mainly to Belgium (14%), USA (11%) and Saudi Arabia, UAE, Iran and Kuwait (6% each). Exports of pig and cast iron including spiegeleisen increased to 15 lakh tonnes in 2010-11 from 6.2 lakh tonnes in the previous year. Exports were mainly to Thailand (56%), China (27%), Rep. of Korea (5%) and Japan (4%)

### **Imports**

Imports of iron and steel (total) in 2010-11 decreased slightly to 14.40 million tonnes from 14.44 million tonnes in the previous year. Imports in 2010-11 comprised of semi-finished steel including ingots 5.9 million tonnes (41%) iron and steel scrap 4.6 million tonnes (32%) and finished steel including cold rolled sheets 3 million tonnes (21%).

## **WORLD REVIEW**

The world production of pig iron in 2010 was about 1,085 million tonnes as against 978 million tonnes in 2009. China, Japan, India, Russia, Rep. of Korea, Brazil, Ukraine, Germany and USA were the principal producers. World crude steel production in 2010 increased to 1,418 million tonnes from 1,231 million tonnes in 2009. China was the top producer accounting for 44% of world's crude steel production, followed by Japan (8%), USA (6%) and India (5%). Other important producers were Russia, Republic of Korea, Germany, Ukraine, Brazil, Turkey and Italy. use on cheaper rates, export duty on iron ore has been increased w.e.f. 30/12/2011 to 30% ad valorem on all varieties of iron ore (except pellets).

## **CH.7:- PRESENT TRADE BARRIERS FOR IMPORT /EXPORT OF IRON & STEEL PRODUCT:**

Relations between India & Belgium

(Trade barriers between India-Belgium)

In this era of globalization of the economic environment, international business plays an important role in shaping the social, and economic performance as well as the prospects of countries around the world. International business is of prime importance, especially for developing countries. India is an important trade partner of the EU and a growing global economic power. The growth in the trade of goods between India and the EU has been strong. India exports a variety of products to the EU. The major export items are textile, cloths, jewellery and gems, organic chemicals, machinery, leather goods, pharmaceuticals, electronic goods, iron, steel, food, etc. Economic and trade relations with the EU have always been very important for India. The EU and India trade in goods as well as in services. In 2009, the EU had an export business of €27.5 billion with India, and import from India was €25.4 billion in the trade of goods. Also, the EU services export to India was of €8.6 billion and import of services from India €7.4 billion.

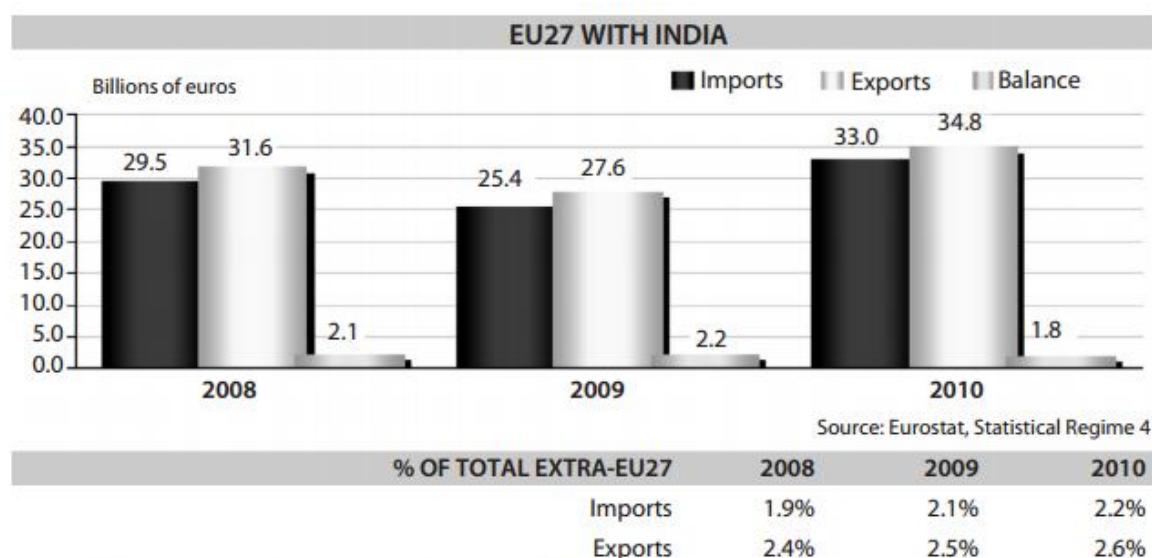
Barriers are obstacles preventing entrant firms from being established in a particular market (Anders, 2009). For every firm looking to invest in an international market, it is important to understand what will prevent it from being successful there. Also, for the firm already doing business, it is necessary to know barriers to the further growth. Some barriers exist because of the government policies and regulations, and some are hidden barriers. National culture and social forces have the power to restrict the activities of international business. The nations that have an intense political unrest can change their attitude towards foreign companies at any time; in turn, this instability makes an unfavorable atmosphere for the international trade. For export performance in international business, access to the foreign market is a critical determinant. Barriers to trade have a negative impact on the foreign market access. Tariff barriers are not very important due to several rounds of the WTO. The naturally existing barriers, or hidden

barriers' are language and customs, but this does not mean that they are impossible to overcome. Nevertheless, these non-tariff barriers should not be ignored as they have a great effect on international trade. These barriers affect more the developing countries than the developed ones.

The EU is India's major trading partner among the many. There is a remarkable growth in trade between India and the EU. Between years 2001 to 2010, the average annual growth of India's export to the European Union was 18% and imports to India from the EU 19.5%; the largest importer of Indian goods is Germany. Figure 1 show that according to a report of the European Commission, the EU import from India increased from 1.9% to 2.2% in 2008–2010 and EU export to India increased from 2.4% to 2.6%. India's export consists mainly of industry and manufactures (48%), agro-food products (4%), textile goods (20%), services (18%). Export of India to the EU concerns mainly three sectors: textile, services and industry, and manufactures. Only 14% of India's export is absorbed by the EU. India is still not a significant destination for goods and services of the EU.

## **CHART :-2**

### **Trade between India and the European Union**



**FIG 1. The European Union trade with India**

*Source: EUROSTAT 2011.*

### **1. Bilateral Treaties and Agreements:-**

The various agreements that are signed and in force between India & Belgium are as follows:- Social Security Agreement in November 2006 (came into force in September 2009); Agreement on cooperation in the field of Science & Technology, November 2006; Agreement on Avoidance of Double Taxation (DTAA) – August 1997; Bilateral

Investment Protection Agreement (BIPA) signed between India and BLEU in November 1997; Cultural Agreement- September, 1973; and Air Services Agreement- April, 1967 etc.

## **2. Economic and Trade Relations:-**

Belgium has emerged as one of India's important trading partners in the EU. Gems and jewelry constitutes over 75% of the bilateral trade. India's IT sector is represented well in Belgium, with all the big IT companies and their establishments. Along with this several Indian companies in the chemical sector have also established their offices/warehousing facilities in Belgium, and more of them are near the port city of Antwerp. Belgian business interests in India cover energy, dredging, construction, ports, banking and finance, chemicals and fertilizers, electronics and software, solar energy and biotechnology.

## **3. Bilateral Trade:-**

Belgium is the second largest trading partner of India in the European Union with annual bilateral trade turnover amounting Euro 10.4 billion in 2010. India is the 5th largest exporter to Belgium (after USA, China, Japan and Russia) and 2nd largest importer of Belgian products in 2010 (after USA). The major items to Belgium by of Indian are - Precious stones; Textiles and garments, Iron and steel, Chemical products, Organic chemicals, Mineral products, Machinery and Electrical Equipments etc. The major items of Indian imports from Belgium are- Precious stones, Machinery and mechanical appliances, Iron and steel, Chemical products, machinery and mechanical appliances & parts thereof, boilers, Organic chemicals, Plastics and articles thereof, Plastic and rubber; Pharmaceutical products etc. Memorandum of understanding on cooperation in railway sector has been agreed upon.

## **CH.8:- POTENTIAL FOR IMPORT-EXPORT IN INDIA/GUJARAT MARKET:**

- ❖ Iron and steel is the second largest item in Belgium's import basket. In 2012, these imports amounted to US\$ 7.7 bn with a share of 14% in Iran's total import basket. Major suppliers to belgium are UAE, South Korea, Germany, Turkey and China.
- ❖ Potential to enhance India's exports to Belgium can be accessed from the fact that India's exports of US\$ 192 mn in 2012 accounts for only 2.5% of Iran's total imports, a steep decline from the 16.7% share in 2010.
- ❖ "Our modernization and expansion is on track as we believe this is the right time to get prepared for the better time and I think the sector will revive by 2010-11," SAIL director commercial Shoeb Ahmed said. He added that the company would add 10 million tons (mt) by 2010-11.
- ❖ SAIL would be pouring Rs 54,000 crore in the expansion programme to gear up its production capacity to 26.2 mt from the current level 15 mt. Ahmed said, "Global steel production in 2008 was down 1.2 percent to 1,327 mt but in December, steel production was down 23.4 percent to 84.4 mt, against of 105 mt as projected.
- ❖ Major producers even cut production by 30 to 40 percent." Domestic steel production by 2010-11 could reach 80 to 85 mt, from around 60 mt,

as demand from the domestic market would continue to grow with the economy growing at 6 percent next year.

**TABLE:-4:**

| <b>Indian steel industry : Production for Sale (in million tonnes)</b> |         |         |         |         |          |
|--|---------|---------|---------|---------|----------|
| Category   | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12* |
| Pig Iron   | 5.28    | 6.21    | 5.88    | 5.68    | 5.78     |
| Sponge Iron  | 20.37   | 21.09   | 24.33   | 25.08   | 20.37    |
| Total Finished Steel (alloy + non alloy)                               | 56.07   | 57.16   | 60.62   | 68.62   | 73.42    |

Source: Joint Plant Committee; \*provisional

- ❖ Tata Steel has undertaken Brownfield expansion to enhance its production capacity to 10.5 million tons from the present 6.8 million tons. In the April-December period, Tata Steel has registered a 45.3 percent rise in net profit at Rs 11,469 crore, while net sales for the consolidated entity rose 26.63 percent to Rs 1,20,914 crore.

## **CH.9:- BUSINESS OPPORTUNITIES IN FUTURE**

- **Unexplored Rural Market:**

The Indian rural sector remains fairly unexposed to their multi-faceted use of steel. The rural market was identified as a potential area of significant steel consumption way back in the year 1976 itself. However, forceful steps were not taken to penetrate this segment. Enhancing applications in rural areas assumes a much greater significance now for increasing per capital consumption of steel. The usage of steel in cost effective manner is possible in the area of housing, fencing, structures and other possible applications where steel can substitute other materials which not only could bring about advantages to users but is also desirable for conservation of forest resources.

### **Opportunities for the EU Steel sector and its sub-sectors**

- ❖ **New market opportunities and improved bargaining power through acquisitions and mergers**

Even though the European steel industry has consolidated significantly within recent years, there is still room for further consolidation in the steel industry and its sub-sectors through mergers and acquisitions, notably to match players at the supply and the demand sides and improve the steel industry's bargaining power. Increased consolidation -regionally or even globally - improves the foundation for shaping a business strategy designed to access the best capabilities, knowledge, and assets from wherever they reside and apply them wherever required thus improving management capacity over the business cycle. Already, some steel companies have become large regional or global players with production facilities across the globe. Their global presence increases their capacity to meet the demands of global customers with considerable bargaining power and with specific product standards and requirements.

Acquisitions of companies outside Europe and mergers between EU companies and non-European companies also hold the potential of giving the EU industry access to new markets. Moreover, mergers do not in themselves result in better conditions and new

business opportunities. This very much depends on the ensuing integration process and the strategy development, implementation, and management.

The above does not fully apply to the foundry sub-sector. The clear tendency is that foundries are becoming integrated parts of customers, while mergers of more foundries are relatively rare. However, investments in EU based foundries by actors outside the EU are taking place, and some foundries cooperate in holdings to work more efficiently.

❖ **Increased upstream participation and integration**

Upstream participation and integration form valuable strategic possibilities for the European steel industry with a view to ensuring sustainable access to raw materials and energy, e.g., setting up production operations in countries close to natural resources and by acquiring iron ore mining capacities to obtain a in-house supply of iron-ore. Setting up own power plants is an option currently explored by Arcelor-Mittal. In 2005, the company already produced 1/3 of its own power needs.

❖ **Upstream process and raw material efficiency**

Upstream processing and optimisation of raw material utilisation is another way to strengthen the steel industry's raw material efficiency, thus dampening the consequences of supply-side sensitivity. Moreover, such improvements may lead to lower energy consumption and CO<sub>2</sub> emission (see further below).

❖ **Cleaner and safer technologies**

More efficient technologies constitute an important opportunity in terms of increasing energy efficiency and reducing emissions. Thus, technological innovation with a view to cleaner and safer technologies are important, partly required by legislation, but also having the potential of reducing costs and meeting the increasing demand for cleaner and safer technologies (also part of Corporate Social Responsibility/CSR). Most importantly, cleaner and safer technologies provide an important strategic opportunity in terms of proactively pursuing new business opportunities.

## CH:-10:- CONCLUSION & SUGGESTION

- ❖ The Arcelor Mittal Group was one of the world's leading steel producers for more than a century, before going into decline in the 1970s.
- ❖ It is expected that India would become the second biggest producer of steel within the year 2016 and the production per year would be 137 million tones.
- ❖ The Belgian ports play a major role in transporting the raw materials necessary for steel production and conveying the semi-finished and finished products in transit.
- ❖ Opportunities:

The biggest opportunity before Indian steel sector is that there is enormous scope for increasing consumption of steel in almost all sectors in India. The following graph gives a glimpse of untapped potential of increasing steel consumption in India even to reach the comparable developing and lately developed economies like China and other Europe a quantum jump in steel consumption will be required.

India has rich mineral resources. It has abundance of iron ore, coal and many other raw materials required for iron and steel making. It has the fourth largest iron ore reserves (10.3 billion tonnes) after Russia, and Australia. Therefore, many raw materials are available at comparatively lower costs. It has the third largest pool of technical manpower next to United States and the erstwhile USSR capable of understanding and assimilating new technologies.

- ❖ Unexplored Rural Market:

The Indian rural sector remains fairly unexposed to their multi-faceted use of steel. The rural market was identified as a potential area of significant steel consumption way back in the year 1976 itself. However forceful steps were not taken to penetrate this segment. The usage of steel in cost effective manner is possible in the area of housing, fencing, structures and other possible applications where steel can substitute other materials which not only could bring about advantages to users but is also desirable for conservation of forest resources.

❖ Export Market Penetration

It is estimated that world steel consumption will double in next 25 years. Quality improvement of Indian steel combined with its low cost advantages will definitely help in substantial gain in export market.

- ❖ The Indian Government's new Liberal economic policies have opened up opportunities for expansion of the Steel Industry. These measures have impacted the Indian steel sector to achieve a positive growth.
- ❖ The modified Export-Import Policy incorporated under the Foreign Trade Policy (FTP), the imports of primary forms, also the semi-finished products are unrestricted. Similarly, the exports are also allowed freely.

**ANALYSIS  
OF  
GEMS &  
JEWELLERY  
INDUSTRY**

## **CH.1:- INTRODUCTION OF DIAMONDS:**

Among all the major natural resources on earth, diamonds have often been considered the most mysterious. For centuries they have been prized for their extraordinary brilliance and hardness. Battles have been fought over diamonds, fortunes have been won and lost and lovers around the world have prized the stone as a token of their deepest affections.

### **What is a diamond? Super hard and luminescent**

For centuries diamonds have been associated with supernatural qualities, including the power to protect their wearer and confer good health. Some people swallowed diamonds in hopes of recovering from sickness. Ancient Hindus believed diamonds gave off silent vibrations that could heal the human brain and heart. Some believed diamonds could reconcile a quarreling husband and wife—hence the reference to the diamond as the “reconciliation stone.”

The word diamond comes from the Greek word adámas, meaning adamant or unbreakable, and indeed hardness is one of the qualities that has always made diamonds so valuable. Measured on the Moos hardness scale, diamonds score a 10, the highest possible rating. Diamonds are also extremely high in luminescence, the ability to catch the light and sparkle with different colors. Cut and polished to show off their brilliance, diamonds have a visual appeal like no other stone.

### ***Origins: deep within the earth***

Diamond crystals form deep within the mantle of the earth when carbon is exposed to extreme pressure and very high temperatures. Volcanic rock formations such as kimberlite or lamproite pipes serve as pathways that convey the fragments of rocks and crystals from the mantle to the surface. The diamonds, along with vast quantities of magma, are blasted upward in the course of violent eruptions.

Kimberlite pipes, the richest source of mined diamonds, are usually shaped like a carrot and can extend as deep as 1 to 2 kilometers underground. Lamproite pipes are shallower, up to 0.5 kilometer in depth, and typically have a broader, martini-glass shape.

Diamond-rich lamproite pipes are extremely rare. To date the only economically viable diamond-bearing lamproites have been discovered in Western Australia. Kimberlites are

more common and are found in southern Africa, Russia and Canada. Kimberlite and lamproite pipes are known as primary diamond sources.



Secondary diamond sources are deposits that have been removed from the primary source (a kimberlite or lamproite pipe) by natural erosion and eventually deposited in riverbeds, along shorelines, in glaciers and on the ocean floor. They are also known as alluvial deposits. Although alluvial deposits account for only 10-15 percent of the world's diamonds, they are generally higher-quality stones given that they retain more volume after polishing; they therefore command a higher price.

The location of the diamond deposits determines the mining method that producers use. Diamonds found deep in the earth are extracted through open-pit and underground methods. Alluvial mining methods are employed to extract diamonds from deposits of sand, gravel and clay. Diamonds located in the seabed are mined through marine mining techniques.

## ***Uses of diamonds: jewels and industrial tools***

Diamonds serve two main functions today: jewelry and industrial uses. Slightly more than 50 percent of the volume of diamonds extracted becomes gemstones for jewelry, yet they account for more than 95 percent of the total value.

Polished diamonds have always been considered among the world's most precious gemstones. They account for about 40 percent of all jewelry manufacturing; engagement rings are the largest category of diamond jewelry. Jewelers usually set the diamonds in precious metals such as gold or platinum to emphasize the sparkle of the stones.

Stones not suited for jewelry, called "bort," are used for industrial purposes. Key characteristics that make them valuable for industrial uses include the following:

**Hardness** As the hardest natural substance, diamonds can work with other materials without breaking.

**Thermal conductivity** Diamonds are among the best conductors of heat and have a melting point of 6,420 degrees Fahrenheit.

**Optical dispersion** Diamonds have great capacity to refract light, with a refraction index of 2.42; in comparison the refraction index of glass is 1.52.

Given their hardness and conductivity, diamonds suit a number of industries. They serve as drill bits for machinery and as abrasive slurries to cut and polish other materials.



They are also used in the production of microchips and computer processors, and they serve as components in lasers. Today more than 95 percent of industrial diamonds are synthetic—that is, they are mostly produced using high-pressure, high-temperature synthetic processes that mimic conditions deep within the earth's mantle.

## **CH.2:- STRUCTURE, FUNCTION AND BUSINESS ACTIVITIES OF GEMS AND JEWELLERY INDUSTRY**

### **Business activities**

#### **Upstream Business Activities**

Upstream business activities are the core business activities or based on activities which consist of exploration, and Exploration is an activity aimed at obtaining information on the condition geology to find and specified in the Work Area.

Exploitation is a series of activities aimed to produce final products from the specified Work Area, which consists of drilling and completion of wells, construction of transportation facilities, storage, and processing

**Mining:** The first stage in the value chain of the Gems and Jewellery Industry is mining, i.e. the extraction of gold/diamonds from their natural deposits. Diamonds are typically mined by pipe mining or by alluvial mining. Pipe mining refers to the extraction of diamonds from volcanic pipes, while alluvial mining involves the extraction of diamonds from riverbeds or ocean beaches. Gold mining consists of the processes and techniques employed in the removal of gold from the ground and there are several techniques by which gold may be extracted from the earth.

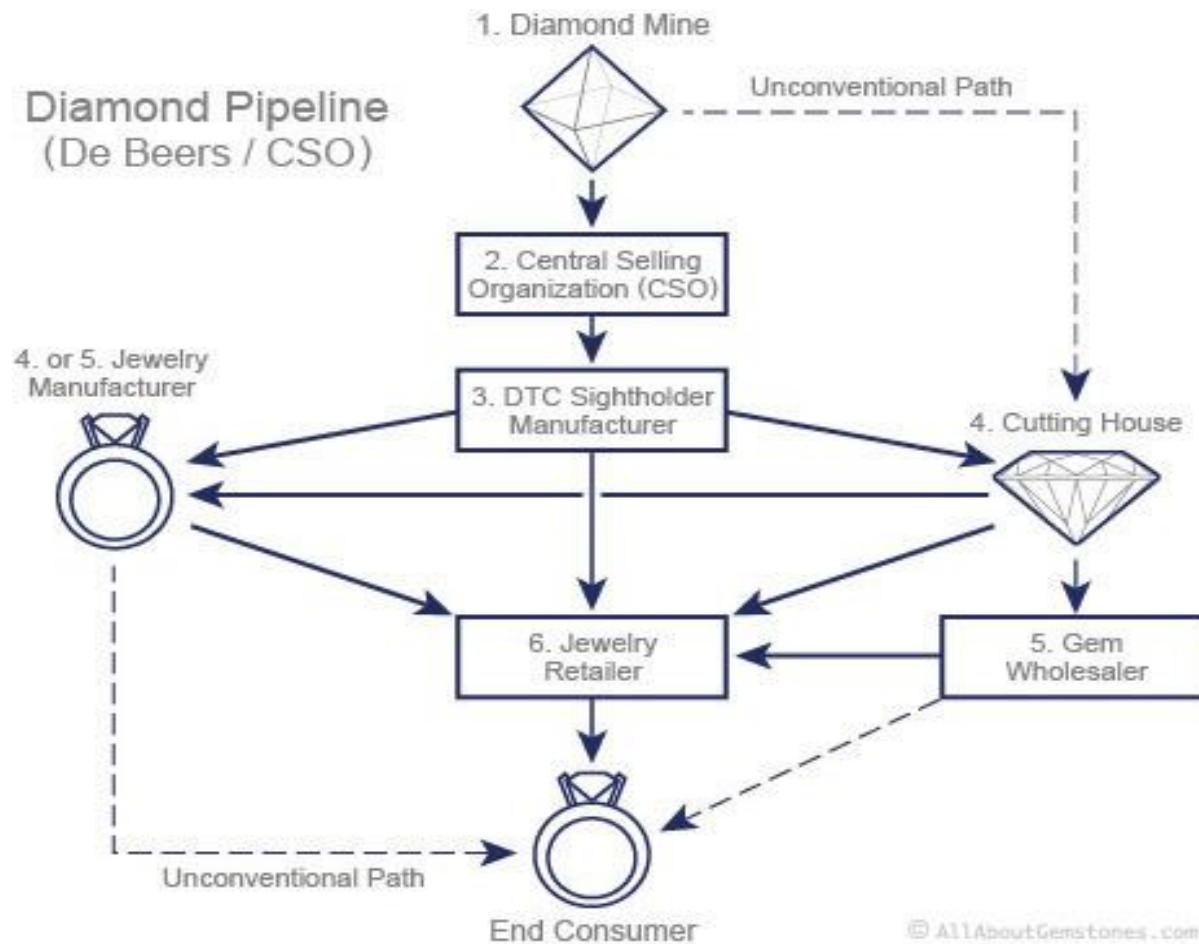
#### **Diamond/Gemstone Processing by De Beers:**

The 'Diamond Pipeline'

Rough diamonds are sent directly from De Beers mining operations in Africa, or secondary mining producers in Canada and Russia to De Beers' Diamond Trading Company (DTC) in London, Gaborone, Kimberley and Windhoek, for sorting and resale. The rough stones are separated into 16,000 categories based on size, color and quality, then divided by human or automated sorters into individual lots called "boxes." The DTC is part of the DeBeers Group supply-chain known as the Central Selling Organization (CSO), which combines ("aggregating") supplies of rough diamonds from multiple sources into one wholesale market.

De Beers Sightholders

The DTC holds a sale called a "site" or "sight" ten times per year in London and Johannesburg, where De Beers sells the "boxes" to its select group ("supplier of choice") of 125 "sightholders" or diamond manufacturers, cutters, and retailers . De Beers (DTC) sets the price of each box in advance, determining the quantity and quality that each site-holder will receive. A 'sight' can have a value of between \$500,000 to \$2,000,000 USD.



(Source: [http://www.allaboutgemstones.com/diamond\\_pipeline.html](http://www.allaboutgemstones.com/diamond_pipeline.html))

The sightholder then transports the box of rough diamonds back to diamantaire firms (cutting and polishing factories) located around the world. Many Sightholders are also cutters. Rough diamonds are cut in various geographic regions according to tradition and the skill-sets of the labor force. India cuts the vast majority of small stones (20 carats or less) in Mumbai (Bombay) and Surat, while large stones are primarily cut in Antwerp, Tel Aviv, Ramat Gan, and New York. Other major cutting centers are located in Johannesburg, China, and Thailand.

The diamonds are then re-sold from the cutting and polishing (manufacturing) centers to wholesalers (Diamond Bourses), or to jewelry manufacturers around the world. Both

traders and manufacturers may sell diamonds "upstream" and "downstream" through the diamond pipeline, to take advantage of market fluctuations. Once the diamonds are set into jewelry, they are sold to retailers or direct to the customer.

**1. Procurement:** This refers to the obtaining of rough diamonds by CPD manufacturers. India has traditionally been procuring and processing the small size diamonds (generally 0.5 to 25 points<sup>9</sup>), though this trend is now changing and large size factories have started procuring larger size diamonds.

## Processing

1. Planning of cut.
2. Cutting.
3. Polishing.
4. Grading.

A mined diamond stone first needs to be planned for cutting – i.e. it is carefully examined by the cutter and then marked for cutting.

**Assorting and Planning:** Assorting refers to the categorisation of rough diamonds into different types, while planning refers to determining how a diamond needs to be cut so as to get the maximum yield / maximum value from the rough diamond. Planning is one of the most critical aspects in the value chain of the CPD segment. Planning may be done manually or by using planning machines and software (with basic knowledge of computer operation) for example, the Sarin or Helium Technologies. Procured rough diamonds are mainly of two types –“make-able” diamonds (i.e. rough diamonds that can directly be polished) And rough diamonds that need to be first planned and cut before faceting / polishing.

**Cutting and Polishing:** Once planned, the diamond is cleaved/sawed, i.e. it is first cut into one or more pieces based on the plan. Cutting may be done by each company/cut diamonds may be procured from smaller companies that do only sawing work on job lot basis. Cutting may be done by laser machines or by blade sawing machines by placing the rough diamonds in ‘dops’ or cup-shaped holders. The use of laser machines has been on the rise.

**Grading:** A diamond's cost is based on the characteristics known as the "4 Cs", namely, Clarity, Colour, Cut and Carat. Grading refers to the determining the 'level' of each of these characteristics for a diamond – for example, How colourless is the diamond (Colour characteristic)? What is the level of inclusions in the diamond (Clarity

characteristic)? How good are the proportions and shape of the diamond (Cut characteristic)? How big is the diamond (Carat characteristic)?

**Colour:** Colour quality is critical because the more colourless the diamond, the greater its rarity and value.

**Clarity:** Clarity refers to whether or not inclusions can be seen within a diamond. The common scale used is based on 10-power magnification. The purer a diamond, the greater its value.

**Cut:** Cut refers to the shape of the diamond and the proportions of the stone. When a stone is well cut, light is reflected from facet to facet, then dispersed through the top. The better the cut, the greater the sparkle. Diamond cut is typically graded as: Ideal, Excellent, Very Good, Good, Fair and Poor

**Carat:** A “carat” is the gemologist’s standard measure of a diamond’s weight. It is important to note that size alone is meaningless unless cut, clarity and colour are considered.

- 2. Trading:** Trading refers to the process by which cut and polished diamonds are sold.
- 3. Design:** In this phase, designs are made either as per an order placed by a customer or based on trends seen in the market. Designs are made on paper or using CAD, which is the trend nowadays. Designs are then validated with the customer, samples are made, re-validated with the customer and the design is finalised.
- 4. Export / Retail:** Gold jewellery / stone studded jewellery is exported / retained for domestic use. India currently exports a small proportion of gold jewellery, and most of the jewellery produced is consumed in the domestic market.

## **CH.3:- COMPARATIVE POSITION OF GEMS & JEWELLERY WITH INDIA AND GUJARAT**

### **India's position in the global market**

The global market for gems and jewellery is estimated to be worth USD 85 billion with key markets such as South Africa, USA, Italy, Belgium and Israel having registered an average compounded annual growth rate (CAGR) of 5-10% in the last decade.

- World's largest hub for diamond processing
- Largest consumer of Gold in the world
- 2<sup>nd</sup> largest producer of gold jewellery in the world
- World's largest cutting and polishing industry
- The global market for gold is estimated to be 3,300tonnes
- India's exports in Gems &Jewellery was USD 20.89 billion in 2007-08
- The sector contributes 13.4% to India's total exports
- 11 out of 12 stones set in jewellery are cut and polished in India
- Diamonds processed in India account for 55% share in terms of value,
- 80% in terms of cartage and 90% in volume, of the total world market
- 94% of global workers involved in diamond industry are in India
- Gems and Jewellery is one of India 's leading foreign exchange earning sectors.
- It accounted for 16.7 per cent of India 's total Merchandise Exports.
- India Gems &Jewellery exports are expected to grow at a whopping 15 to 20 per cent in FY 2011-2012.

Total estimated jewellery sales In India is expected to reach USD 21billion by 2010 and USD 37 billion by 2015

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### **Indian Gems &Jewellery Industry Snapshot (2006-07)**

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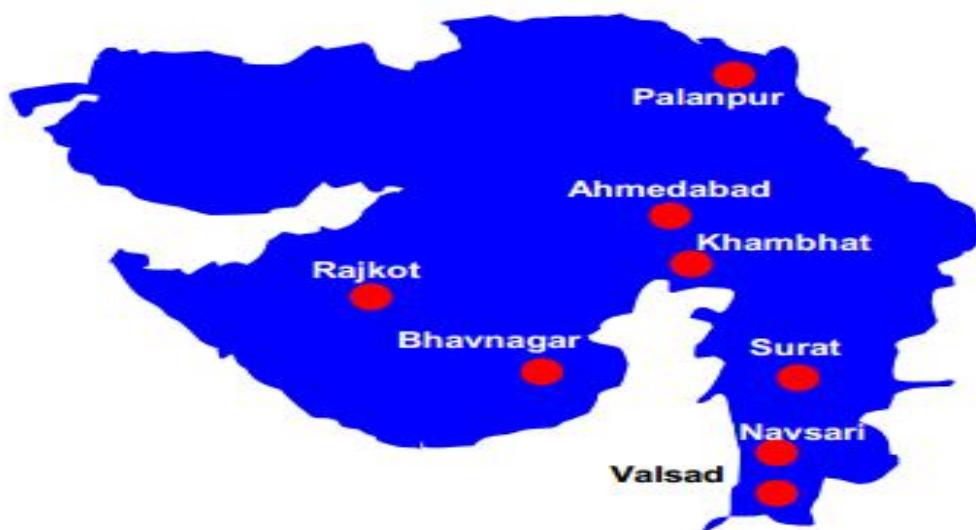
|                                      |          |
|--------------------------------------|----------|
| <b>billion Jewellery market size</b> | USD 13.5 |
| <b>billion Diamond Jewellery</b>     | USD 1.2  |
| <b>Gold Jewellery market growth</b>  | 15%      |

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**Gujarat: The Gems & Jewellery Hub of India**

Gujarat accounts for 72% of the world's share of processed diamonds and 80% of total diamonds processed in India. Almost 8 out of 10 diamonds in the world today are processed in Gujarat. Diamonds processed in Gujarat were estimated to be worth USD 9000 million (2004-05), constituting 80% of India's total diamond.

**Small Industry Cluster****Gems & Jewellery Clusters**

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**Region              Gems & Jewellery Clusters**

|           |   |
|-----------|---|
| Ahmedabad | Diamond processing, Gold & Silver Jewellery |
|-----------|---|

|       |                               |
|-------|-------------------------------|
| Surat | Diamond Processing, Jewellery |
|-------|-------------------------------|

|          |                    |
|----------|--------------------|
| Palanpur | Diamond Processing |
|----------|--------------------|

|           |                    |
|-----------|--------------------|
| Bhavnagar | Diamond Processing |
|-----------|--------------------|

|          |                    |
|----------|--------------------|
| Navasari | Diamond Processing |
|----------|--------------------|

|        |                         |
|--------|-------------------------|
| Rajkot | Gold & Silver Jewellery |
|--------|-------------------------|

## **Special Economic Zone– Gems & Jewellery SEZ**



Source: Industries Commissionerate / iNDEXTb, Government of Gujarat, 2007

| Developer   | Area (Hectares) | Status   | Connectivity   | Other Provisions available  |
|---|-----------------|----------|--|---|
| Gems & Jewellery SEZ<br>Gujarat Hira Bourse<br>Ichhapore, Surat | 74              | Upcoming | Nearest NH/SH: NH No. 6 (Extension) , SH ONGC – Magdalla<br>Nearest Rail Head – Surat (18 km), 8 km from Surat Airport | Training facilities for skilled manpower, Medical Facility, Recreational Facility, Health Club, Creche etc. |

(Source: Industries Commissionerate / iNDEXTb, Government of Gujarat, 2007, Indian Diamond Institute)

## **CH.4:- PRESENT POSITION AND TRADE OF BUSINESS I.E IMPORT AND EXPORT WITH INDIA**

The relationship of Belgium with India is much better for trading. Antwerp is the primary supplier of rough diamond to India's massive manufacturing centre. And as we all know that the city of Antwerp plays in the international diamond trade. As New York City is to the global financial markets, Antwerp is to the diamond industry with more than 500 years of history as a center for diamond cutting, polishing and trading;

Antwerp today remains the world's major global diamond hub. It is the key destination for the secondary, or open, rough-diamond market. Indeed, more than 80 percent of the world's rough-diamond volume is traded in Antwerp. Once diamonds are sorted in Antwerp, they are shipped for cutting and polishing to manufacturing facilities around the world. Many of them come back to Antwerp to be sold to jewelry manufacturers.

More than 50 percent of the world's polished diamonds are traded in Antwerp through three of the four diamond exchanges. In addition to gem-quality diamonds, Antwerp is also the center of a vibrant trade in industrial diamonds. About 40 percent of the world's natural industrial diamonds pass through the city within an area known as the Square Mile are four diamond bourses, five diamond banks and more than 1,850 companies that conduct diamond business and provide services to the industry, including rough-diamond

producers, rough-diamond dealers, manufacturers, polished-diamond dealers, insurance brokers, security firms and shipping and logistics companies.

Even the major players that are not based in Antwerp generally have representatives there Given the globalization of the economy and transformation of the diamond trade, Antwerp must constantly reinvent itself by offering new services and support infrastructure to ensure it stays at the heart of the business.

### **Import in India**

In all over the world out of the total annual \$14 billion rough diamond market, India imports (for re-export) about \$8 billion roughs every year, translating into about 130 million carats a year. It is about 70 percent supply of all diamonds worldwide.

As per GJEPC's calculation, India's rough diamond imports in 2009-10 (April-March) stood at \$9.03 billion, up from \$7.91 billion a year ago. India's 2009 net diamond account improved by 94 percent to negative \$83.6 million. India's diamond imports increased to 25 percent in 2009 from 20 percent in 2008 mainly because of cost-competitiveness in small and middle range jewellery.

India's diamond processing industry generates annual revenue of around Rs 60,000-70,000 crore, 80 percent of which comes from Surat-based units. Besides the UAE, the US and Europe, exporters are exploring new markets like China, Russia, Korea, Brazil and Malaysia.

### **Growth opportunity in Gujarat.**

In Gujarat even the growth of the diamond sector in growth form. In Gujarat there are many cities in which rough diamond had polished and exported. Surat is the heart of diamond industry.70 percent of the rough diamond had import, polished and exported all over the world. Surat diamond industry is looking up following increased demand from China and other nations. However Belgium's polished diamond exports fell 22 per cent to \$739.4 million in November 2009, the Antwerp World Diamond Centre (AWDC) said. By volume, polished exports declined 8 per cent to 583,332.61 carats as their average price fell 15 per cent from a year ago to \$1,267.50 per carat. The country's rough imports grew 43 per cent to \$731.7 million in November, while its rough exports rose 64 per cent to \$838.6 million. Net rough imports, the extent to which rough imports exceeded exports, fell to a deficit of \$107 million, compared with net imports of \$72,000 a year ago.

## Exports

During the Fiscal Year 2010-11, the total exports for gems and jewellery stood at US\$ 43139.24 million as compared to US\$ 29368.72 million during the fiscal year 2009-10. During the same period, the sector registered a growth of 46.89 per cent over the previous year.

### Composition of Exports

- Cut and polished diamonds: The export of cut and polished diamonds grew manifold in 2010-11 as compared to 2009-10. In 2010-11, the export of cut and polished diamonds was US\$ 28251.92 million as compared US\$ 18237.56 million, recording a growth of 54.91 per cent.
- Coloured Gemstones: Export of coloured gemstones was registered at US\$ 314.54 million in 2010-11 as compared to US\$ 286.78 million in 2009-10, showing a growth of 9.68 per cent.
- Gold Jewellery: Export of Gold jewellery also grew in 2010-11, registering US\$ 12885.59 million as compared to US\$ 9669.10 million in 2009-10. A growth of 33.27 per cent was recorded.

Summary of provisional figures of Export of gems & jewellery items during April-May 2012

| Items  | April-<br>May2012 | April-May<br>2012<br>(Same ports as<br>current year) | % Growth/decline over<br>US\$ in Million |
|--|-------------------|--|--|
|  | US\$<br>Million   |  |  |
| <b>Cut &amp; Pol Diamonds</b>  | 2595.88           | 4292.02  | -39.52                                   |
| <b>Gold Jewellery-D.T.A</b>  | 334.33            | 316.89   | 5.50                                     |
| <b>SEZ/EPZ (included<br/>Gold Jewellery &amp; Gold<br/>Medallions and coins)</b> | 2556.32           | 1957.23  | 30.61                                    |
| <b>Total</b>   | 2890.65           | 2274.12  | 27.11                                    |

|                                  |         |         |        |
|----------------------------------|---------|---------|--------|
| <b>Coloured Gemstones</b>        | 42.94   | 43.59   | -1.49  |
| <b>Silver Jewellery</b>          | 78.7    | 89.85   | -12.41 |
| <b>Others *</b>                  | 12.27   | 4.60    | 166.74 |
| <b>Net Exports</b>               | 5620.44 | 6704.18 | -16.17 |
| <b>Exports of Rough Diamonds</b> | 232.28  | 250.42  | -7.24  |
| <b>Others</b>                    | 7.23    | 16.91   | -      |
| <b>Total Exports</b>             | 5859.95 | 6971.51 | -15.94 |

(Source: *The Gem & Jewellery Export Promotion Council (GJEPC)*)

## CH.5 POLICIES AND NORMS OF BELGIUM COUNTRY FOR DIAMONDS, GEMS AND JEWELLERY INDUSTRY

Import-export duty is levied if the goods are exported into Belgium by countries except EU nations.

### Diamond office:

Diamond office was established with the view to regulate and fulfilling necessary formalities of imports and exports of the diamond and gems. This includes three departments import department, export department, and expertise department.

### Licensing:

License is required if the exports are from non-EU countries. Diamond Office also holds "general" licenses covering most exports. It can even happen that Belgium country itself has to apply for import licence.

### Kimberley certificate:

KP certificate is must for import and export of rough diamonds and gems. Trade can be between KP participants only. In EU 3 Authorities deals in the verification, they are Antwerp, London and Idar-overseen. In Belgium the FPS Economy affirms the import and issues the KP Certificates for export at Diamond Office. For export of rough diamonds, diamond trader has to provide "conclusive evidence" to prove that the rough diamonds he

possesses is lawfully abiding.

- **Belgium Export Import Policy of Diamonds, Gems and Jewellery**

The EU is considered as a single entity without internal trade barriers. EU member states may also impose restrictions of trade with third country as per their international laws.

## **1. Between Belgium and Countries Outside European Union**

Below you find an overview of the restrictions and formalities under Belgian and EU law depending on the country of origin or provenance and the country of destination.

The formalities and requirements set out below apply regardless of whether the traded diamonds are to be incorporated in jewellery or used for industrial purposes.

### **1.2 Obligations under Belgian law**

#### **2.1 Registration**

Diamond traders are trading diamonds in Belgium with the following HS Codes which is needed to register at Licence Service of the Federal Public Service Economy. HS Codes: Is the harmonized commodity description and coding system of internationally standardized system of name and number for trade product.

#### **2.2 Import and export formalities.**

Prior to export of import of diamonds the dealers need to clarify the weight, the value, and classification and documentation origin of the diamonds to the diamond office where physical checking will be done.

#### **2.3 Annual Declaration of stocks and activities.**

Traders need to file with the FPS economy the annual stock, trading done, the value and imports and exports done throughout the year.

#### **2.4 Obligations under EU law: restrictive measures.**

Restrictive measures may comprise arms embargoes other specific or general trade restrictions financial restrictions (freezing of funds or economic resources and economic resources available), restrictions of admission (visa or travel bans), or other measures. Restrictive measures may target governments of third countries and non-state entities such as companies and individuals.

- **Policies & Norms import and/or export diamonds (gems) in Belgium:**

## **1 Upon registration as a self-employed person:**

1. A copy of the identity card;
2. Proof of the company registration number given by the Crossroads Bank for Companies;
3. The profession card, given by the FPS Economy, if the self-employed person is a foreign national.

## **2 Upon the registration of a company:**

1. A copy of the identity card of all business managers;
2. Proof of the company registration number issued by the Crossroads Bank for Companies; registration will not be allowed if the company has not been registered with the Crossroads Bank beforehand;
3. A copy of the notarial instrument of establishment and/or extract from the Belgian Official Gazette;
4. the FPS economy issues the profession card if the business manager is a foreign citizen
5. If the company exercises the business manager, member of the management committee at another company or mandate of director, the permanent representative must present a copy of his identity card and appointment;
6. If none of the business managers of the Belgian company is in possession of a permanent place of living in Belgium, they accord powers to an authorized person residing in Belgium and representing the business manager. The business manager must present a copy of his identity card and appointment, duly signed by both parties.

## **Customs Duties and VAT**

**Export:** In Belgium the export of diamonds (Gems) is exempt from taxes: no duties or VAT have to be paid.

**Import:** From January 1st 1999, all categories of diamonds (Gems) in Belgium are exempt from import duties. The importer must pay **21% V.A.T.**, calculated on the amount showed on the invoice (freight and insurance included) converted into EURO's. Belgium has a system of VAT exemption for local markets and imports if the dealer abide with

Article 42, & 4 of the VAT legislation. He or she has to sign a declaration stating his intention of availing VAT exemption. The importers do not have to pay the VAT amount at the precise time of import. The Diamond office will credit the amount to customs and will send an invoice to the diamond dealer at the end of the month concerning the imports of European Union -goods, Diamond Office does not intervene: the importer himself will inform the Value added tax.-administration by means of his book keeping.

## **CH.6:- POLICY AND NORMS OF INDIA FOR IMPORT/EXPORT FOR THE GEMS AND JEWELLERY**

- Policies for the Import of Gold / Platinum / Silver by Nominated Banks / Agencies**

### **A. Import on consignment basis**

Gold, platinum, silver may be imported by the nominated agencies/banks on consignment basis where the ownership will remain with the supplier and the importer (consignee) will be acting as an agent of the supplier (consignor).

### **B. Import on unfixed price basis**

The nominated agency/bank may import gold, platinum, silver on outright purchase basis subject to the condition that although ownership shall be passed on to the importer at the time of imports itself, the price of gold shall be fixed later, as and when the importer sells the gold to the users.

#### **A. Direct Import of Gold**

AD Category bank can open Letters of Credit and allow remittances on behalf of EOU's, units in SEZs in the Gem & Jewellery sector and the nominated agencies / banks, for direct import of gold, subject to the following-

1. The import of gold should be strictly in accordance with the Foreign Trade Policy.
2. Suppliers and Buyers Credit, including the usance period of LCs opened for direct import of gold, should not exceed 90 days.
3. Banker's prudence should be strictly exercised for all transactions pertaining to import of gold. Any large or abnormal increase in the volume of business of the importer should be closely examined to ensure that the transactions are bonafide trade transactions.
4. The financial standing, line of business and the net worth of the importer customer should be commensurate with the volume of business turnover. Apart from the above, in case of such transactions banks should also make discreet enquiries from other banks to assess the actual position. Further, in order to establish audit trail of import/export transactions, all documents pertaining to such transactions must be preserved for at least five years.
5. AD Category bank should follow up submission of the Bill of Entry by the importers as stipulated.

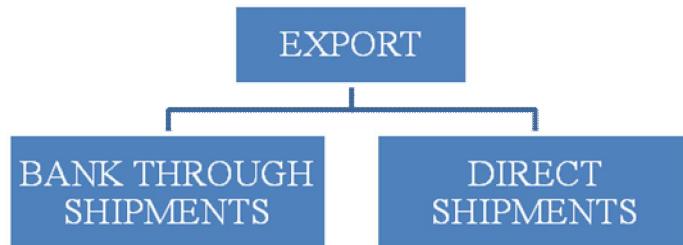
A Statement on half yearly basis (end March / end September) showing the quantity and value of gold imported by the nominated banks/ agencies in Gem & Jewellery sector.

Both the statements shall be submitted, even if there is 'Nil' position and they should reach the aforesaid office of RBI by the 10th of the following month / half year to which it relates.

## **EXPORTS POLICIES**

**(A) General policies-** The Reserve Bank of India, as per their authorized dealer (banks) circular No. 1 dated 12.02.1994 had liberalised the procedures for the exports of Gem and Jewellery. Hence, even in the absence of letters of credit or advance remittances, prior permission from the Reserve Bank of India for exports, is not required

The exports are done in the following two ways.



### **1) Bank through shipments:**

In this case the documents are addressed to the consignee's bankers for the account of the importer. The consignee gets the delivery of the goods only against payment, if the documents are sent on COD basis or against acceptance of shipping documents by signing the original Bill of Exchange if they are shipped on Usance basis, as per the terms of the contract

### **2) Direct shipments:**

In this case, the documents are addressed in the name of the consignees, who have an excellent track record regarding payments, long standing business relations etc., with the exporters. The advantages of shipping the goods directly to the consignees are:

Speedy delivery of the export parcels to the clients, since the importers need not wait for the full set of bank documents to be received through their bankers.

### **(B) Export of Rough Diamonds.**

The export of rough diamonds is permissible of the imports made against the relevant Bill of Entry for the replenishment benefit which is affected on or after 13-4-1998. The exporter shall furnish Bill of Entry in his own name, for the import of rough diamonds. This means that if the rough diamonds exported are bought in the local market or if they are taken against a transfer licence,

### **(C) Export of Cut and Polished Diamonds**

For the export of cut and polished diamonds, the following documents are required. A set of 21 (twenty one) copies of export invoice, for the following reasons.

(A). In the case of exports through airfreight, 5 (five) copies of invoices for the customs, out of which two will be attested by them after due verification of the goods. Three will be attached with the shipping bills. In the case of exports by air mail post parcel 4 (four) copies of invoice have to be prepared for the customs. 3 (three) will be attested and given back by the customs, situated in the Foreign post office and one will be kept by them, for their records.

(B). 1 (one) copy of the invoice as packing slip for keeping in the export parcel. This will enable the customs in the client's country to verify the contents with the invoice immediately.

(C). 1 (one) copy of the invoice is to be enclosed with the airway bill. This will enable speedy delivery of the parcel,. Otherwise, the importer has to wait for the full set of documents to be received by his bankers, which may take a longer period. This is more helpful, in the cases of direct shipments.

(D) 5 (five) copies of invoices to be given to the consolidators/couriers of the parcels. One will be kept with them for their record, Two copies of the invoice to the importers. He will submit one copy to the customs at the destination and the last copy will be retained by him for record purpose.

(E) 1 (one) copy of the invoice for the exporter's file.

(F). 2 (two) copies of the invoice for mailing to the clients, with a covering letter, mentioning the details of the exports, including the terms and mode of payment to be effected by them.

#### **(d) Export of Cut and Polished Diamonds For Certification**

With a view to facilitate certification/grading by international laboratories/agencies of cut and polished diamonds weighing 0.50 carats and above, the exporters have been permitted as per Para 8.13 (b) of the Exim Policy to export and return of such diamonds for certification purposes.

#### **Licencing policies**

##### **(A) Import Licenses**

Except for goods included in the negative list which require licence under the Foreign Trade Policy in force, AD Category - I banks may freely open letters of credit and allow remittances for import

**(B) Diamond Imprest licences for the Import of Rough Diamonds.**

The Diamond Imprest licences are advance licences issued to facilitate the regular diamond exporters to import sufficient rough diamonds so that their production cycle does not get hampered.

**(c) Bulk Licence for Rough Diamonds**

These are licences issued for the import of rough diamonds for certain categories of importers from any sources. The supply/export of rough diamonds shall be completed within 12 (Twelve) months from the date of issue of the licence or within a period of three months from the date of import, whichever is later.

- The bulk licence will be issued based on the following criteria-
  - For an exporter, the value of the bulk licence shall not exceed 50% of the annual average value of export of cut and polished diamonds made by the applicant during the preceding three licensing years.
  - For any overseas company with its branch in India, the entitlement shall not exceed 50% of annual average turnover of the preceding three licensing years.
  - The validity of the bulk licence is for a period of 12 months from the month of issue.

**(d) Further licence**

The bulk licence holder can apply for subsequent licence even before the expiry of the previous bulk licence provided he submits the proof to the licensing authority of it.

## **CH.7:- PRESENT TRADE BARRIES FOR IMPORT/EXPORT OF GEMS & JEWELLERY INDUSTRY**

### **Foreign Trade Policy**

In India, the main legislation concerning foreign trade is the Foreign Trade (Development and Regulation) Act, 1992. The Act provides for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from, India and for matters connected therewith or incidental thereto. As per the provisions of the Act, the Government :-

- (i) may make provisions for facilitating and controlling foreign trade;
- (ii) may prohibit, restrict and regulate exports and imports, in all or specified cases as well as subject them to exemptions;
- (iii) is authorised to formulate and announce an export and import policy and also amend the same from time to time, by notification in the Official Gazette;
- (iv) is also authorised to appoint a 'Director General of Foreign Trade' for the purpose of the Act, including formulation and implementation of the export-import policy.

**The key strategies for achieving its objectives include:-**

- Unshackling of controls and creating an atmosphere of trust and transparency;
- Simplifying procedures and bringing down transaction costs;
- Neutralizing incidence of all levies on inputs used in export products;
- Facilitating development of India as a global hub for manufacturing, trading and services;
- Avoiding inverted duty structure and ensuring that domestic sectors are not disadvantaged in trade agreements;
- Upgrading the infrastructure network related to the entire foreign trade chain to international standards;
- Revitalizing the Board of Trade by redefining its role and inducting into it experts on trade policy; and
- Activating Indian Embassies as key players in the export strategy.

The FTP has identified certain thrust sectors having prospects for export expansion and potential for employment generation. These thrust sectors include: (i) Agriculture; (ii) Handlooms & Handicrafts; (iii) Gems & Jewellery; and (iv) Leather & Footwear. Accordingly, specific policy initiative for these sectors has been announced.

**For the gems and jewellery sector:-**

- Permission for duty free import of consumables for metals other than gold and platinum up to 2 per cent of Free On Board (f.o.b) value of exports;
- Duty free re-import entitlement for rejected jewellery allowed up to 2 per cent of f.o.b value of exports;
- Increase in duty free import of commercial samples of jewellery to Rs. 1 lakh; and Permission to import of gold of 18 carat and above under the replenishment scheme.

**Gem and Jewellery Export Promotion Council (GJEPC)**

The Gem and Jewellery Export Promotion Council is a representative body of trade. The following initiatives have been taken by the council in order to enhance competitiveness such as:

- Preparation of a medium term exports strategy for various sectors including gems and jewellery by the Ministry of Commerce.
- Exploring the possibility of direct procurement of rough diamonds from mining countries.
- Promotion of Indian diamonds and jewellery abroad through advertisements, publicity and participation in international fairs, buyer-seller meets and direct approach to market retailers.
- Market study through experts in the field to identify new markets.

Promotion of export of 'hallmark' jewellery from India to assure foreign customers of quality and purity of jewellery made in India.

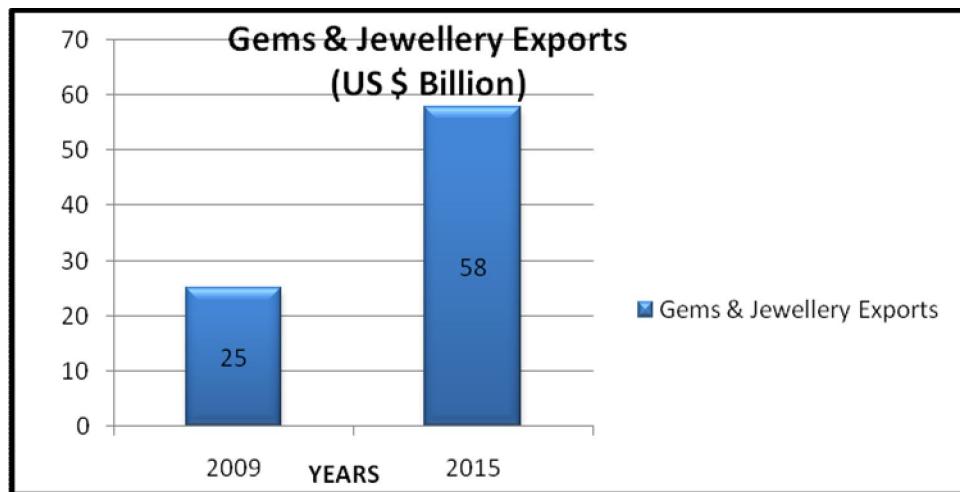
## **CH.8:- POTENTIAL FOR IMPORT-EXPORT IN INDIA/GUJARAT MARKET**

Traditionally the focus of the gems and jewellery manufacturers has been on the large global markets. Indeed for years, these international markets have given large and growing business to Indian exporters and have contributed in creation of significant jobs in the country. The Indian players, duly supported by the Government of India are placed highly competitively in the market.

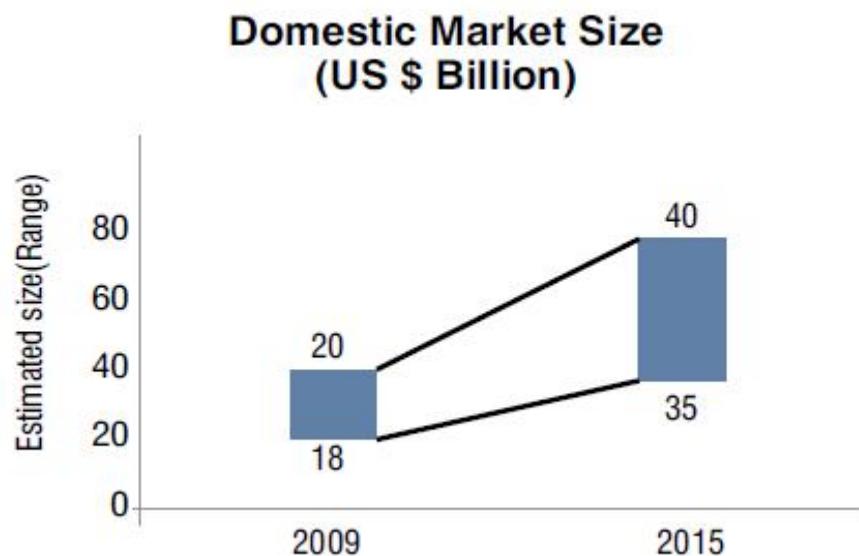
During the last few years, the Indian domestic market has shown very promising signs, evident from the stupendous growth and increase in penetration of the brands and organized retail across the categories namely FMCG, Durables, Apparels, and Home Improvement etc.

### **MARKET STRUCTURE AND POTENTIAL**

Gems & Jewellery exports are the back-bone of the sector and also of our overall exports. The current slowdown had hit the sector badly and in 2008 some months showed negative growth.



However the sector is expected to grow at a CAGR of 15% to reach a size of US \$ 58 billion by 2015 from the current US \$ 25 billion. The government has taken significant steps for the Gems & Jewellery exports in terms of duties and taxes, infrastructure (SEZ, EPZ's etc) and policy (EXIM Policy for 2002-07) but this is not the time to get complacent for the government or the industry as the recent global economic crisis has shown. We need to keep working at making the sector more resilient and competitive especially in the wake of rising competition from countries such as China.



The domestic market of gems and jewellery is estimated to be in the US \$ 18-20 billion range and is expected to grow by about 13% per annum to reach US \$ 35-40 billion by 2015. Given the fragmented nature of the business it is very difficult to estimate the exact range. With per capita consumption almost 1/10<sup>th</sup> that of any matured market India presents a very large potential market. If some of the recommendations suggested by us in this report are acted upon appropriately, the industry market size could potentially reach to US\$27- 35 billion. More importantly there is a significant opportunity to create additional value through higher margins possible through differentiation and branding.

Currently however the market is fragmented across the value chain. There are more than 300,000 Gems & Jewellery players are there in the country. Modern retail players have only 4%-6% share, which is perhaps one of the lowest when compared to Apparel (20%), Footwear (35%), Books and Music (11%) and CDIT (7%). The industry has also lagged behind relatively to attract the capital; professionals and process/technology know-how to scale up the operations and take the industry into a different orbit. The good part is that India is now beginning to move towards branded jewellery and the consumers have accepted the modern retail formats.

## **CH.9:- BUSINESS OPPORTUNITY IN FUTURE**

Indian hand-made jewellery has a large ethnic demand in various countries with sizeable Indian immigrant population such as the Middle East, South-East Asian countries, USA, Canada, Belgium and so on.

In jewellery, exports are only 1-2% of the total world market; hence there is good scope for jewellery exports. Evidently, the exports have increased to US \$ 1,087 million in 1999 - 2000, registering a growth of 24% over the previous year. For ensuring the growth, Indian industry will have to gear up for developing quality that suits the western states in design, polish and finish of the jewellery.

### **India opportunities**

The future growth of Indian jewelry industry lies in finding new markets and in adding value. Worldwide, jewelry is a big business, which is extremely lucrative as margins are high compared to diamonds, as branding can demand high premiums.

India was a late entrant to the global jewelry market and its industry took off after establishment of the export processing zones in 1990, especially the special economic zone in Mumbai that accounts for 40 % of India's exports

Opportunities for Gujarat therefore, include:

- Manufacturing and marketing gold jewellery and diamond studded Jewellery
- Manufacturing and marketing of branded jewellery through franchisee outlets
- Setting up a training institute for Jewellery manufacturing.

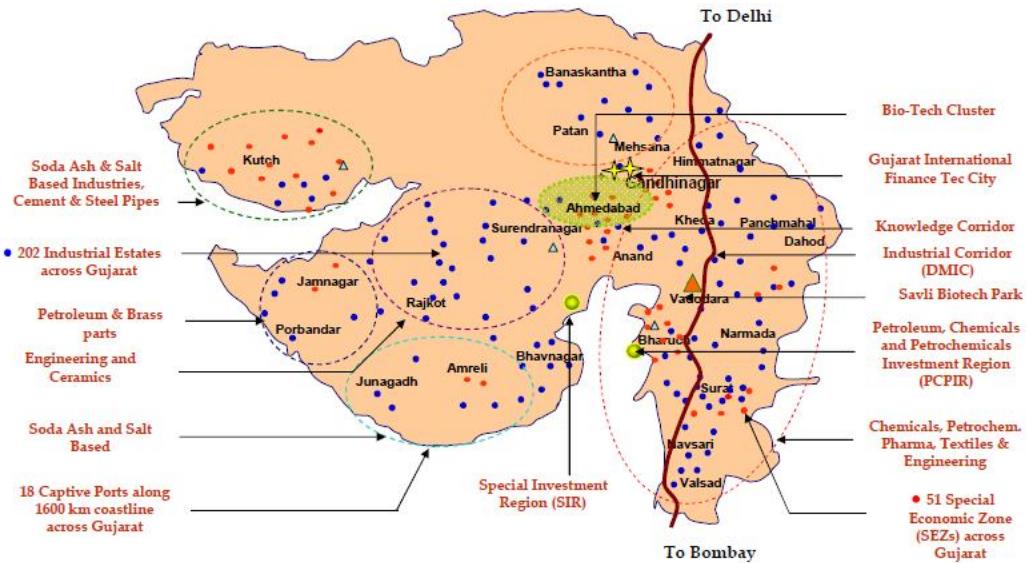
### **Gujarat Economic Snapshot**

|                                     |                         |
|-------------------------------------|-------------------------|
| <b>Gross State Domestic Product</b> | <b>USD 45.3 Billion</b> |
| <b>Industrial Growth Rate</b>       | 12.9% (2008 – 2012)     |
| <b>Exports</b>                      | 19.2 % of India         |
| <b>Inflation</b>                    | 10.3% apox              |
| <b>Per Capita Income</b>            | USD 722                 |
| <b>Urbanization</b>                 | 37.36%                  |

Gujarat has exhibited a 12.9% high industrial growth rate from 2008 to 2012. In India's 11<sup>th</sup> Five Year Plan and has achieved a GDP growth of 10.2% as per the set target, which was the highest amongst all States in India.

### **Gujarat in diamonds industry**

Investment in Gujarat; a world class Business destination



Gujarat accounts for almost 80 % of the diamonds processed in India. Of this, 90 % are processed by about 10,000 diamond units located in and around Surat alone. Rest of the diamond units are located in Ahmedabad, Palanpur, Bhavnagar, Valsad and Navsari.

The advantages of investing in diamond processing in Gujarat are:

1. Low cost, economic and skilled labor
2. Availability of large number of skilled labor
3. Easy availability of institutional and Bank finance
4. Relaxed government rules and regulations
5. Other competitive world centers like Hongkong, Thailand, Taiwan, Korea, U.S.A., Italy, etc. are becoming costlier with decreasing availability of skilled labor.

## CH.10:- CONCLUSION, SUGGESTION

In the gems and Jewellery industry in India and Belgium, what I have observed is in the form of certain initiatives by the entrepreneurs in various domains of operations to strengthen their competitiveness in domestic as well as the global market. India is largest consumer of gold – jewellery and 2<sup>nd</sup> largest producer of gold – jewellery in the world. India's gems and jewellery export are expected to growth at 15-20 % in coming year. Import and exports regulations are friendly for registered diamond dealers and foreign countries. KP certificate is considered must if you want to have trade in rough diamonds and gems with Belgium (and all EU countries).

Previously, trade policy was based on the objectives of self-reliance and self-sufficiency. Now a day it's driven by factors like export led growth, improving efficiency and competitiveness of the Indian industries. Duty free import of consumables for metals other than gold and platinum up to 2% of Free On Board (F.O.B) value of exports and re-import entitlement for rejected jewellery as well. There is increase in duty free import of commercial samples of jewellery to Rs. 1 lakh. 18 carat and above import gold is permitted. Personal carriage of gold up to 10 kg is allowed.

The importance and attraction of the Industry can be judged by the fact that over 1 million people are employed in the industry and it is still growing at the rate of approximately 15 % every year. The biggest advantage that Indian Jewellery has is its low cost. Exports are only 1-2% of the total world market; hence there is good scope for jewellery exports. Gujarat accounts for almost 80 % of the diamonds processed in India.

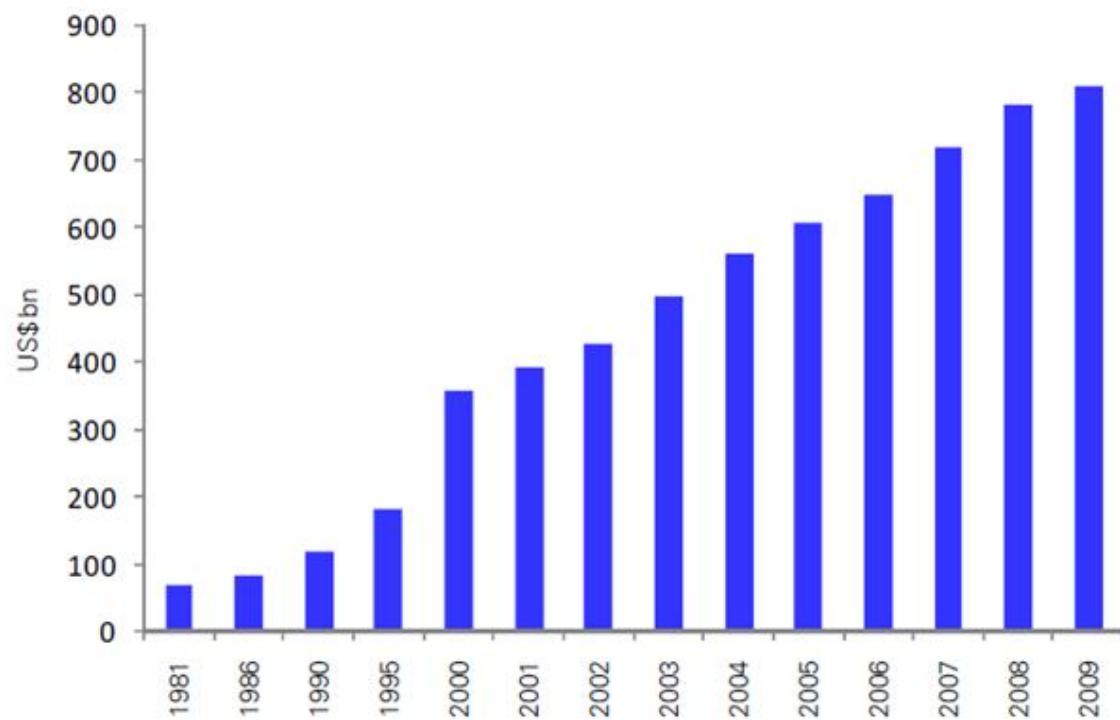
# **ANALYSIS OF PHARMACEUTICAL INDUSTRY**

## CH.1:- OVERVIEW, BUSINESS ACTIVITIES AND STRUCTURE OF THE PHARMACEUTICAL SECTOR

The Pharmaceutical Value Chain is separated into two specific phases: Research & Development and

Supply Chain, with each phase consisting of four sub-activities:

| Pharmaceutical supply chain |                     |                 |                   |                    |           |              |       |
|-----------------------------|---------------------|-----------------|-------------------|--------------------|-----------|--------------|-------|
| Drug Discovery & screening  | Pre-Clinical Trials | Clinical Trials | New Drug Approval | Manufacturing      | Marketing | Distribution | Sales |
| R & D Phase                 |                     |                 |                   | Supply chain Phase |           |              |       |
|                             |                     |                 |                   |                    |           |              |       |



According to Deutsche Bank, the globalmarket for pharmaceutical products is ~\$800mm. The industry has recorded 10% of annual sales growth in the last 30 years, and underlying volume growth has remained strong .

### Mix of pharma business activities: scale & scope

- Large Scale

Pfizer Manufacturing N.V.:

1. 2nd largest production site of Pfizer worldwide (Pfizer'sbiggest site in Europe)

2. 200 million units of sterile therapeutics, are produced and packaged ever year
3. Over 1,400 workforce in Puurs, Flanders
4. Production distributed to 170 countries worldwide

➤ **Start-Up**

Movetis:

1. Movetis was founded in November 2006 as a spin-off from Johnson & Johnson
2. Movetis NV focuses on the finding, improvement, and commercialization of drugs for the treatment of diseases in the gastrointestinal (GI) area
3. Went public in 2009 with an IPO of €98mm on revenues of €1.2mm
4. Moventis has 35 employees and its headquarter in Turnhout, Belgium

➤ **Production**

Federa S.A

1. Independent contract manufacturer that covers pre-formulation to commercial manufacturing
  2. Specialized in manufacturing, filling and packaging of injectables in syringes, ampoules
- Operates as a subsidiary of Catalent Pharma Solutions which is headquartered in Somerset, NJ.



**1)Pfizer Leadership and Structure**

Pfizer's Executive Leadership Team is the company's senior-most leadership and decision-making management body. It brings jointly our top leaders to spotlight on major financial, strategic and equipped decisions for the company.

Universal Research and Development at Pfizer combines research and technology units that have deep disease area expertise and cutting-edge science and platforms with an efficient R&D operating model, to discover and develop innovative therapeutic programs in small molecules and biotherapeutics, including vaccines.

We manage our operations through five operating segments - Primary Care; Specialty Care and Oncology; Established Products and Emerging Markets; Animal Health; and customer Healthcare. Each of these segments is led by an executive with clear accountability for results - from product development following proof of concept to providing access to patients and through to the end of the product's life cycle. These

segments are provided with the assets to pursue attractive growth opportunities and to deliver benefits to all who rely on us around the world

### **Biopharmaceutical R&D Organization**

. We continue to build the world's premier biopharmaceutical R&D organization. Our aspirations are to carry unmatched innovation, the best inside and outside science, and business leading productivity within a lively, diverse culture.

Pfizer now has broader and deeper syndrome area knowledge in our Research Units, increased modality and technology capabilities in our Biotechnology Units, and an approach that harnesses our strengths to find the newest, most innovative and valuable medical solutions.



**JUBILANT  
ORGANOSYS  
LIMITED**

### **Company Background**

- Jubilant Organosys Ltd., headquartered at Noida, near New Delhi in India, was set up as Vam Organic Chemicals Ltd. in 1978. Jubilant Organosys is a part of the group, Jubilant Corporation, which operates in four business areas – life science products and specialty chemicals, oil and gas (exploration and production), food, and services. As the company made its transition from a bulk and specialty chemicals company to an integrated pharmaceutical company, it changed its corporate identity by renaming itself as Jubilant Organosys in 2001, to reflect the company's changed business profile.
- Jubilant Organosys is one of India's largest Custom Research and Manufacturing Services (CRAMS) companies. The company is a drug discovery and development services provider along with being a leading active pharmaceutical ingredients (API) company in India. It operates in three business lines – pharmaceuticals and life science products, Industrial products, and recital polymers.

- The company's product offerings include APIs, such as 'carbamazepine', 'oxcarbazepine' and 'citalopram', 'pyridine' and its derivatives, a range of fine chemicals, dosage forms, solid polyvinyl acetate, vinyl pyridine latex, binders and organic intermediates such as ethyl acetate and acetic anhydride which are mainly marketed in the US and European markets.
- Jubilant Organosys has its manufacturing locations in India and the USA. The company sells its products in both regulated and unregulated manufacturing facility approved by the US FDA for dosage forms in Maryland, USA and APIs in Nanjangud near Mysore. The company operates in India through its three subsidiaries – Jubilant Biosys Ltd. (for bio/chemo informatics databases and drug discovery services), Jubilant Chemsys Ltd.(for medicinal chemistry services) and Clinsys India Ltd. (for clinical research).The company also has its subsidiaries in the USA (Jubilant Pharmaceuticals, Inc., Clinsys, Inc.), Belgium (PSI, PSI N.V.) and China.

## **CH.3:- COMPARATIVE POSITION OF PHARMA INDUSTRY OF BELGIUM WITH INDIA**

### **Pharmaceutical industry today in India:**

The number of just Indian pharma companies is quite low. Indian pharma industry is mostly function as well as controlled by leading foreign companies having subsidiary in India due to ease of use of cheap labour in India at lowest cost. In 2002, over 20,000 registered drug manufacturer in India sold \$9 billion worth of formulations and bulk drugs. 85% of these formulations were sold in India while over 60% of the bulk drugs were exported, mostly to the United States and Russia. Most of the players in the market are small-to-medium enterprises; 250 of the major companies control 70% of the Indian market.

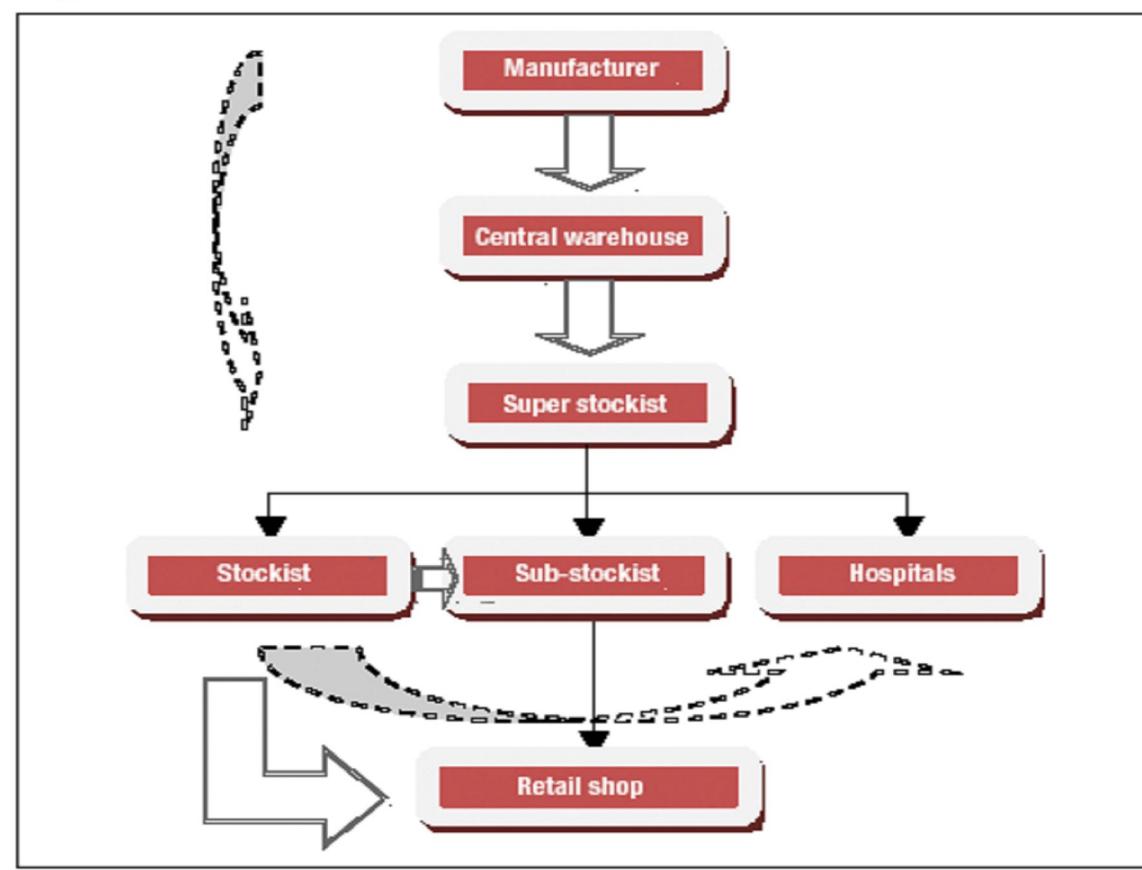
Most pharma companies working in India, even the multinational, employ Indians approximately wholly from the lowest ranks to high level management. Mirror the social structure, firms are very hierarchical. Home-based pharmaceuticals, like many other businesses in India, are often a mix of public and private enterprise. Although many of these companies are publicly own, leadership passes from father to son and the founding family holds a most excellent part share.

### **Indian Players dominate the domestic market**

Indian companies dominate the domestic market, while MNCs have significant presence, with GSK leading the domestic sales tally. 8 out of the top 10 pharma companies are domestic players. Presently, multinational pharma companies have a share of around 20-22 per cent in the domestic pharma market. GSK was the market leader in 2006 with a share of around 6.45 per cent of the total retail sales, followed by Ranbaxy which is India's number one pharmaceutical company. Pfizer one of the pharma based company which exist in both India & Belgium.

## **Chart showing Current distribution chain in INDIA:**

**Figure 1.** Current distribution chain in India



## **Problems afflicting Pharmaceutical Industry :**

The pleasure of imitation drugs toward the inside the market is larger than ever before and so is the hazard of pilferage.

- Clinical effectiveness of medical reps is a challenge and so are qualified professionals.
- Domestic market – price controls on several drugs, drug prices in India are already amongst the lowest in the world.

- Continuous rise in R&D expenditure puts pressure on the industry to increase productivity.
- Dominating generic drugs: Indian companies are more focused on generics whereas branded drugs market is yet to be fully captured
- Strong pricing competition among local manufacturers has led to low margins .

#### **CH.4:- PRESENT POSITION AND TREND OF BUSINESS (IMPORT / EXPORT) WITH INDIA / GUJARAT DURING LAST 3 TO 5 YEARS.**

The analysis of the supply of pharmaceuticals revealed that although the industry is characterised by considerable entry barriers, it is only moderately concentrated. The supply of pharmaceuticals has features of monopolistic competition, where every supplier holds monopoly power within a niche market. As such, the mode of competition focuses strongly on R&D activities because the invention of a new medicine allows a company to enter new markets or prevents entry in markets that it is itself already active in.

R&D is costly but if successful, it pays off. The market for pharmaceutical products is worldwide and the majority (western) countries use a large split of their profits on health (around 6 to 10%). The national budgets that are spent on pharmaceuticals range from around 1% to 2% of GDP. On average, European countries spend around 1.5% of their income on pharmaceuticals. Given these basic characteristics of demand and supply, how does the EU pharmaceutical industry perform? From a point of view of competitiveness, this question should be address from dissimilar perspective.

The sector is even more important in terms of R&D and innovation and thus, in terms of its potential contribution to meeting the ambitions of the Lisbon Agenda. The sector accounts for a large share of total high-tech R&D expenditure (33% in 2003)<sup>125</sup> and is also among the best rising sectors in terms of real business R&D expenditure. Data for the 1995-2008 period show that R&D intensity (as measures by the share of R&D in value added) has increased considerably during this period. Whilst the US is still the most important market in terms of the total value of pharmaceutical sales, the value of EU pharmaceutical production surpasses that of the US. This is reflected in the EU's strong position in international trade of pharmaceuticals. EU exports are the largest of the world, and the EU accounts for a major share of imports in many countries. EU as whole has a large and growing trade surplus in pharmaceuticals reaching some €32 billion in 2007.

This is especially due to exports from Germany, UK, France, Ireland and Belgium. Although the overall performance of the EU pharmaceutical sector appears to be good some indicators point to potential weakness. For example, the US has a better performance with respect to pharmaceutical innovation, and also seems to have a higher productivity rate. In terms of profitability, EU companies are at a similar level vis-à-vis US companies.

### **Top 10 Sectors Attracting Highest FDI Equity Inflows for the year 2012-13 (April-December)**

| Ranks | Country  | %age to total<br>Inflows<br>(in terms of US\$) |
|-------|--|--|
| 1     | Services Sector (Financial & Non-Financial)                                  | 19%  |
| 2     | Construction Development: Townships, Housing, Built-Up Infrastructure #      | 12%  |
| 3     | Telecommunications (Radio Paging, Cellular Mobile, Basic Telephone Services) | 7%   |
| 4     | Computer Software & Hardware   | 6%   |
| 5     | Drugs & Pharmaceuticals  | 5%   |
| 6     | Chemicals (other than fertilizers)   | 5%   |
| 7     | Power  | 4%   |
| 8     | Automobile Industry  | 4%   |
| 9     | Metallurgical Industries   | 4%   |
| 10    | Hotel & Tourism  | 3%   |

## **CH.5 & 6:- NORMS AND POLICIES OF BELGIUM AND INDIA FOR IMPORT AND EXPORT**

### **Exim policy of india**

In exercise of the powers conferred under Section 5 of The Foreign Trade (Development and guideline Act), 1992, the essential administration hereby notifies the Export and Import Policy for the duration of 2002-2007. This Policy shall come into force with result from 1st April, 2002 and shall continue in force upto 31st March, 2007 and will be co-terminus with the Tenth Five Year Plan (2002-2007). However, the Central Government reserves the right in public interest to make any amendments to this Policy in exercise of the powers conferred by Section-5 of the Act. Such adjustment shall be made by means of a Notification published in the Gazette of India.

### **Transitional Arrangements**

Any Notifications made or Public Notices issued or anything done under the previous Export/ Import policies, and in force instantly before the beginning of this Policy shall, in so far as they are not incompatible with the provisions of this Policy, carry on to be in force and shall be deemed to have been made, issued or done under this Policy. License/ certificate/permissions issued before the commencement of this Policy shall continue to be valid for the purpose for which such license/ certificate/ permission was issued unless otherwise stipulated.

### **Restriction and Regulation**

In case an export or import that is permitted freely under this Policy is subsequently subjected to any restriction or guideline, such export or import will generally be permitted

notwithstanding such restriction or guideline, unless otherwise predetermined, provided that the shipment of the export or import is made within the original validity of the irrevocable letter of credit established before the date of imposition of such restriction

## **Objectives**

**objectives of this Policy are:**

- To facilitate steady growth in exports to attain a share of atleast 1% of global merchandise trade.
- To promote constant economic development by providing access to necessary raw materials, intermediates, components, consumables and capital goods needed for augmenting production and providing services.
- To recover the technological potency and effectiveness of Indian agriculture, industry and services, thereby improving their aggressive strength while generating new employment opportunities, and to encourage the attainment of internationally accepted standards of quality.
- To provide consumers with better power goods and services at internationally competitive prices while at the same time creating a level playing field for the domestic producers.

## **Effort taken by Goverment**

The objectives will be met through the equivalent efforts of the State Governments and all the departments of the Government of India in general and the Ministry

## **Effort taken by Goverment**

of Commerce and Industry and the Directorate General of Foreign Trade and its network of Regional Offices in particular, with a shared vision and commitment and in the best spirit of facilitation, in the interest of promotion of trade in goods and services.

## **General Provisions**

### **Exports and Imports free unless regulated**

Exports and Imports shall be free, except in cases where they are in time by the provisions of this Policy or any other law for the time being in force. The item wise export and import policy shall be, as specified in ITC available and notify by Director General of Foreign Trade, as amended from time to time.

### **Compliance with Laws**

Every exporter or importer shall comply with the provisions of the Foreign Trade (Development and Regulation) Act, 1992, the Rules and Orders made there under, the provisions of this Policy and the terms and conditions of any licence/certificate/permission approved to him, as well as provisions of any other law for the time being in force. All imported goods shall also be subject to domestic Laws, Rules, Orders, Regulations, technical specifications, environmental and safety norms as applicable to domestically produced goods. No import or export of rough diamonds shall be permitted unless the shipment parcel is accompanied by Kimberley Process (KP) Certificate required under the procedure specified by the Gem & Jewellery Export Promotion Council (GJEPC).

### **Interpretation of Policy**

If any question or doubt arises in respect of the interpretation of any provision contained in this Policy, or regarding the classification of any item in the ITC or Schedule Of DEPB Rate the said question or doubt shall be referred to the Director General of Foreign Trade whose decision thereon shall be final and binding. If any question or doubt arises whether a license/ certificate/permission has been issued in accordance with this Policy or if any question or doubt arises touching upon the scope and content of such documents, the same shall be referred to the Director General of Foreign Trade whose decision thereon shall be final and binding.

### **Indian Pharmaceutical Industry: Policies & Orders**

When we talk about pharmaceutical policy, it implies a branch of health policy that covers various aspects of the pharmaceutical industry like as the development of new medicines, provision and use of medications within a health care system, considering both brand name and generic drugs. Phramaceutical policies also cover products derived

from living sources referred as , biologics which are different from chemical compositions, vaccines and natural health products. Let us discuss the main pharmaceutical policies of India under the following heads:

**Drugs Price Control Order (DPCO)**: Drugs and formulations have been subjected to price control from a very long time, almost 3 decades now. The economic reforms presented by the Government of India in July 1991, targeted the Pharmaceutical Industry only in 1994 and that too partially. Price control in a large number of industries has already been abolished.

**Intellectual Property Rights (IPR)**: The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) provides for minimum norms and standards in certain categories of intellectual property rights which are discussed in this section.

**Pharmaceutical Policy 2002**: The essential objectives of Government's Policy relating to the drugs and pharmaceutical sector were enumerated in the Drug Policy of 1986.

## **Norms and policies of Belgium in pharmaceutical sector**

### **Taxation**

The rate of VAT on pharmaceutical products varies. Usually OTC products attract the standard VAT rate (one exception, is Greece, where the VAT rate both for POMs and OTCs is 8%), whereas prescription-only medicines (POMs) usually attract a lower VAT rate (e.g.the Netherlands it is 6%, in France it is 4%; in Finland it is 8%), although exceptions exist (e.g. Denmark applies 25%; Ireland applies 21%). In Ireland, prescription drugs administered orally are exempt whilst all other types are taxed. In the UK, prescription-only medicines are VAT exempt.

Pharmacists are paid or reimbursed the public price of drugs, which includes VAT. The greatest part of total pharmaceutical expenditure is covered by social health insurance funds.

Thus, taxes on reimbursed drugs increase their costs. In recognition of this, many countries levy VAT at a reduced rate on prescription drugs.

Taxes on publicly funded goods and services are a transfer of funds from one public body to the central treasury. Deficits in the healthcare budget can be reduced by lowering the VAT rate. Additional taxes unique to the pharmaceutical industry include taxes on advertising expenditure or those occasionally imposed on pharmaceutical sales of

reimbursable products as part of restrictive cost-containment policies. An example of the latter policy is Belgium: in August 1997, a tax (3%) was introduced on reimbursed sales and increased it to 4% for 1999.

The publicity surrounding the introduction of taxes may increase prescribes' sensitivity to the importance of drug costs, but is unlikely to sway their choice between drugs.

## **TAX STRUCTURE IN BELGIUM**

### **PERSONAL INCOME TAX**

Belgium personal income tax rates are progressively between **25% - 50%**.

| Taxable          | Income | (EUR) | /      | Tax | Rate | %   |
|------------------|--------|-------|--------|-----|------|-----|
| EUR              | 0      | -     | 7,900  |     |      | 25% |
| EUR              | 7,900  | -     | 11,240 |     |      | 30% |
| EUR              | 11,240 | -     | 18,730 |     |      | 40% |
| EUR              | 18,730 | -     | 34,330 |     |      | 45% |
| Above EUR 34,330 |        | 50%   |        |     |      |     |

| Zero-bracket  | Amount:   | EUR       | 6,430 | for | each      | taxpayer  |
|---------------|-----------|-----------|-------|-----|-----------|-----------|
| Additional    | tax-free  | allowance |       | for | dependent | children: |
| -             | 1         | child:    |       | EUR |           | 1,370     |
| -             | 2         | children: |       | EUR |           | 3,520     |
| - 3 children: | EUR 7,880 |           |       |     |           |           |

Municipal taxes must be added to the tax rates above.

An individual resident in Belgium is liable to personal income tax on his worldwide income and on certain capital gains. Special rules apply to foreign employees temporarily resident in Belgium. An individual is regarded as resident only if he spends a certain period of time in Belgium and has his main home or his centre of economic interest in Belgium. A non-resident individual is liable to tax on his Belgian-sourced income only.

Total taxable income is the aggregate of net income or profits arising from an occupation or business, real estate, personal property, and miscellaneous sources, reduced by deductions that may be set against total income.

**CAPITAL GAINS AND LOSSES:** Capital gains are treated as ordinary business income taxable at normal corporation tax rates of Belgium. However, there are a few exceptions:

- under certain conditions, rollover relief is granted for gains on fixed assets held for business purposes for more than five years
- unrealized gains are exempt provided they are credited to a specific non-distributable reserve
- realized capital gains on shares are exempt from tax if dividends on the shares qualify for the participation exemption.

Capital losses are tax-deductible if they relate to fixed assets used for business purposes. Unrealized capital losses on shares (booked devaluations) are not tax-deductible.

Realized capital losses on shares are generally not deductible. Capital losses realized on the liquidation of a company are deductible up to the value of the capital actually paid-up.

**TAXATION OF DIVIDENDS:** Dividends received by a company with a contribution of at least 10% or an investment of at least EUR 1.2 million in the distributing company, are 95% deductible from the financial profits of the recipient if the shares have been held for an continuous period of at least one year. For example, all dividends are first included in taxable income and then 95% of eligible dividends are deducted out again (subject to a maximum of the net taxable profits of the company for the period). The remaining 5% is taxable at normal corporation tax rates as part of the overall taxable profits of the company.

The 95% deduction is not available where the profits of the payer are subject to a tax regime which is substantially more advantageous than the Belgian tax regime. This will be deemed to be the case if the effective tax rate suffered by the company making the distribution is less than 15%. However, this criterion does not apply to companies established in the European Union.

## **CH.7:- PRESENT TRADE BARRIERS OF BELGIUM IN PHARMACEUTICAL SECTOR**

### **1. Pharmaceuticals sector in the EU**

The following document aims to give an overview of the EU's pharmaceuticals sector, both innovative and generic, in relation to external EU trade, the EU industry's position within the global pharmaceuticals market, and the trade barriers faced when importing medicines to third country partners. Key points within the document include:

The pharmaceutical industry's intrinsic link to public health, and the complex regulatory burdens arising from this relationship that can potentially have an impact on trade. A strong EU industry presence, providing over 640,000 jobs directly, 113,000 of which are highly skilled. The high level of research and development spending on new drugs outlaid by the EU's innovative pharmaceutical sector (16% of business expenditure: the highest Percentage of any industrial sector), and the extended length of time (8-12 years), it can take for a new drug to enter the market. Increasing importance of biological products.

### **2. Main trade issues**

The EU as a World leader in the trade of pharmaceutical products, enjoying a trade surplus of €47.8bn in 2010, a steady growth in exports witnessed since 2001 and an ability to adapt to and enter new and growing markets. It does, however, face strong competition from traditional producers such as the US and Japan, along with growing competition from fast developing economies such as China and India.

EU industry continues to encounter some tariff barriers in certain countries, such as India. However, it is the wide range of non-tariff barriers (NTBs) that are the key focus of the industry. The different sub-sectors and type of pharmaceutical products face the same type of NTBs.

Such barriers can arise due to a divergence in international regulatory regimes, which can be the result of a country's public health history and culture. Such barriers can also be used as protectionist measures to help foster local industry.

The key NTBs include:

Regulatory barriers such as the registration and certification of new and generic drugs, Other barriers related to market authorization such as unnecessary repetition of clinical trials in third countries and burdensome good manufacturing practice requirements; A lack of transparency in the amendment and implementation of pricing and reimbursement regimes in third countries.

Intellectual property rights and the counterfeiting of medicines are also concerns for EU industry, as a leader in R&D and in new fields within the pharmaceuticals sector.

A lack of patent protection or data protection in certain third country markets could lead to abuses of EU industry patent right, while the counterfeiting and falsification of medicines is a clear danger to the health of patients. The potentially flawed practice of patent linkage is also a specific concern for the EU's generic industry.

This can sometimes take the form of direct subsidies, however, numerous indirect policies are also being practiced, such as discrimination in public procurement and pricing policies and local production incentives.

## Pharmaceuticals sector in the EU

### **Definition sector and sub-sector:**

Though there are many different types of pharmaceutical medicines, broadly, as a sector, pharmaceutical products can be placed in either of two camps: innovative and generic.

Innovative pharmaceuticals are essentially 'new' medicines brought to market, that remain under patent protection. Once patent and data protection have expired, other pharmaceutical companies are able to market their own, identical and cheaper versions, labeled 'generics', of the previously patented, innovative medicine.

A number of the large innovative pharmaceutical companies will produce both

types of products while there are many generic-only companies. Both innovative and generic pharmaceutical firms share many trade barrier problems in terms of non-tariff barriers (NTBs) and general market access issues, while tending to hold divergent positions on some issues i.e. length and nature of Intellectual Property Right (IPR) protection.

An important distinction can be made between 'chemical' and 'biological' products.

This latter is a pharmaceutical product that contains biological material such as proteins, DNA or bacteria, as opposed to a 'none—biological' chemical compound. Both industry and Member State responses have highlighted the increasing importance of this type of product that can be subdivided into biopharmaceuticals and biosimilars (the term for a biological medicinal product claimed to be similar to an already approved reference product), for the sector.

These two types of pharmaceutical products can be produced by both innovative and generic companies.

In terms of trade barriers these two categories of products face many of the same barriers and challenges. Indeed, as far as newer fields such as biosimilars are concerned, the EU has taken a notable lead in providing a sound regulatory framework, which has not yet been reciprocated in many of the World's leading producers and economies.

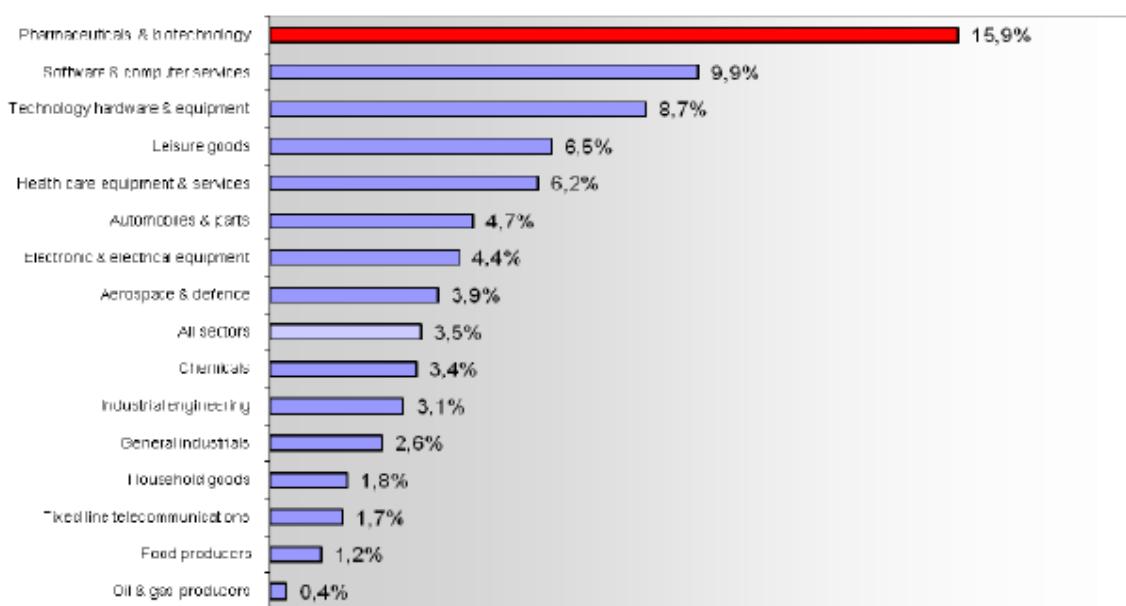
Due to its obvious relationship with public health, the pharmaceuticals sector is regulated compared to other industrial sectors, and subject to government interventions, both within the EU and in third countries.

Such interventions range from the regulatory standards and frameworks that a pharmaceutical product must go through before it can be placed on the market (e.g. clinical trial testing, formal registration and certification), to controlling the price and/or reimbursement for drugs where there is a public health system in place, either to control budgets or to ensure the public an adequate access to medicines.

Access to medicines is also an important issue for the industry on a broader level. Third countries and other interested bodies often promote or justify the imposition of certain trade barriers and price regulation as a means to ensure access for the poor, and it is clear that the sector has to balance its activities as a private, profit making industry with its role as the provider of essential medicines.

## **Ranking of Industrial Sectors by Overall Sector R&D Intensity (R&D as Percentage of Net**

**Sales – 2009 – source EFPIA):**



### **Main competitors**

Traditionally, companies in the US, Switzerland and Japan have been the EU's main competitors in the global export market for pharmaceuticals, as well as the largest trading partners for the EU in this sector. Of these major partners, only Switzerland has a trade surplus with the EU, standing at approximately €6.1bn for the period January to December 2010.

The EU is the second global manufacturing location for pharmaceuticals behind the US and ahead of Japan, and holds a dominant position in a number of areas, including the production of vaccines where 90% of major manufacturer's global output is produced in Europe.

The EU's exports accounted for an predictable 15.5% of the global Pharmaceuticals market in 2010.

Europe is now facing increasing competition from emerging economies ,which are fast-growing but also fast-changing markets.

In the generics sub-sector China, and notably India have made rapid progress due to low cost and less regulated production conditions compared to the EU. For example, until 2005 there existed process patents in India, but not products patents, and the medicines themselves were not protected making foreign medicines were easier to copy.

In addition, there is rapid growth in the research environment in emerging countries such as

Brazil, China and India, resulting in further migration of economic and research activities outside of Europe to these fast-growing markets. China increased the yearly value of its exports to the EU by 720% between 2001 and 2010, and India's development has seen it create a trade surplus with the EU in this sector (€-428m January-December 2010), which has increased significantly over the last decade, and particularly from 2005 onwards, as India has steadily grown into one of the world's leading producers and exporters of generic medicines.

### **Key Trade Issues**

The Pharmaceutical industry has traditionally faced a wide range of barriers to trade,including a range of TBT/NTB barriers, intellectual property rights and issues on the specific pricing and reimbursement of drugs in particular countries.

On top of this, the sector can also be faced with cultural barriers to trade. For example, in 2010 Indonesia published a decree that announced its intention to ban certain products, including medical products, containing porcine material. This would have affected a large percentage of vaccines produced by the pharmaceutical industry.

### **Summary of respondent recommendations**

In general, many respondents to the sector fiche questionnaire, including industry, have asked for the EU to help its companies and promote the interests of EU producers.

This type of recommendation is clearly not limited to this industry. However, it could be argued that the pharmaceutical industry is almost unique in amongst industrial sectors in two key ways: Firstly, the industry is often selling its products directly to governments and their delegated public authorities. Secondly, due to the intrinsic link to public health,

and the different ways governments can approach this issue (for both economic and cultural reasons), the sector often faces diverse and complicated regulatory regimes in different countries, which may differ from accepted international standards and add additional burdens on top of those standards (see under section 3 above). Specific suggestions from respondents include the establishment of local EU trade representatives in key trade partners in order to help EU pharmaceutical companies, both generic and originator, with gathering important information on regulatory requirements and overcoming trade barriers.

Such a system could be complemented by setting up an information website portal with comparative information on requirements for pharmaceutical companies with regard to trade.

Another suggested option would be to require a legal representative of all players to be present in the EU to even out the balance.

Seek sustainable business development and proper balance of IPR in trade agreements.

Where possible, the EU can look to enforce relevant TRIPS articles regarding patents and regulatory data protection, including the protection of clinical trial data.

Also, where appropriate, the EU can encourage key emerging markets to adopt international standards and avoid individual extra requirements.

However, the EU should also seek to find the correct balance in bilateral and multilateral trade agreements, in order that it does not impose TRIPS +requirements on countries where this may have an adverse affect on either public health or the ability of the EU to import its own generic medicines.

Where appropriate, trade negotiations, including FTAs could look to harmonize and reciprocate trade access, barriers, transparency (including regulations on pricing and reimbursement policies), foreign direct investment, and other areas of mutual long-term benefit to the EU and its trading partners.

The majority of respondents state that fair prices and a level playing field with countries from outside the EU is key for the long term sustainability of the sector. Some of the EU's third country partners have a competitive advantage in fields such as generics and bio similar , and can sell their products at very low prices due to environmental, economic, and taxation factors etc.

Where such an advantage is has been brought about by unjustified trade barriers, the EU could seek opportunities to encourage their removal.

## **EXPORT & IMPORT OF PHARMETICAL SECTOR**

Being centrally located in the European continent, Belgium's trade is the hallmark of all its activities. Belgium's trade is further helped by its well developed transportation network, diversified commercial and industrial base.

### ➤ Belgium Trade, Exports and Imports

As raw materials and natural resources are not sufficient, the balance of trade is usually towards imports and thus there is always some trade deficit in Belgium

- According to the 2009 estimates, Belgium had an export volume of \$296.1 billion and ranked 13<sup>th</sup> in the world. This, however, showed a tremendous drop from the 2008 figures, which shone bright at \$371.5 billion. The various export commodities include.
  - Machinery and equipment
  - Chemicals
  - Finished diamonds
  - Metals and metal products
  - Foodstuffs
- The following countries are the biggest export partners of Belgium
  - Germany
  - France
  - Netherlands
  - UK
  - US

- Italy

The trade balance is slightly skewed towards imports. According to the 2009 estimates, Belgium reported its import volume at \$315 billion and ranked 11<sup>th</sup> in the world. This was, however, lower than the 2008 figure of \$387.7 billion.

The various imported commodities are:

- Raw materials
- Machinery and equipment
- Chemicals
- Pharmaceuticals
- Foodstuffs
- Raw diamonds
- Transportation equipment
- Oil products
- 

#### ➤ **TRADE AND INVESTMENT**

Major trading partners: USA, Germany, Netherlands, France and UK.

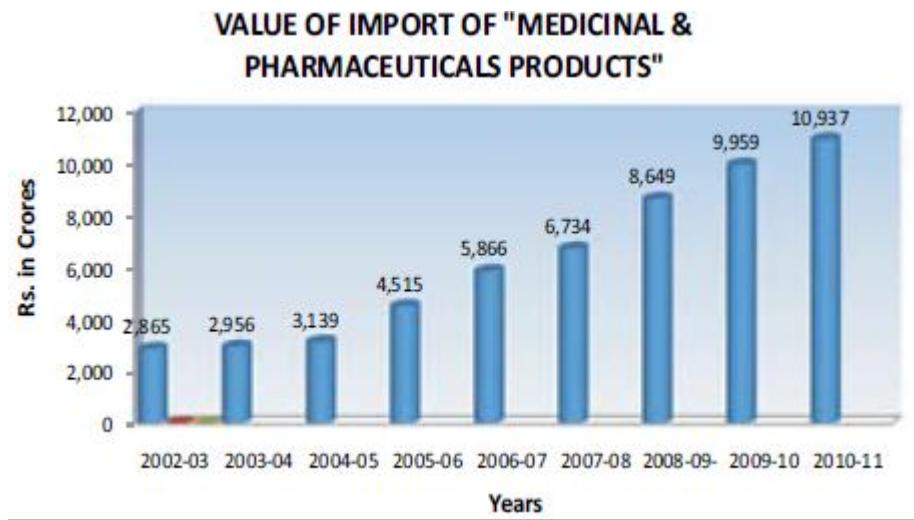
- Belgium's external trade is concentrated within the EU: 73.1% of its exports are to EU partners, and 75% of imports are from the EU.
- The UK is Belgium's fifth largest supplier and its fourth largest export market. Belgium is the sixth largest market for UK exports. In 2010, Belgian exports to the UK amounted to €13.8bn, while Belgium's imports from the UK amounted to almost €12.7bn

#### **IMPORTS:**

- As per the Directorate General of
- Commercial Intelligence and Statistics (D.G.C.I.S.)

- Kolkata, value of imports of “Medicinal and Pharmaceuticals Products” for the period 2002-03 to 2010-11 is as under:

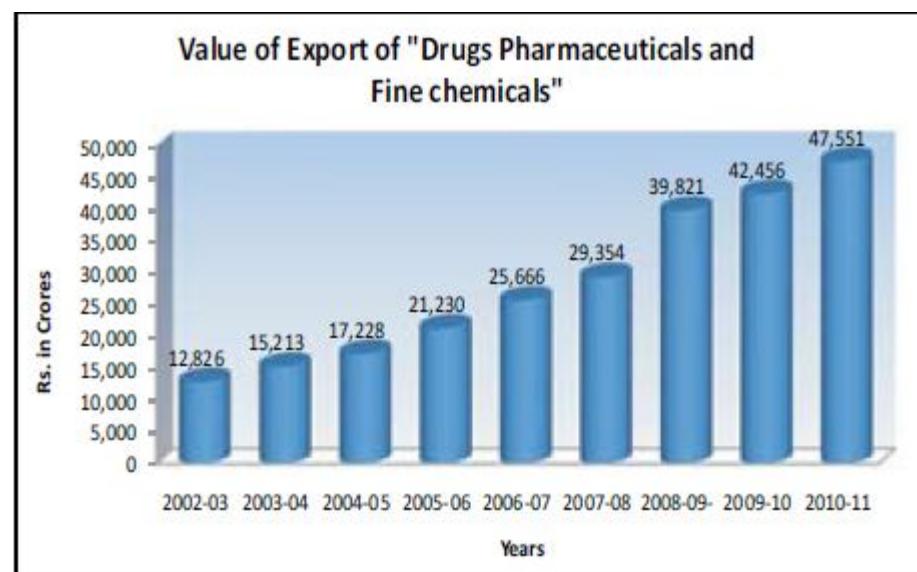
| <b>Year</b> | <b>Value of Import<br/>of “Medicinal and<br/>Pharmaceuticals Products”</b> | <b>Growth<br/>(%)</b> |
|-------------|--|-----------------------|
| 2002-03     | 2,865  | -                     |
| 2003-04     | 2,956  | 3.18                  |
| 2004-05     | 3,139  | 6.19                  |
| 2005-06     | 4,515  | 43.84                 |
| 2006-07     | 5,866  | 29.92                 |
| 2007-08     | 6,734  | 14.79                 |
| 2008-09     | 8,649  | 28.43                 |
| 2009-10     | 9,959  | 15.15                 |
| 2010-11     | 10,937   | 9.82                  |



It may be observed that the imports shown declined in growth in the year 2010-11 compared to previous year. The country is almost self-sufficient in production of most of formulations/ pharmaceuticals products. As such imports are being resorted to on quality & economic considerations and not necessarily due to non-availability from domestic

sources. Manufacturers of Drugs & Pharmaceuticals are free to produce any drugs approved by the Drug control authorities.

| <b>Year</b> | <b>Value of Exports of “Drugs and Pharmaceuticals and Fine Chemicals”</b> | <b>Growth (%)</b> |
|-------------|---|-------------------|
| 2002-03     | 12,826  | -                 |
| 2003-04     | 15,213  | 18.61             |
| 2004-05     | 17,228  | 13.25             |
| 2005-06     | 21,230  | 23.23             |
| 2006-07     | 25,666  | 20.89             |
| 2007-08     | 29,354  | 14.37             |
| 2008-09-    | 39,821  | 35.66             |
| 2009-10     | 42,456  | 6.62              |
| 2010-11     | 47,551  | 12.00             |



The share of Exports of the “Drugs Pharmaceuticalsand Fine Chemicals” in the total National Exportsdeclined from 4.50% to 4.20% during the period 2006-07 to 2010-11, However in the absolute terms thereis growth in Exports. The share of imports is declined0.7% to 0.6% in the corresponding period.

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### ➤ **Cooperation /Export Promotion of Pharmaceuticals**

The important focus area for the Department of Pharmaceuticals is promotion of Indian pharma exports. The Department participated in the following International Cooperation events during 2011-2012 :-

1. Participation in 9th Session of India-Uzbek Inter-Governmental Commission on Trade, Economic ,Scientific & Technological Cooperation held on 4-5 May, 2011 in Tashkent.
2. Participation in the Meeting of Biotechnology and Life Sciences Working Group under India-US High Technology Cooperation Group held in July,2011 in New Delhi.
3. Participation in India Russia Forum on Trade and Investment held in November, 2011 in Moscow and the Roundtable on Pharmaceuticals.
4. Participation in Seminars organized by the Embassy of India, Jakarta in cooperation with PT. Strategic Asia held in Jakarta, Indonesia.

The Department of Pharmaceuticals also provided financial assistance for the following activities/events

for promotion and development of the Pharma sector:

1. Preparing detailed scope of work, preparation of expression of interest for selection of global consultants for developing India as a Global Innovation Hub by 2020.
2. Assistance to Institute of Economic Growth for conducting a study on "Growth of Pharmaceutical Industry in India".

### ➤ **India pharma summit-2011**

- The division of Pharmaceuticals in collaboration organized "India Pharma Summit 2011", on 29th November, 2011 in New Delhi with Federation of the Indian Chamber of Commerce and Industry (FICCI) and WHO (world health organisation) India .
- The theme of India Pharma Summit 2011 was "Indian Pharma – Road Map for Global Leadership in Generic Medicines". The India Pharma Summit was a one day event to showcase India's capability in the Pharma Sector before all the stakeholders as well as to provide the networking opportunities to the Indian

Pharma Industry for having a meaningful interaction with various stakeholders. It provided a platform that brings all the stakeholders such as policy makers from Government of India, State Governments ,Indian Pharma Industry, Regulatory Authorities from focus countries, Academia, Global Pharma Leaders/Experts on one platform and facilitate a meaningful interaction so as to generate a healthy debate as well as to come up with the solutions to issues of the problems being faced by Pharma Sector.

- India Pharma Summit 2011 was the 3rd event in successful series after the Department of pharmaceuticals was carved out of Department of Chemicals & Petrochemicals in July 2008.

➤ **Export and domestic growth**

| Year     | Exports | Growth% | Domestic | Growth% | Total  | Growth%% |
|----------|---------|---------|----------|---------|--------|----------|
| Mar 2006 | 21230   | 23.23   | 39989    | 17.17   | 61219  | 19.21    |
| Mar 2007 | 25666   | 20.89   | 45367    | 13.45   | 71033  | 16.03    |
| Mar 2008 | 29354   | 14.37   | 50946    | 12.30   | 80300  | 13.04    |
| Mar 2009 | 39821   | 35.66   | 55454    | 8.85    | 95275  | 18.65    |
| Mar 2010 | 42154*  | 5.86    | 62055    | 11.90   | 104209 | 9.38     |

#### INTERNATIONAL SALES ON CONSOLIDATED BASIS

|                      | Consolidated net sales | International sales | Exports as % of net sales 2010-11 |
|----------------------|------------------------|---------------------|-----------------------------------|
| Ranbaxy Labs         | 8960.77                | 6771.74             | 75.6                              |
| Dr Reddy's Labs      | 7236.80                | 5940.70             | 82.1                              |
| Lupin                | 5706.82                | 3983.08             | 69.8                              |
| Cipla                | 6130.31                | 3361.49             | 54.8                              |
| Sun Pharma           | 5721.43                | 2898.20             | 50.7                              |
| Wockhardt            | 3751.24                | 2709.91             | 72.2                              |
| Jubilant Lifescience | 3433.40                | 2369.11             | 69.0                              |

#### GEOGRAPHICAL DISTRIBUTION OF PHARMA INDUSTRIES

| S.No. | State          | Number of Manufacturing Units |            | Total |
|-------|----------------|-------------------------------|------------|-------|
|       |                | Formulation                   | Bulk Drugs |       |
| 1.    | Maharashtra    | 1928                          | 1211       | 3139  |
| 2.    | Gujarat        | 1129                          | 397        | 1526  |
| 3.    | West Bengal    | 694                           | 62         | 756   |
| 4.    | Andhra Pradesh | 528                           | 199        | 727   |
| 5.    | Tamil Nadu     | 472                           | 98         | 570   |
| 6.    | Others         | 3423                          | 422        | 3845  |
|       | Total          | 8174                          | 2389       | 10563 |

## EXPORT GROWTH

| Year     | Exports (Rs. crores) | Growth % |
|----------|----------------------|----------|
| Mar 2007 | 25666                | 20.89    |
| Mar 2008 | 29354                | 14.37    |
| Mar 2009 | 39821                | 35.66    |
| Mar 2010 | 42154                | 6.6      |
| Mar 2011 | 45745                | 7.7      |

## GLOBAL MARKET PHARMA GROWTH RATE

| Year | Market in Billion US\$ | %growth rate |
|------|------------------------|--------------|
| 2004 | 620                    | 7.9          |
| 2005 | 664                    | 7.2          |
| 2006 | 710                    | 6.9          |
| 2007 | 756                    | 6.4          |
| 2008 | 801                    | 4.9          |

## PROJECTED GROWTH

| Year    | Domestic |        | Exports |        | Total   |        |
|---------|----------|--------|---------|--------|---------|--------|
|         | Value    | Growth | Value   | Growth | Value   | Growth |
| 2016-17 | 130,000  | 21%    | 158,000 | 16%    | 288,000 | 18%    |
| 2019-20 | 233,000  | 22%    | 248,000 | 17%    | 481,000 | 19%    |

| Turnover    | Year     | No of Employees |
|-------------|----------|-----------------|
|             | Mar 1995 | 1,81,497        |
|             | Mar 1996 | 2,04,609        |
|             | Mar 1997 | 2,11,614        |
|             | Mar 1998 | 1,89,295        |
|             | Mar 1999 | 2,13,999        |
|             | Mar 2000 | 2,43,410        |
|             | Mar 2001 | 2,33,704        |
|             | Mar 2002 | 2,26,416        |
| 0-10 Cr.    | Mar 2003 | 2,23,556        |
| 10-50 Cr.   | Mar 2004 | 2,40,791        |
| 50-100 Cr.  | Mar 2005 | 2,65,396        |
| 100-500 Cr. | Mar 2006 | 2,90,021        |
|             | Mar 2007 | 3,36,211        |
|             | Mar 2008 | 3,53,692        |
| 500 + Cr.   |          | 2               |

### ➤ Top Indian pharma cos to grow 20% in 2013

- Top Indian pharma players will continue to grow strongly at over 20 per cent in 2013, primarily led by exports to the US market, India Ratings said in its outlook for the sector.
- “We believe that top players of the sector will continue to grow strongly in 2013 (over 20 per cent per annum), primarily led by exports.
- Indian rating report on outlook for Indian pharmaceuticals for 2013 said that “Of the export markets, Indian pharma will focus on the US market which presents significant opportunities for the next two years for generics, due to patent cliffs and recent changes in healthcare policies,”
- Patent expiry opportunities, coupled with efforts to contain healthcare spends, are likely to drive the generic market in developed countries. Affordability and availability will make a case for generics usage in the branded generic developing markets.

- As per IMS Health, global generic spending is expected to increase to \$430 billion by 2016 from \$242 billion in 2011. .
- R&D spends have increased over the last few years as pharma players have built robust portfolios of products approved by USFDA. Most companies also have a strong pipeline of products awaiting approval, it said.
- Robust new product pipelines may bear fruit in 2013 on commercialization. Incremental capex requirements, however, are likely to remain modest in the year as many companies benefit from existing infrastructure which would be sufficient for expected increase in operations, according to the agency.
- Observing that the growth drivers for domestic pharma market would remain intact, India Ratings said the decision of National Pharmaceutical Pricing Policy (NPPP) 2011 to increase the number of drugs under price control will not have any major impact on the sector's profitability.
- The pharma industry has also performed well on exports front, too, with exports having been increased from Rs 386 billion in 2008 to Rs 775 billion in 2012.
- A rise in demand for generics in developed markets will be led by patent expiries and an expansion of generics usage due to efforts taken to control healthcare costs by governments, according to the report.

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➤ **India pharma industry may be among top-10 by 2020**

- According to Stating that the Indian pharmaceutical industry is on a “good growth path’, a CII-PwC report said it is likely to be among the top-10 global markets in value terms by 2020.
- However, the industry “will have to watch out for the regulatory interventions,” according to the report titled “India Pharma Inc: Gearing up for the next level of growth”.
- High burden of disease, good economic growth leading to higher disposable incomes, improvements in healthcare infrastructure and improved healthcare financing are driving growth in the domestic market.
- The Indian Pharma Industry has been rising at a compounded yearly growth rate (CAGR) of more than 15% over the previous five years and has important growth opportunities. However, for the industry to sustain it till 2020, Companies will have to rethink their business strategy. They will have to adopt new business models and think of innovative ideas to service their evolving customers faster and better.

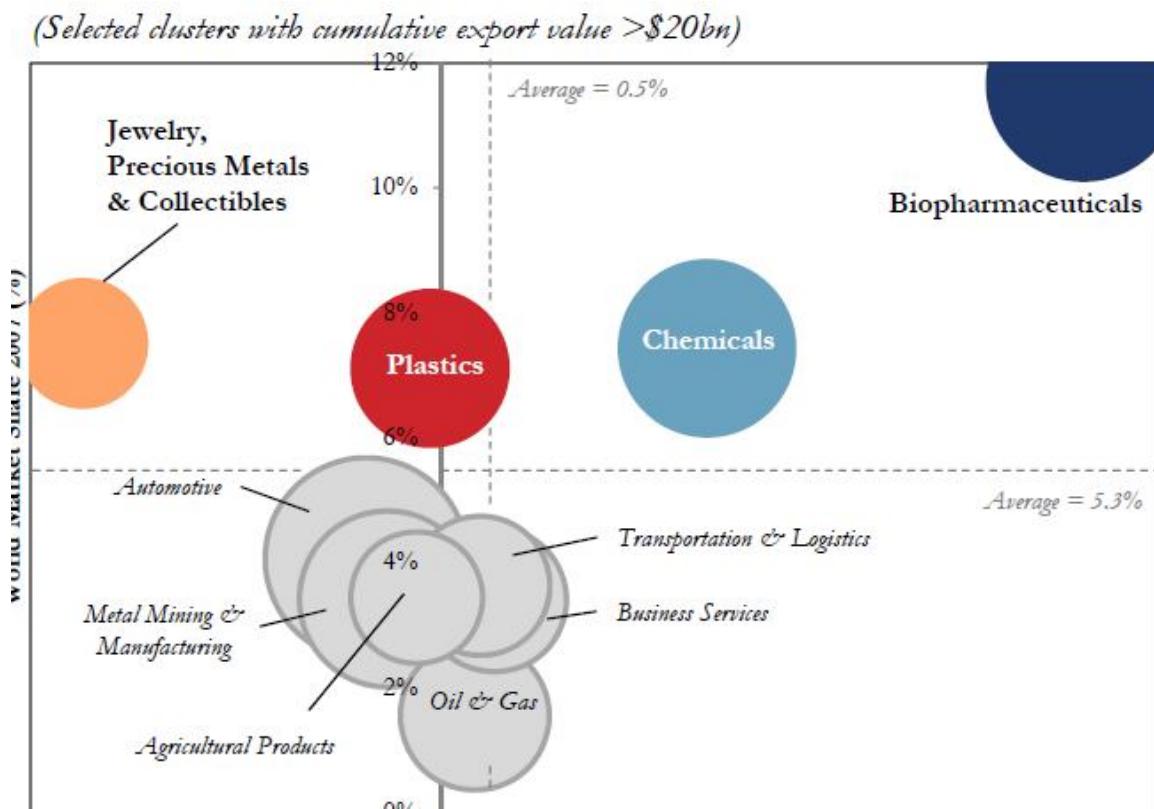
- Sujay Shetty, leader, Pharma Life Sciences, PwC India also said that the Industry has seen many regulatory interventions over the last one year, which will require careful consideration by Pharma Companies as they plan their future strategies. Pharma Companies will continue to grow both organically and inorganically through alliances and partnerships and focus on improving operational efficiency and productivity. Developments in the health insurance, medical technology and mobile telephony can help in the industry's growth by removing financial and physical barriers to healthcare access in India.

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## **CH.9:- FUTURE OPPORUNITIES OF PHARMACETICAL SECTOR IN BELIGUM**

**State of Cluster Development:** Belgium has developed strong export-oriented clusters, such as: biopharmaceuticals; chemicals; plastics; and jewelry, collectibles and precious metals. From 2009



## ➤ Key Issues facing Belgian Competitiveness

- Belgium has high political risk, due in part to the country's parliamentarian system and its federalist structure.
- Belgium holds the world record for number of days without a formed government.
- This political instability and lack of environment. There is wide disparity on whether Belgium should remain united or not.
- This shows results from a 2010 survey which highlights that most people in Flanders support a separate country rather than a unified Belgium government structure impacts the country's businesses outlined in, Belgium's increasing budget deficit and government debt is a source of macroeconomic risk.
- Belgium's government debt is projected to increase further in 2011-2015. As the government pursues tightened fiscal policies to reduce the deficit, there is an increased risk of economic contraction and declining competitiveness (due to a higher tax burden).
- Belgium's aging population also poses a challenge, as the older generation will serve as dependents to a much smaller, tax paying, labor force.

- In terms of microeconomic risks, four areas require improvement: first, Belgium has low transparency of government policy-making. Government policies and regulations are often inconsistent across the three regions. This is challenging for the private sector, especially when a firm seeks to expand geographically across the country.
- Second, the regulatory framework is overly complex. The country's decentralized structure and a lack of regulatory harmonization across the regions increase the cost of doing business in Belgium.
- Third, Belgium has low levels of R&D investment and innovation output. Improving innovation productivity would be an important enabler to upgrade the competitiveness of existing clusters.
- Finally, Belgium has one of the highest tax rates in the world which may limit business investments and R&D. The regions have worked to mitigate the effect on research by offering tax subsidies for R&D investments in sectors such as life sciences. However, as the tax system relies heavily on labor.

### **Business Opportunities in future:**

The Indian pharmaceutical industry's major opportunities for are in the areas of:

- generics (including biotechnology generics)
- biotechnology
- outsourcing (including contract manufacturing, information technology (IT)and R&D outsourcing).

#### **Generics**

- Prescription drugs worth \$40 billion in the U.S. and \$25 billion in Europe are due to lose patent protection by 2007-08
- . Indian firms will likely take around 30 percent of the increasing global generics market, the Associated Chambers of Commerce and Industry of India (Assocham) forecast.
- Currently, the Indian industry is estimated to account for 22 percent of the generics world market. Low production costs give India an edge over other generics-producing nations, especially China and Israel, says Assocham's president Mahendra Sanghi

- . He suggests that it will be easier for Indian firms to win larger generics market shares overseas than at home, particularly in the U.S. and Europe.<sup>13</sup> Indian drug manufacturers currently export their products to more than 65 countries worldwide.<sup>1</sup>
- 4 Their largest customer is the U.S., the world's biggest pharmaceutical market.
- The use of generic drugs is growing quickly in the U.S. due to cost pressure by payers and the introduction on January 1 this year of the Medicare Part D prescription benefit, giving seniors and people with disabilities prescription drug coverage for the first time. With 74 facilities, India has the largest number of U.S. Food and Drug Administration (FDA)- approved drug manufacturing facilities outside the U.S. Indian firms now account for 35 percent of Drug Master File applications and one in four of all U.S. Abbreviated New Drug Application (ANDA) filings submitted to the FDA.<sup>15</sup> Analysts at Credit Lyonnais Securities Asia say they expect the number of generic drug launches by Indian companies in the U.S. to increase from 93 in 2003 to over 250 by 2008.<sup>16</sup>
- In January 2006, the Indian exporters' representative body, the Pharma Export Promotion Council (Pharmexcil) said it planned to raise a number of concerns with the U.S. government over what it sees as barriers to trade with them. One is a U.S. regulation that disqualifies Indian firms from bidding for government contracts, and another is the requirement Indian drug manufacturers submit separate applications for each U.S. state (there is no U.S.-wide regulatory requirement), even when the firms have FDA-approved products and facilities.<sup>17</sup>
- The U.S. continues to be an attractive market for Indian firms, despite the challenges of price erosion and the launch of "authorized generics" by innovator companies, says Ranjit Shahani, vice chairman and managing director, Novartis India Ltd, and President of the Organisation of Pharmaceutical Producers of India.
- He does not see any increase in nontariff barriers there, and in fact feels that trade between India and the U.S. is "set to rev up following President George W. Bush's visit to India on March 1, 2006, with both countries going all out to liberalize market access." The main concern of the U.S.
- FDA appears to be , he says, but he does not believe this to be an obstacle for reputable Indian manufacturers. Moreover, while the World Trade Organization

(WTO) Doha Trade-Related Aspects of Intellectual Property rights (TRIPs) national emergency/compulsory license agreement presents exporting opportunity for Indian firms, Shahani stresses that the firms must have anti-diversion measures in place in order to protect their reputation.

## ➤ **Biotechnology Generics**

- Firms based in India and China could be among the first to bring biogenerics (generic versions of biological products) to the regulated markets and faster than expected. The first biogeneric product was approved by the European Medicines Agency (EMEA) which refers to these products as “biosimilars,” in April 2006.
- IMS estimates that biotechnology products accounted for 10 percent of global pharmaceutical sales in 2004, or about \$55 billion in worldwide sales for the year.<sup>19</sup> By 2003, the U.S. accounted for 62 percent of the global biotech drugs market, while in that year Japan's share of the total had fallen to 7 percent from 28 percent in 1994.<sup>20</sup> Patents on the first generation of blockbuster biopharmaceuticals are beginning to expire, and the high cost of these products means the generic versions will find large markets among hard-pressed governments and other payers. Sales of biogenerics are flourishing in the unregulated markets. The only regulated-market approvals so far are in Australia, granted in October 2004 for the recombinant DNA growth hormone Omnitrope, manufactured by Sandoz, as well as in the EU, granted in April 2006.

## **Outsourcing**

### **IT Outsourcing**

- India's status as an information technology superpower, with access to specialist skills and 24/7 work hours, is a huge advantage as it strengthens its position as the destination of choice for contract research, including drug discovery.

- Eighty-two percent of U.S companies overall rank India as their first-choice IT outsourcing destination, says leading international clinical research organization Chiltern International,<sup>28</sup> adding that IT and IT enabled services (ITES) companies have been expanding their activities in India to new business segments such as bioinformatics and life sciences; those doing so or planning to include Accenture, Intel, Satyam, Cognizant, IBM.

### **Opportunity in Developed Economies**

- Japan, US And Europe are the most important economies in global pharmaceutical market.
- Developed markets such as USA, Top 5 EU countries and Japan are estimated at US\$295-305bn, US\$135-145bn and US\$64-68bn respectively with single digit growth rates (refer chart 23 & Table 4). The generics opportunity within this market is relevant for India. Around ten percent of this market estimated between US\$49.4 – 51.8 billion can be taken as the size of the opportunity for Indian generics.
- Generics need not be promoted to doctors in many markets such as USA and assume character of a commodity in these countries. The cost of promoting to doctors and setting up drug promotion structures would otherwise be very high for Indian firms and the only entry cost in generics markets in these countries is limited to the cost of developing a DMF (Drug Master File) or ANDA (Abbreviated New Drug Applications) and the filing costs. In view of this, many developed economies are important target opportunities for pharmaceutical generic manufacturers.
- Emerging markets (Brazil, China, India, Mexico, Russia, South Korea and Turkey) are estimated at US\$85-90bn. (12-13%) and rest of the world is estimated at US\$125-135bn growing at 7-8 percent in the coming years. Emerging markets have significant generic component due to historic reasons of patents applicability.

### ➤ **Bio-generics Opportunity**

- Bio-generics are nothing but generic versions of biological products. With around 200 companies, India's biotechnology sector is growing fast and is in the early

stages of development with initial emphasis on vaccines and bio-services. The break-up of Indian domestic biotechnology market is given in chart 19. This industry grew by 37 percent in the year 2006-07. Total biotechnology exports stood at US\$763 million during 2006-07 with 75 percent of it coming from biopharmaceuticals.

- IMS estimates that biotechnology products accounted for over 10 percent of global pharmaceutical sales, 20 Patents on the first generation of blockbuster biopharmaceuticals are beginning to expire. Sales of bio-generics are flourishing in the unregulated markets. The only regulated-market approvals so far are in Australia, granted in October 2004 for the recombinant DNA growth hormone Omnitrope, manufactured by Sandoz, as well as in the EU, granted in April 2006.
- ■ There is rapid growth in the market and research environment in emerging economies such as Brazil, China and India, leading to a migration of economic and research activities outside of Europe to these fast-growing markets. In 2011 the Brazilian and Chinese markets grew by more than 20% (20.0% and 21.9% respectively) compared with an average market growth of 2.6% for the five major European markets and 3.6% for the US market (source: IMS).
- ■ In 2011, North America accounted for 41.8% of world pharmaceutical sales compared with 26.8% for Europe. According to IMS data, 56% of sales of new medicines launched during the period 2006-2010 were on the US market, compared with 24% on the European market.  
  
■ The fragmentation of the EU pharmaceutical market has resulted in a lucrative parallel trade. This benefits neither social security nor patients and deprives the industry of additional resources to fund R&D. Parallel trade was estimated to amount to €5,100 million (value at ex-factory prices) in 2010.

## CH.10:-RECOMMENDATIONS & CONCLUSION

### Recommendations to Improve Belgium's Competitiveness

- Firstly, to address the political risk of fragmentation, Belgium should pursue policies to promote social cohesion and improve regional disparities. Government programs to support academic exchange and inter-regional business partnerships can improve social cohesion. Developing a long-term national strategy for competitiveness will also promote national unity. A national action plan to improve

prosperity will allow the Belgian government to better coordinate activities between the regions and encourage efficiency-enhancing collaboration such as joint marketing initiatives and joint design and sponsorship of training.

- Secondly, to address the government's fiscal deficit, Belgium will need to reduce government spending and raise taxes. A continued privatization program can reduce ongoing expenditure, improve efficiency and may increase extraordinary receipts. The government should also restructure its tax policy to shift the burden towards VAT. A consumption tax is a good substitute for receipts from income taxes and has less of a decorative effect on labor supply.
- Thirdly, to address the challenges of different regional regulations, the federal government should centralize regulation to ensure that federal and regional legislative processes do not overlap. Fourthly, Belgium must improve its low levels of R&D investment and innovation output. This requires targeted effort across three stages with collaboration between government, universities and private sector participants. Belgium needs to increase its R&D expenditure to match the OECD average. Fiscal incentives can support this, for example through tax credits and a national investment fund which matches private sector establish a working party to identify barriers to innovation (e.g., a lack of particular skills, the complexity of the regulatory system, intellectual property laws, etc).
- Ensuring wide participation from the academic and industrial sectors will ensure that a collaborative and integrated approach is taken. Belgium can improve the commercialization of R&D efforts by strengthening technology transfer offices. Finally, Belgium needs to increase the country's low rate of labor force participation. Policies should discourage early retirement by increasing tax rates on early withdrawal of retirement or pension funds.
- Improving child-care services, adopting better policies for maternity leave, and introducing flexible at-home employment opportunities may help increase female labor participation contributions. Belgium also needs to improve the productivity of R&D to increase the number of patents developed.
- From the above graph and pharmaceutical cluster we would imagine the position of belgium in pharma industry.
- Belgium is doing lot of thing in pharma sector with help of diagram we can imagine but for better growth it need to achieve better factors to get success in pharmaceutical industry.

## **Conclusion:**

- The EU industry, while facing strong competition from traditional economies such as the US and Japan, and also from emerging economies such as China, India and Brazil, remains strong in the international marketplace. As the export statistics above (and below in Annex I), demonstrate, all subsectors of the EU industry appear to be able to adapt well to a changing global market place, and are able to exploit new and emerging markets throughout the World economy.
- There are, however, clearly present and future challenges to the industry, both in maintaining its strong position as a market leader, and particularly in overcoming non-tariff barriers to entry which are both numerous and diverse in nature. Indeed, the EU sector's strong presence throughout the World marketplace can be a weakness as well as a strength when attempting to tackle these trade barriers.
- As a world leader in the sector, the EU industry takes a global approach to trade issues and barriers listed above. There is a risk that industry is potentially focusing its efforts too widely, and this is true for both originator and generic sub sectors. The sector may, therefore, face a future challenge in how it prioritizes the type of barriers it wants to address and in which markets. As part of their submission, the industry has provided an extensive trade barrier list, and as a follow-up exercise the Commission will work with the industry to analyze and prioritize this list.
- Belgium is the second largest exporter of biopharmaceutical products in the world with a market share of 13% in 2007, second only to Germany.<sup>55</sup> From 1997 to 2007 Belgium's world export market share increased by 7%, while Germany's market share increased by 1.2%./
- In terms of total export value, the cluster ranks second in the country with exports of \$50bn in 2007, just behind the automotive cluster whose exports amounted to \$52bn.<sup>57</sup> 60% of the cluster's total production is exported to the rest of the world. The cluster employs an estimated 27,300 workers, with 26,000 people working for pharmaceutical firms and 1,300 for biotech firms.<sup>59</sup> Roughly 5,000 of these jobs are in R&D. Belgium pharmaceutical production has grown at a 7.1% CAGR between 1995 and 2010.

- Belgium's pharmaceuticals cluster map is outlined in Core activities fall into four categories: R&D, clinical trials, manufacturing and marketing/sales. The government plays a key role by creating legislation and enforcing certain regulations (e.g., drug approval; pricing and reimbursement processes; and health and safety regulations). In addition, regional investment and trade bodies encourage inward investment; both from new and existing cluster participants.
- Belgium also hosts several related clusters that complement the pharmaceutical cluster, including: biotech, chemicals, agribusiness and logistics. Each related industry supports a different pharmaceutical activity. For example, the biotech cluster complements R&D activities through commercialization of new research discoveries. The chemicals cluster complements manufacturing through supporting product and process expertise. The logistics cluster plays an important role in distributing pharmaceutical products to Belgium's global customers.
- From above diagram we observe about Export and Import of pharmaceutical sector with Belgium and India and both of them we concluded that better growth rate would be possible in pharmaceutical sector but it needs to look after by European union agreements.
- Drugs and Health activities are look by the Government.
- The company now wants to expedite its clinical research operations and is in the process of building a global organization focusing on clinical research with multiple facilities in the USA, Europe and India.
- There is rapid growth in the market and research environment in emerging economies such as Brazil, China and India, leading to a migration of economic and research activities outside of Europe to these fast-growing markets. In 2011 the Brazilian and Chinese markets grew by more than 20% (20.0% and 21.9% respectively) compared with an average market growth of 2.6% for the five major European markets and 3.6% for the US market (source: IMS).
- In 2011, North America accounted for 41.8% of world pharmaceutical sales compared with 26.8% for Europe. According to IMS data, 56% of sales of new medicines launched during the period 2006-2010 were on the US market, compared with 24% on the European market.
- The fragmentation of the EU pharmaceutical market has resulted in a lucrative parallel trade. This benefits neither social security nor patients and deprives the industry of additional resources to fund R&D. Parallel trade was estimated to amount to €5,100 million (value at ex-factory prices) in 2010.

- This is finally concluded that still market rate, market growth .its share etc can grow faster in pharmaceutical sector in belgium ,if it is look with proper norms and policies.

# **ANALYSIS OF AUTOMOBILE INDUSTRY**

The Belgium car industry has a long past reaching back to the end of the 19th century and has always been one of the main drivers of the national economy. An outward-looking sector, it exports a significant amount of its production worldwide. As a country with long-standing links to car manufacturing, Belgium has a highly capable and professional workforce. Belgium is home to a very rich and diverse automotive industry.

The Belgian car industry has always been one of the main drivers of the national economy. While more than six million vehicles (roughly one car for every two Belgians) are registered in Belgium with more than 500,000 new registrations every year, Belgium represents a small market relative to the US. The most important consideration for American exporters to keep in mind in creating auto-related goods for the European market is that the design must fit European specifications and style.

Belgium global contractors also run in Africa, Asia, Australia and Central and South America. The international commitment of Belgium contractor is not new. At the turn of the 20th century, they were already involved in ambitious projects such as the railways in Russia and China, the tramways in Cairo, the Paris subway, and various projects in Central Africa.

Belgium really is the home and exporter of wonderful new contractors, great architect, engineering and design offices, high-tech material and construction material manufacturers, all creating and building the future.

Belgium is home to numerous world-leading enterprises operating in widely differing sectors. Because of the strong presence of automotive suppliers and assembly plants in the region, some of these big corporations have focused as well on the automotive industry.

Belgium is home to an immensely rich and diverse automotive industry. Several multinationals have established themselves in Belgium; medium sized Belgian companies, moreover, specialise in the finishing of luxury, top-of-the-range cars, and we should not forget the Belgian manufacturers Van Hool and Jonckheere who specialise in buses and coaches. Also important are the logistics hubs, suppliers and competence

centres, which are contracting not only in Belgium but as well with companies throughout the world.

A well industrial transportation system plays a key role in the development of an economy, and India is no exception to it. With the growth of transportation system the Automotive Industry of India is also growing at rapid speed, occupying an important place on the 'canvas' of Indian economy. Today Indian automotive industry is fully capable of producing various kinds of vehicles and can be divided into 03 broad categories: Cars, two-wheelers and heavy vehicle.

In Belgium benchmarks the current public automotive research activities at international level, in particular the European Union with Brazil, Canada, China, India, Japan, Malaysia, Russia, South Korea, the United States and 13 EU Member States. EAGAR identifies the national road transport visions and roadmaps, research priorities, supported key topics, technology pathway, as well as the level of investment. This enables a direct comparison of national automotive R&D policies relating to the environment, safety and congestion.

The EAGAR study provides a key perspective on global investments designed to improve automotive vehicle technologies for a greener, safer and smarter road transport system. Overview of national road transport visions, research agendas and roadmaps Comparison of automotive research priorities and Investments focused on vehicle technologies. Characteristics of National automotive research funding systems and approaches Potential international cooperation areas from a European perspective this study benefits the competitiveness of Europe and enables the stakeholders to adjust its visions & plans for the future.

It is available from the EAGAR website [WWW.EAGAR.EU](http://WWW.EAGAR.EU) as deliverable D.5.1 from September 2010.

Belgium has notched up second place, behind Hong Kong and ahead of Singapore, in the global Foreign Direct Investment (FDI) Attraction Index published by the United Nations Conference on Trade and Development (UNCTAD).

As regards the contribution of FDI and foreign affiliates to the economy.(in terms of value added, employment wages, tax receipts, exports, R&D expenditures and formation) Belgium is also second in the world, behind Hungary and ahead of the Czech Republic.

Over the next one year, some 20 new cars will be seen on Indian roads. Take note of this, Maruti Udyog is coming up with new Zen and the diesel version of Swift during the

next few months. Hyundai will also be unmasking the Verna and a brand new diesel car. General Motors will be launching a mini and may be a compact car.

Honda, Suzuki, General Motors and Hyundai, the global automakers had already launched their premium SUVs in the market to broaden their portfolio and create product excitement in the segment estimated at about 10,000 units annually. Foreign auto makers, including Ford Motor Co., General Motors Corp., Honda Motor Co. Ltd., Toyota Motor Corp., DaimlerChrysler AG and Hyundai Motor Co. Ltd., are looking to increase their presence in India and use it as an export hub.

Exports of auto components, whose manufacturing costs are 30-40 per cent lower than in the West, have grown at 25% a year between 2011 to 2012. Belgium is an attractive country for vehicle manufacturers. Not only does it offer a highly qualified workforce with a proven track record of high productivity; it also has the ports to enable rapid distribution and research centers to test parts and components and look into the potential of new technologies.

In 2011-12, Belgium turned out 724,498 vehicles, most of them destined for the export market. Of this total number of vehicles made in Belgium, 434,875 were private cars, 245,256 were vehicles for transporting people or goods, 43,068 were utility vehicles weighing in excess of 3.5 tonnes and 1,286 were coaches.

Belgium's [national accounts](#) are drawn up based on the definitions of the European system of national and regional accounts (ESA 1995). Gross domestic product is a key variable calculated in the system of national accounts. The calculation is performed according to three approaches: production, income and expenditure at current prices. There are many reason for that we can invest in Belgium like Strategic location, Infrastructure, Smart taxation, Quality of the workforce ,Helpful authorities ,Quality of life.

The regional accounts contain data on the indicators per branch of industry and the income accounts of households for the regions, provinces and districts. The sector is strongly characterized by globally organized foreign manufacturers of hardware and software products for industrial automation. This sector continues to develop extremely quickly through the very widespread presence of these manufacturers in our country, the relatively many engineering and integrator companies, rapidly rising demand for newer and more highly performing solutions from our local production companies and ever shorter PLCs (Product Life Cycles) in this type of high-tech product for outsourcing this usually non-core activity in production companies

Producers of industrial automation products are present but there are a few of them in terms of numbers. They are oriented more towards niche markets and develop hardware and software for specific solutions such as mechanical engineering, but are growing steadily and gaining in importance in the Belgian economy.

Today's automotive industry is affected by many trends. Governments are tempering the need for revenue with increased competition for labor and capital. Tax authorities are adapting their enforcement strategies, focus and policies in response to the changing dynamics of business. Companies are balancing competing priorities, ensuring they maintain compliance while adding value.

Through Ernst & Young's Global Automotive Center, we can assist you with these critical issues. Our 7,000 automotive-focused professionals collaborate and share knowledge around the world, to provide consistent, high-quality service to our automotive clients. Our global automotive analysts continuously monitor the industry's ecosystem to identify events that pose significant uncertainty - in terms of opportunities or risk - and assess potential outcomes and implications for stakeholders.

Belgium is an attractive country for vehicle manufacturers. Not only does it offer a highly qualified workforce with a proven track record of high productivity; it also has the ports to enable rapid distribution and research centers to test parts and components and look into the potential of new technologies.

Flanders also has its very own innovation network, called Flanders' DRIVE. This initiative offers companies and research establishments like universities the possibility of exchanging know-how and launching joint projects. The network sets out to boost the production and development capacities of suppliers based in Flanders.

Historically, the automotive industry has been very strongly rooted in Belgium. The Belgian automotive industry has been characterized in the past by a high volume of production (assembly) of passenger cars and heavy trucks for foreign OEM. In 2008, 724,500 vehicles were produced (of which over 90 % for export), which makes Belgium one of the highest-per-capita automotive manufacturing countries.

The main assembly companies are Ford, Volvo, VW, and Opel. Despite its very high productivity (amongst the world best), this assembly industry is currently under every heavy pressure. Renault closed its assembly plant in 1997, VW changed its production to a smaller volume of Audi and GM has decided to close Opel Antwerp.

The most recent evolution is the announced take-over of Volvo by Geely (China), which might give an extra impulse to the Volvo-Gent assembly plant which is a major producer within Volvo. Inversely, OEMs such as Toyota are expanding their European Headquarters in Belgium, expanding into an engineering and manufacturing management centre. Furthermore Belgium has a worldwide reputation for its development and production of buses, trucks, trailers, and agricultural automotive equipment, among which Van Hool and VDL Jonckheere (buses) and CNH (agriculture).

The main challenge for the automotive industry in Belgium (and essentially located in Flanders) is to retain its competitiveness in the globalised world. Strategic programmers for innovation have been developed in all Belgian Regions, Wallonia: Plan Marshall pours la Wallonia and Brussels-Capital: Regional Plan for Innovation

In Flanders, a specific Automotive Round Table has led to a 10-pointsaction plan, including innovation, and which is now being further transformed in actions under the new Flemish government (2009-2014). The main actor to give shape to the automotive innovation action plans is the Competence Centre Flanders' Drive. Furthermore, the Flemish government is evaluating strategic programmers towards electric vehicle technology, including the support of field testing. These plans have yet to be further concretized at the date of this report.

Challenges related to environment are less explicitly related to the Belgian automotive industry as such (more to the car buyers and traffic users), and are rather an intrinsic part of the national and regional environment policy which follows to a major extent the EU policies. Part of this environment policy addresses road transport, but rather on the level of homologation legislation, standards, tax policy, traffic control, and law enforcement.

This is essential because a major part of the automotive industry concerns the assembly of products, where the impact of policy makers on the actually developed products is small. Belgium is a fast emerging destination for Indian exports. Besides, iron and steel, capital goods, and chemical material and products, India imports huge quantity of pearls and precious stones especially rough diamonds from Belgium.

It can be reveals that exports to Belgium have grown at the rate of 21.27% in the year 2002-03 over the previous year and correspondingly the total exports of India have also grown at almost same level (22.06%).Similarly, on the imports side, we observe a contrasting behavior between growth in imports from Belgium and growth in total imports of India.

The importance of Belgium in the continental Europe is always to be seen through the prism of it being the headquarters of two significant International organizations i.e., European Union and NATO( North American Treaty Organization). Belgium's position in the international affairs is one that counts on its immaculate stand on global issues of all types and its say in the global foras can hardly be under-estimated. In view of the venerated International reputation that the country has gained, it is quite necessary to continue to strengthen the chords of relationship.

With exemption of the low cost scenario a key challenge for automotive companies (OEMs) is to put considerable resources into the development of new power train technologies. Many companies have already announced to introduce electric vehicles (EV) and plug-in hybrid electric vehicles(PHEV) for 2012 which reflect that they are currently developing these products (considering the long development times for new innovations and products).

Moreover, new manufacturing technologies have to be adopted as well in order to increase flexibility and reduce cost. In addition, common efforts to standardize technological development have to be realized.

The development and diffusion of new technologies such as advanced driver assistance systems, electric vehicles or hydrogen fuelled cars can be interpreted as radical innovations. These types of innovations and technologies build on a different set of engineering and scientific principles and substitute existing technologies and competencies of the established industry. Organizational change

Another challenge particular for the engineering teams will be the handling of inherent trade-offs in designing new vehicles. The achievements of different goals related to sustainability, effectiveness and safety is associated with difficult decision-making, for instance in relation to the use of new materials. The need for recycling may limit the number of different materials and plastics being used and will also require labelling of components.

The design process of the car needs to take into account at an early stage the requirement for recycling and improved dismantling technology. New logistic strategies and services in relation to the re-use may have to be adopted, too. Again, this is relevant in all scenarios.

In addition, global car manufacturers are acting in different context and environments

and hence have to follow divergent strategies in order to respond to manifold challenges on different geographical markets and locations due to different taxations, environmental awareness, regulation, etc.

Due to diverging and more heterogeneous market needs manufacturer have to enlarge their portfolio and to invest in flexible manufacturing technologies. The availability of a specific infrastructure with sensors is a necessity for the development of innovations around the theme of driver assistance and safety. Such innovations and applications require an infrastructure which enables the communication and system-level control.

The automotive industry can also benefit greatly by using knowledge from the aircraft and aviation industry but also the computer and consumer electronics industry, mostly regarding the (co-) development and use of new materials, navigation, driver assistance and safety system. In addition, the automotive industry may co-operate with developers and producers of alternative bio-fuels such as biogas.

From the perspective of the innovation system, the automotive industry so far has often rather enacted the institutional environment and created new market needs and seldom responded just to customer demands, hence innovations were rather technology driven (push innovations).

However, consumer preferences have changed and will change and may have a stronger impact on the business policy and product portfolio of car manufacturers (OEM) in the future. We will see a stronger involvement of end customers in the development process and hence user innovation and open innovation models will have to be adopted by automotive firms to address this issue and keep their competitive position. The initiative to develop an open source car can be referred to in this context.

Social structures such as norms, values, expectations, procedures, standards and routines are part of the institutional environment being a strong driver for the development of the automotive industry. As history shows institutions are relatively resistant to change and have a high level of resilience in general.

The transformation of (innovation) systems often happens over a long period. The introduction of airbags, air conditions and low emission engines demonstrate institutional change, which are now accepted and internalized while they were unaccepted 20 years ago. Due to its highly complex products, the automotive industry is

one of the most regulated sectors in the EU.

Regulation has a significant impact on the manufacture of motor vehicles and vehicle parts. The most important regulations concern safety standards, environmental compatibility, norms and standardization, and IPR-regulations.

Regulations could be a barrier to innovation if the passenger car market is fragmented into national markets with divergent policies in respect of car taxation, which is real challenge in Europe (EC 2002). In 2005 the Competitive Automotive Regulatory System for the 21<sup>st</sup> century (CARS 21) a high level group comprising major stakeholders (EC, member states, trade unions, industry etc.) was founded.

An already mentioned above a broad bundle of regulation is related to environmental issues and safety. Literature on innovation in the automotive sector suggests that an extensive and extending regulatory framework may either hamper or open new trajectories to innovation. Regulations such as vehicle safety, reduced vehicle weight or noise of tires, fuel consumption, recycling, composite materials, avoidance of toxic materials and alternative drives hamper innovation (Eads, 1980)

In the empirical literature on gazelles, there is no explicit consensus of how to define a cut-off point in terms of high growth. In fact, there is a wide range of different explanations on how to choose (a probably largely arbitrary) such a cut-off point of growth. In general, the cut-off point indicates the frontier at which high-growth firms become gazelles.

The following cumulative examples give an overview on the existing descriptive literature. Different studies, most of them are widely used in the literature; define high growth firms as having a turnover growth rate of at least 20 % p.a. for three or more consecutive years (Birch & Me doff, 1994; Birch, pHaggerty, & Parsons, 1993; Reuber & Fischer 2005; Nicholls-Nixon, 2005, Sims & Oregon, 2006; Tatum, 2007). Audio, Arenius, & Wallonia's (2000) and Aces, Parsons, & Spencer (2008) define high growth firms as firms that obtain at least 50% turnover growth during each of three consecutive financial years.

Further studies employ a relative cut-off point and use the top growing 5 % or 10 % of high growth firms (Kirchhoff, 1994; Schreyer, 2000; Davisson & Delmar, 2003, 2006; Parker et.al., 2005).

The results obtained for cooperation confirm the assumption that firms being active in cooperation's might be more likely to become gazelles. The report on sectoral innovation systems in Europe (2008) points out that gazelles may act in clusters and that collaboration may have an impact on these firms to become gazelles.

Nevertheless, the results show that there are decisive differences when different innovation cooperation's are used. Most of the high-growth firms have cooperation arrangement on innovation activities. Gazelles tend to have more national clients and customers and are more active in innovation cooperation's (e.g. Consultants, private red institutes) in other countries.

Gazelles in other sectors are integrated in the value and supply chain of the automotive and broader the transport equipment sector. Gazelles in the textile industry or the knowledge intensive business sector are often oriented towards attractive supply-markets of the automotive industry, for instance. Thus, suppliers in the textile industry can generate considerable growth rates on the basis of their supply function to local producers in the automotive industry and their indirect integration in a global supply chain.

The EU-25 automotive sector represents about 8% of total value added in the EU-25 manufacturing industry and shows impressive figures for R&D- and Innovation expenditures are significantly above the average of medium-high-technology manufacturing.

Although new EU member countries are advancing rapidly, both on supply and demand side, view countries (in the first place Germany) clearly dominate the sectoral economic and innovation system in Europe. Even if statistical data elides the difference between passenger cars and commercial vehicles it is of considerable relevance for innovation and market development.

Our results show a differentiated picture of innovation in automotive sector, reinforcing significant strengths of the automotive sector but also posing future challenges and need for policy intervention. Innovation expenditures in the automotive sector are considerably above industry average, but are frequently driven by external factors, e.g. Developments in machinery and equipment, materials, electronic equipment. Innovation throughout the value chain plays a significant role.

The automotive sector is dominated by enterprises belonging to a few very large enterprise groups. Innovation in the automotive sector is affected by powerful supply and network structures with a decisive role being played by systems (mega) suppliers.

The whole design and development process has been reorganized in the recent years as tasks are organized parallel and interactively synchronized. Beyond a new organization of innovation processes in multidisciplinary teams the direct involvement of systems and component suppliers became necessary. We could show that peripheral actors have become more strongly connected to actors in the centre since the end of the 1980s.

The European automotive sector was already undergoing a process of restructuring before the onset of the current financial and economic crisis. While the current crisis merely served to compound existing inherent structural problems it will be a barrier for innovation in the short-term.

The analysis of Potential barriers to innovation verified global financial crisis but also market protectionism as barriers of innovation. While innovation has for decades been driven by technological considerations, market factors are becoming even more decisive (both as potential barriers and drivers) in innovation activities.

European policy can support the reorientation towards new emerging markets via supporting technological development but also via fostering the establishment of European standards in foreign markets.

The analysis of eco-innovation opportunities also showed a wide range of incremental eco-innovations in this sector, but firms down the supply chain have a more reactive rather than active innovative behavior in the face of potential environmental regulations.

Several recent technology roadmaps for the automotive industry have painted a relatively clear picture of the technological alternatives under way which might gradually lead to a new area of mobility. The projected image of a smooth manageable transition to a new paradigm proved illusionary.

More ambitious policy objectives have to overcome potential conflicts and trade-offs between short-term competitive, environmental, transport and social policies and interests at the European and national levels. Furthermore paradigmatic shift towards alternative concepts of mobility and transport requires long term structural change of industry and transport infrastructure and a better synchronization of legislations (about environmental issues) and automotive innovation cycles

The extant policy has drawn many overseas companies into India but needs to be more investor friendly, address emerging problems and be WTO compatible. The Indian

car market is full of possibilities; but present demand profile inhibits volume production, save by a few, and conduces contention rather than competition.

World over, the majors have consolidated to elevate technology, enlarge product range, access new markets, cut costs and ingraft versatility. They have resorted to common platforms, modular assemblies and systems integration by component suppliers and E-Commerce.

The automotive industry is in the midst of a major structural transformation in today's globalised scenario. "System Supply" of integrated components and sub-systems is becoming the order of the day, with individual small components being supplied to the system integrators instead of the vehicle manufacturers.

In this process, most of the SSI units manufacturing smaller individual components are on their way to become tier 2 and tier 3 suppliers, while the larger companies including most MNCs are being transformed into tier 1 companies, which purchase from tier 2 & 3, and sell to the auto manufacturers.

Initiatives relating to investment, tariffs, duties and imposts will be the instruments to achieve the Policy objectives. These path government's economic reform and are in harmony with the commitments made to WTO .Increased resource allocation to the highways sector to ensure collateral up gradation and development of road infrastructure in step with the increase in the population of vehicles. An appropriate regulatory framework for smooth movement of traffic, safety and environmental aspects.

The incidence of import tariff will be fixed in a manner so as to facilitate development of manufacturing capabilities as opposed to mere assembly without giving undue protection; ensure balanced transition to open trade; promote increased competition in the market and enlarge purchase options to the Indian customer.

The Government will review the automotive tariff structure periodically to encourage demand, promote the growth of the industry and prevent India from becoming a dumping ground for international rejects. In respect of items with bound rates viz. Buses, Trucks, Tractors, CBUs and Auto components, Government will give adequate accommodation to indigenous industry to attain global standards.

In consonance with Auto Policy objectives, in respect of unbound items i.e., Motor Cars, MUVs, Motorcycles, Mopeds, Scooters and Auto Rickshaws, the import tariff shall be so designed as to give maximum fillip to manufacturing in the country without extending undue protection to domestic industry.

The conditions for import of new Completely Built Units (CBUs), will be as per Public Notice issued by the Director General Foreign Trade (DGFT) having regard to environment and safety regulations. Used vehicles imported into the country would have to meet CMVR, environmental requirements as per Public Notice issued by DGFT laying down specific standards and other criteria for such imports. Appropriate measures including anti dumping duties will be put in place to check dumping and unfair trade practices.

The ownership of cars in India is just 6 per thousand of population as against 500 in the developed economies. The contribution of the auto sector to the GDP and employment is likewise low. Expansion of local demand holds great potential and is vital to install scale volumes of production. Domestic demand mainly devolves around small cars not exceeding 3.80 meters in length. Small cars occupy less of road space and save on fuel.

These capture more than 85% of the market. India can build export capability and become an Asian hub for export of small cars. The growth of this segment needs to be spurred. Multi Utility Vehicles MUVs are an important mode of economical mass transport in rural India due to poor road infrastructure and lack of good State transport system.

They are the first vehicle purchased by a number of farmers, traders, small businessmen in rural and semi-urban markets. The Government will Endeavour to provide fiscal incentives to this sector. Commercial Vehicles presently excise duty on commercial vehicles sold by a manufacturer whether as a chassis or with a complete body is 16%. However, no duty is levied on the body that is built by an independent body builder on chassis bought from a manufacturer.

This dispensation inveigles production of the complete trucks and buses by the chassis manufacturer and is detrimental to safety standards. The Government shall promote Research & Development in automotive industry by strengthening the efforts of industry in this direction by providing suitable fiscal and financial incentives.

The current policy allows Weighted Tax Deduction under I.T. Act, 1961 for sponsored research and in-house R&D expenditure. This will be improved further for research and development activities of vehicle and component manufacturers from the current level of 125%.

In addition, Vehicle manufacturers will also be considered for a rebate on the

applicable excise duty for every 1% of the gross turnover of the company expended during the year on Research and Development carried either in-house under a distinct dedicated entity, faculty or division within the company assessed as competent and qualified for the purpose or in any other R&D institution in the country.

This would include R & D leading to adoption of low emission technologies and energy saving devices. Government will encourage setting up of independent auto design firms by providing them tax breaks, concessional duty on plant/equipment imports and granting automatic approval. Allocations to automotive cess fund created for R&D of automotive industry shall be increased and the scope of activities covered under it enlarged.

The Porter's 5 Forces tool is a simple but powerful tool for understanding where power lies in a business situation. This is useful, because it helps you understand both the strength of your current competitive position, and the strength of a position you're considering moving into.

With a clear understanding of where power lies, you can take fair advantage of a situation of strength, improve a situation of weakness, and avoid taking wrong steps. This makes it an important part of your planning toolkit.

Conventionally, the tool is used to identify whether new products, services or businesses have the potential to be profitable. However it can be very illuminating when used to understand the balance of power in other situations

Manufacture and export of small cars, Multi Utility Vehicles (MUV), two & three wheelers, tractors, components should be further promoted in lieu of the current export trends. Appropriate Tariff Policy should be followed to attract further investments in the Automobile Sector. Measures should be taken to expand the domestic market.

Exports should be more encouraged. Policy initiatives for competitiveness and development of technology should be taken. Infrastructure development around identified automotive clusters should be undertaken. Emphasis should be on more product innovation and Value added services as the current customer demands better products and services aggressively. Setting up of virtual SEZ and Auto Parks for auto component industry should be considered.

India is also an emerging market for worldwide auto-giants. Due to low cost of Labor many multinational companies are investing in India. Its automotive industry has Grown

very rapidly from the middle of 1990's. Recently, there are two big investments expected to boost the sector further, one is from Maruti and the other is from Honda.

Tata's proposed investment to manufacture cheap car is also expected to boost the Industry. India is the second most populated country in the World, and the growth rate of Indian economy is very high, which indicates the presence of huge demand in different Industrial sectors. Automobile industry is not the exception in this regard. Indian Automobile sector has huge demands from its own country.

This demand also attracts the 19 Giant automobile suppliers throughout the world to come and invest in the Indian Automotive industry. Due to the contribution of many different factors like sales incentives, Introduction of new models as well as variants coupled with easy availability of low cost Finance with comfortable repayment options, demand and sales of automobiles are rising continuously.

Government has also contributed in this growth by liberalizing the norms for foreign investment and import of technology and that appears to have benefited the Automobile sector. The production of total vehicles increased from 4.2 million in 1998- 99 to 7.3 million in 2003-04. It is likely that the production of such vehicles will exceed 10 million in the next few years.

The increase in the exports of automobile sector is also due to the adaptation of international standards. After a temporary slump during 1998- 99 and 1999-00, such exports registered robust growth rates in last few years Hence, many players are looking for an external market for Indian automobiles. The prospect of component industry is quite positive. The leading local firms have established over 200 technical cooperation agreements with foreign firms to be able to reach international standards in cost and manufacturing.

The 2012 global automotive industry is poised for growth while marked by cautious optimism. Despite the situation in Europe, global automotive production is forecast to hit record search year through 2017. Global vehicle assembly should increase this year by up to five million units, driven by NA and BRIC production increases.

Indeed, for the first time in history, All major automotive markets have recovered from 2009 lows, except for Europe emerging market vehicle assembly exceeded

established market assembly and is expected to do so in the future .Looking further out, vehicle assembly is expected to grow by 40% and reach100 million units around 2017.

Global capacity utilization is also expected to slightly increase to about 85% in the same time frame. The sector is strongly characterized by globally organized foreign manufacturers of hardware and software products for industrial automation. This sector continues to develop extremely quickly

The sector is strongly characterized by globally organized foreign manufacturers of hardware and software products for industrial automation. This sector continues to develop extremely quickly through the very widespread presence of these manufacturers in our country, the relatively many engineering and integrator companies, rapidly rising demand for newer and more highly performing solutions from our local production companies and ever shorter PLCs (Product Life Cycles) in this type of high-tech product for outsourcing this usually non-core activity in production companies

In addition to these foreign players, a series of Belgian university or non-university companies develop and produce industrial hardware and software for industrial automation in explicit market niches so that even more tailored solutions can be offered to ever more demanding users.

Thanks to the international success which they post and partly thanks to the strong support from the Belgian and regional authorities, these companies can develop their activity on an accelerated basis into a promising, dynamic industrial activity.

With 11,000 direct employees (18,000 indirect) and a turnover of EUR 2.5 billion in 500 companies the sector is an important player in the Belgian industrial landscape.

The players in the area of industrial automation in Belgium are strongly dominated by major suppliers such as ABB, Rockwell, Siemens, and Schneider, who in addition to supplying products and services also offer installations and customer-oriented solutions. They act as value added sales divisions. Their activities are service oriented but they also offer added value in the pre-assembling of solutions for Belgian industry.

Producers of industrial automation products are present but there are a few of them in terms of numbers. They are oriented more towards niche markets and develop hardware and software for specific solutions such as mechanical engineering, but are growing steadily and gaining in importance in the Belgian economy.

In addition to suppliers of products we have a large group of “Solution Providers”,

who play an increasingly strong role. They integrate the total solution for the customer and look for the most optimum technical and economic solution. In addition, there are consulting and sector consultancies which influence the sector indirectly

The Government of India (GOI) allows the imports of automobile and components, production machinery, Computerized Numerically Controlled (CNC) machinery tools and dies without government approvals and on payment of applicable customs duty. The GOI also allows licensing arrangements and joint venture opportunities in this sector. Foreign investment up to 100% is allowed in the automotive industry sector.

The Indian automobile industry is a mature industry segment with several MNCs competing with local companies. The Indian automobile market is set to expand exponentially in the next 5-10 years, given the strong growth in demand. McKinsey projected that the Indian middle class will reach 550 million by 2025, from the present 200 million growing middle class with strong purchasing power, signaling a sustained growth for the automobile sector.

Realizing a strong latent potential, international automobile manufacturers are finalizing major new investment plans. These include: Ford \$500 million, Ashok Leyland-Nissan \$500 million, Nissan-Renault \$1 billion, VW (put in U.S. \$\$), Honda \$250 million, and Tata Motors \$240 million.

The results obtained for cooperation confirm the assumption that firms being active in cooperation's might be more likely to become gazelles. The report on sectoral innovation systems in Europe (2008) points out that gazelles may act in clusters and that collaboration may have an impact on these firms to become gazelles.

Nevertheless, the results show that there are decisive differences when different innovation cooperation's are used. Most of the high-growth firms have cooperation arrangement on innovation activities. Gazelles tend to have more national clients and customers and are more active in innovation cooperation's (e.g. Consultants, private red institutes) in other countries. The distribution of gazelles at the sectoral level (nice-codes: industries / sectors) sorted by different growth categorizations. Shows relatively low shares of gazelles for the automotive sector.

As analyzed by mituschetal. (2010) gazelles tend to emerge in growing industries and earlier phase of business-life-cycles. Gazelles emerging in a declining industry might realize growth at the expense of job losses in other

firms. Thus, net effects on employment might be small. Although the proportion of gazelles in the sector manufacture of transport equipment is small. Gazelles in other sectors are integrated

International players compete with Indian automobile manufacturers in the passenger cars and commercial vehicle space. Ashok Leyland, Mahindra & Mahindra, and Tata Motors are the major home grown companies that compete aggressively in the passenger cars and commercial vehicle segment. Indian automobile components ventures compete with international leaders such as Delphi, Visteon, and Bosch.

Indian companies have formed joint ventures with leading foreign companies to manufacture components locally. Global automobile manufacturers including Ford, General Motors, and Toyota have set up their international purchasing offices in India to source components for their global operations.

India is the second most populated country in the World, and the growth rate of Indian economy is very high, which indicates the presence of huge demand in different industrial sectors. Automobile industry is not the exception in this regard. Indian automobile sector has huge demands from its own country. This demand also attracts the giant automobile suppliers throughout the world to come and invest in the Indian automotive industry.

Belgium is often considered the home base of assemblers, manufacturers and importers of vehicles. Thanks to its “open economy,” almost all foreign car makers are represented in Belgium. On an annual basis, about one million cars and 90,000 commercial vehicles, buses and coaches are assembled in Belgium.

The country's assembly industry includes Ford, Opel, Volvo and Audi and employs 60,000 direct employees. This production is valued at \$14.1 billion. In addition, more than 260 automotive suppliers employ 25,000 people. These companies are active in industrial production, logistics, engineering, R&D, ICT, services, etc.

The Belgian car market has grown at a steady rate in the past 10 years. According to the Belgian Federal Government there were 5.16 million cars in 2009, compared to 5.06 million the year before. This is an increase of 1.8%; 2006 saw an increase of 1.44 percent. Households average two-three cars each and family members are spending more time in their cars, between commuting and vacationing, amounting to about one hour per day.

Overwhelmingly, Belgians prefer manual transmissions, which account for more than 90% of cars sold. Belgians also prefers engines that have a lower consumption rate. Higher fuel efficiency of diesel engines and the lower cost of diesel fuel drive demand for diesel engines. Diesels now represent more than 60% of all vehicles in Belgium.

The size of cars being purchased is diversifying. Small family cars remain the most popular type of car in Belgium (24%), followed by station wagons (14.3%), and small urban cars (10.4%).

**ANALYSIS  
OF  
FOOD & BEVERAGE  
INDUSTRY**

## CH.1 & 2:-INTRODUCTION, FUNCTION AND BUSINESS ACTIVITIES OF FOOD & BEVERAGES

Belgium has its own special dish. Butter, cream, beer and wine are liberally used in cooking. The nation is particularly famed for, among other things, its waffles, its chocolate, its beer and its mussels. Some claim that the frite, or deep-fried potato chip, was invented in Belgium.

Restaurant bills always include drinks, unless they have been taken at the bar separately. In the latter case, this is settled over the counter. The majority of cafes have licences to serve spirits. Beers and wines are freely obtainable everywhere and there are no licensing hours.

### **FUNCTIONS OF FOOD AND BEVERAGE SECTOR**

- **Project and portfolio management.** Companies must implement a global project and portfolio management framework to improve the effectiveness of their innovation efforts, while also maintaining the flexibility to adapt to local requirements and regulations.
- **Specification management.** Companies must maintain full traceability of accurate and complete product data through the entire product structure— from finished products down to ingredients and packaging materials.
- **Supplier management.** Companies must maintain visibility of the supply chain entities and sourcing approvals as far upstream in the supply chain as needed to ensure traceability, food safety, and compliance.
- **Formulation and bill of materials management.** Companies must ensure product integrity by better managing product formulations and reformulations, with a real-time understanding of the impact on compliance, nutrition, and other product characteristics.
- **Packaging and labeling management.** Companies must develop and revise product packaging and labels more effectively, improving cross-functional tasks among technical, marketing, and design teams.

- **Compliance and quality management.** Companies must proactively ensure compliance throughout the product lifecycle and fully integrate product quality and food safety into the process of developing and managing products.
- **Data syndication.** Companies must be able to seamlessly harmonize product data across internal systems and synchronize standardized product data with their trading partners through external data pool.

## **BUSINESS ACTIVITIES OF FOOD AND BEVERAGE SECTOR**

### **Belgium Top 10 Import Commodities:**

Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes : 10003.1p

Other made-up textile articles; sets; worn clothing and worn textile articles; rags : 11591.6

Fish and crustaceans, mollusks and other aquatic invertebrates : 13183.8p

Articles of apparel and clothing accessories, not knitted or crocheted : 13676.6p

Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles : 15243.1p

Organic chemicals : 16400.4p

Iron and steel : 20334p

Pharmaceutical products : 62328

Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof : 85100.4

## **BELGIUM - RECENT DEVELOPMENT OF THE EXPORTS AND IMPORTS**

## GLOBAL EVOLUTION

### 10 Months 2011 (compared with 2010)

| Year                | Exports | Imports | Balance | % Cover |
|---------------------|---------|---------|---------|---------|
| 2010                | 231.66  | 211.65  | 20.02   | 109.5   |
| 2011                | 250.78  | 232.05  | 18.73   | 108.1   |
| Variation 2011/2010 | 8.3 %   | 9.6 %   | -       | -       |

(In USD billions - Average value 10 months 2004 : USD 1 = EUR 0,81458)

## BELGIUMS TOP 10 CUSTOMERS

### 10 Months 2011

| Rank – Country | EURO millions | Total % |
|----------------|---------------|---------|
| Germany        | 40,401.3      | 19.8    |
| France         | 34,827.7      | 17.0    |
| Netherlands    | 23,886.9      | 11.7    |
| United Kingdom | 17,489.9      | 8.6     |
| U.S.A          | 13,515.9      | 6.6     |
| Italy          | 10,680.4      | 5.2     |
| Spain          | 7,982.7       | 3.9     |
| G-D Luxembourg | 4,014.7       | 2.0     |
| India          | 3,574.3       | 1.7     |
| Sweden         | 2,759.0       | 1.4     |

## **BELGIUMS TOP 10 SUPPLIERS**

| <b>Rank – Country</b> | <b>EURO<br/>millions</b> | <b>Total %</b> |
|-----------------------|--------------------------|----------------|
| <b>Germany</b>        | 34,598.7                 | 18.3           |
| <b>Netherlands</b>    | 31,460.3                 | 16.6           |
| <b>France</b>         | 23,378.3                 | 12.4           |
| <b>United Kingdom</b> | 13,122.3                 | 6.9            |
| <b>Ireland</b>        | 11,755.2                 | 6.2            |
| <b>U.S.A</b>          | 10,528.7                 | 5.6            |
| <b>Italy</b>          | 6,050.4                  | 3.2            |
| <b>Japan</b>          | 5,663.9                  | 3.0            |
| <b>PR China</b>       | 5,415.1                  | 2.9            |
| <b>Sweden</b>         | 4,104.8                  | 2.2            |

## **CH.3:- COMPARATIVE POSITION OF FOOD AND BEVERAGE SECTOR OF BELGIUM WITH INDIA AND GUJARAT**

Diplomatic relations between India and Belgium were recognized in 1948 and our bilateral relations are cordial and friendly. In current times, Belgium has accepted the growing meaning of Asia and has emphasize the value of support economic relations with India

Belgium Embassy in society with FIEO and the Belgian-Luxembourg Business Association (BLBA) with the hold up of Flanders Investment Trade Agency and Wallonia Export & Investment Agency, controlled a seminar on February 22, 2012 at New Delhi.

Belgium rank fourth in India's total exports to EU countries and India's exports to Belgium showed an increase of 67.49 % at \$6.29 billion in 2010-11.

Belgium's manufacturing industry is varied and well developed. The industry is strong in areas such as steel, textiles, chemicals, food handing out pharmaceuticals, automobiles, electronics and machinery. The manufacturing industry in Belgium is primarily concerted in the heavily occupied Flanders region in the North

**Agricultural:** The agricultural sector has been abating but is large enough that Belgium can meet most of its own demand for sugar, eggs, butter and meat. Belgium is also a net exporter of vegetables and horticultural produce. Other agricultural products that Belgium produces are cereals, wheat, maize and potatoes.

This incisive report provides expert analysis for Alcoholic Drinks, Beer, Confectionery, Dairy, Frozen Food, Juices, Milk, Savory Snacks, Soft Drinks, Spirits and wine data on value, volume and segmentation for Alcoholic Drinks, Beer, Confectionery, Dairy, Frozen Food, Juices Milk, Savory Snacks ,Soft Drinks, Spirit sand Wine provide textual analysis of the industry's projection Incorporates in-depth five forces aggressive environment analysis and scorecards include five-year forecasts for Alcoholic Drinks, Beer, Confectionery , Dairy, Frozen Food, Juices, Milk, Savory Snacks, Soft Drinks ,Spirit sand Wine. The Belgian alcoholic drinks market generated total revenues of \$11.2 billion in 2009, representing a compound annual rate of change (CARC) of -0.8% for the period spanning 2005-2009

## **FOOD & DRINKS**

There are over 800 kinds of beers made in Belgium. Belgians consume in average 150 liters of beer per person per year. The world's first beer academy opened in Herk-de-Stad, in the Belgian province of Limburg, in 1999. Jean Neuhaus invented the pralines chocolate in Brussels in 1912.

Belgium produces 220,000 tonnes of chocolate per year. This amounts to 22 kg of chocolate per inhabitant annually, i.e. 61 grammes per day in average.

The world's biggest chocolate selling point is Brussels National Airport

## **TRADE & INDUSTRY**

According to the WTO's International Trade Statistics for 2003, Belgium is the world's first exporter of chocolate in 2000 & medicaments & the world's forth exporter of other pharmaceuticals, sugar confectionery in 2001-2002, third in 1999, non-alcoholic beverages, eggs & cereals flour/starch, among others. Beer is the most popular drink in the country, and one can find a whole variety of beer in Belgium. Belgium is the first foreign investors in some developing countries, like Bulgaria.

## **OVERVIEW OF THE INDIAN AGRICULTURE AND FOOD PROCESSING SECTORS**

### **AGRICULTURE**

Agriculture is a segment of the Indian economy. In the 1950s, the contribution of agriculture to the overall GDP was in the range of 51 per cent. However, growing emphasis on the industry and service sectors and changes in the Indian economy has resulted in a drop in the proportion of the agriculture sector. Today, agriculture contributes around 18 per cent to the GDP and accounts for about 15 per cent of the total exports. Nearly 58% of the population at a halt depends on agriculture for a livelihood.

India is geographic area of 329 million hectares, the cultivable land in India is about 167 million hectares. India's favourable climatic conditions and rich natural resources have helped India become the world's largest producer of a range of commodities such as coconut, banana, mango, pulses, cashew nuts, ginger, turmeric and black pepper. Improved infrastructural facilities like refrigerated transportation, cold storage and packaging and new technology like IT and biotechnology, has helped the agricultural sector to develop more significantly in the recent years.

In terms of global farm output, India ranks second and is the second largest producer of rice, sugar, wheat, cotton, fruits and vegetables in the world. In 2007–08, the production of food grains in India grew by 6.2 per cent to reach 230.7 million tonnes

## **INDIAN FOOD PROCESSING SECTOR**

Major products of the food processing sector include:

- processed fruits and vegetables
- meat and poultry
- milk and milk products
- marine products
- plantation crops
- processed grain
- bakery products
- alcoholic beverages
- high protein foods

## **FRUITS AND VEGETABLES**

The total cultivated area of fruits and vegetables is about 12 million hectares (7 per cent of the total cultivation area) and the country produced about 206 million tonnes in 2006–07, accounting for about 10 per cent of the global production of fruits and 15 per cent of the global production of vegetables. The country witnessed an increase of 22.7 per cent over 2005–06, which was around 167.9 million tonnes

### **Meat and Poultry**

#### **Meat**

India is the 7th largest producer of meat in the world and of the total world meat production of 285 million tonnes; India contributes to about 2.1 per cent. In 2006–07, the production of meat in India stood at 6.1 million tonnes.

#### **POULTRY MEAT**

India is the ninth largest producer of poultry meat in the world.

This sector has undergone a major change since the 1960s, from being a backyard occupation to an activity of great commercial significance. In 2006–07, poultry meat production stood at 2.1 million tones.

## **DAIRY PRODUCTS**

Dairy is one of the main contributors to the Indian food processing industry. In 2006–07, the total market size of the dairy industry was valued at US\$44 billion and is expected to reach US\$91 billion by 2015.

## **CHEESE**

In 2007–08, the cheese market was estimated at US\$244 million. the Indian cheese market was estimated at 54 000 tonnes. The consumption of cheese is comparatively low, as cheese in India is a luxury, while in developed countries they are a part of the daily meal. Mumbai with a market share of 30 per cent is the largest market for cheese in India

## **ICE-CREAM**

The market for ice -creams was estimated at US\$265 million in 2006–07, growing at the rate of 12–14 percent the Major players such as Amul, Hindustan Unilever and Mother Dairy, have a significant presence in the country.

## **CONFECTIONERY**

The confectionery market largely consists of chocolates, hard -boiled sugar confectionery, toffees, gums, mints and lozenges, lollipops, fruit rolls, etc. In 2006–07, the Indian confectionery market was estimated at US\$0.6 billion, an increase of 12.8 per cent over the previous year.

## **CHOCOLATE**

The organised chocolate market in India was estimated at US\$0.3 billion in 2006–07 and in terms of volume it was estimated at 35 700 tonnes for the same year. The per capita consumption of chocolates in the country is 300 g as against 1.9 kg in developed countries. this market is growing at about 15 per cent per annum.

## **BAKERY PRODUCTS**

The bakery products sector is one of the largest segments among the processed food markets in India. In 2006–07, the annual turnover of bakery products, which includes bread, biscuits, cakes, pastries, buns, rusk, etc. was estimated at US\$0.9 billion.

## **BISCUITS**

the biscuit market was estimated at 1.7 million tonnes in 2007. Biscuits, production trends 2005–08 (million tonne) Biscuits are broadly categorised as glucose, milk based, marie, arrow root and other variants such as cream, wafer cream, salt crackers, cookies, assorted, etc. This growth is mainly on account of exemption from Central Excise Duty on biscuits with MRP up to US\$2.5 per kg.

## **PCKAGED/CONVENIENCE FOODS**

The packaged/convenience foods sector had rapidly developed over the last decade mainly due to increase in educated nuclear families with disposable incomes, change in lifestyles and food habits and more working women preferring convenience foods. The packaged/convenience food segment comprising of ready-to-eat and ready-to-cook food products is highly fragmented with small players accounting for almost 75 per cent of the output in terms of volume and 50 per cent in terms of value.

## **JAMS AND TOMATO BASED PRODUCTS (SAUCES/KETCHUPS)**

The fruit jam market was estimated at 26 700 tonnes by volume. The penetration of fruit jams in India is very low at 3 per cent, with urban penetration in the country being 9 per cent and rural penetration being 0.3 per cent. Kissan from Hindustan Unilever and Sil from Marico are the most popular brands in the country.

## **FRUIT JUICE/DRINKS**

The organised fruit beverage market which includes nectars, drinks and juices is among the fastest growing segments in the beverages category and was valued at US\$0.3 billion in 2006–07, growing at annual rate of 25 per cent. While the fruit drink sector dominates the market with a 77 per cent market share, the fruit juice and nectar sector accounts for 23 per cent of the market.

## **CH.4:- PRESENT POSITION AND TREND OF BUSINESS IMPORT – EXPORT SUMMARY OF FOOD & BREWAGES IN BELGIUM**

### **Trade in local currencies to boost intra-BRICS trade: FIEO Chief**

Mr M. Rafeeqe Ahmed, President, FIEO, welcomed the agreement amongst BRICS members to promote trade in local currencies which will reduce dollar and euro part of an empire and insulate exporters from sharp fluctuations in currencies. The FIEO Chief said the move will increase intra-BRICS trade which is at present below potential. Intra-BRICS exports are at around 9% while intra-BRIC Imports get up at 12%. India's trade with BRICS was \$87 billion in 2010-11, showing 45% growth, with export surmounting to \$29.5 billion while import surmounting to \$57.5 billion. The move may also address the issue of widening trade deficit amongst some of the BRICS partners, said Mr Ahmed, as trade in local currencies will encourage imports from such countries to those countries having approving trade balance.

### **Wine**

Wine consumption is growing (10% from 2003 to 2008), fuelled by media coverage of its alleged health benefits and discounters and private label making it more affordable. The top

five sellers in the market, with 25% share of still wine between them in 2007, are all private

labels (from Delhaize, Aldi, Colryuyt, Lidl and Carrefour). Boxed wines are growing with 20% of Delhaize's sales coming from them. Continued market growth is predicted by Euromonitor at 1.5% CAGR volume and 0.8% in value. Still wine accounts for 85% of total volume, with red white wine amounting to 53% (down from 57% in 2003), white 32% and rosé 15%. 75% of volume (47% of value) goes through off-trade, exactly the same proportions as five years ago.

### **BEHIND THE BRANDS**

Food justice and the 'Big 10' food and beverage companies

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## **Companies continue the journey toward better social responsibility and sustainability**

In recent years, companies have made a number of important commitments to address their social responsibility and sustainability. Among the most notable, PepsiCo has publicly recognized the human right to water and Coca-Cola has pledged to become water neutral by 2020 through its Live Positively Program.<sup>94</sup> In 2010 Associated British Foods (ABF) introduced a policy to source all palm oil from sustainable sources by 2015 (via the Roundtable on Sustainable Palm Oil)<sup>95</sup> and for the first time published an assessment of its corporate responsibility.<sup>96</sup>

In addition, some of ABF's largest subsidiaries, including Twinings Ovaltine, have committed in their code of conduct to pay farm workers a living wage, or enough to meet their basic needs.<sup>97</sup> In 2012 Unilever committed to engaging with at least 500,000 small-holder farmers in its supply network, to 'improve their agricultural practices and thus enable them to become more competitive'.<sup>98</sup> In 2009, Mars was the first in the industry to commit to sourcing 100 percent of its cocoa from certified sources by 2020 and Nestle launched its own strategy to engage in 'areas with the greatest potential for joint value optimization between our business and society'.<sup>99</sup> In 2012, General Mills agreed to align its reporting with



Now, Oxfam's **Behind the Brands campaign** evaluates where companies stand on policy in comparison with their peers and challenges them to begin a 'race to the top' to improve their social and environmental performance. By targeting specific areas for improvement along the supply chain, the campaign pinpoints policy weaknesses and will work with others to shine a spotlight on the practices of these companies.

Behind the Brands is a part of the GROW campaign. Oxfam's GROW campaign aims to build a better food system: one that sustainably feeds a growing population (estimated to reach nine billion people in 2050) and empowers poor people to earn a living, feed their families and thrive.

Oxfam's campaign focuses on 10 of the world's most powerful food and beverage companies – **Associated British Foods (ABF), Coca-Cola, Danone, General Mills, Kellogg, Mars, Mondelez International (previously Kraft Foods), Nestlé, PepsiCo** and **Unilever** – and aims to increase the transparency and accountability of the 'Big 10' throughout the food supply chain.

At its core, the campaign features the **Behind the Brands scorecard**. The scorecard examines company policies in seven areas critical to sustainable agricultural production, yet historically neglected by the food and beverage industry: **women, small-scale farmers, farm workers, water, land, climate change, and transparency**.

According to the scorecard rankings, **Nestlé** and **Unilever** are currently performing better than the other companies, having developed and published more policies aimed at tackling social and environmental risks within their supply chains. At the other end of the spectrum, **ABF** and **Kellogg** have few policies addressing the impact of their operations on producers and communities.

Yet the scorecard also clearly shows that all of the Big 10 – including those which score the highest – have neglected to use their enormous power to help create a more just food system. In fact, in some cases these companies undermine food security and economic opportunity for the poorest people in the world, making hungry people even hungrier.

Behind the Brands reveals that the social responsibility and sustainability programs which companies have implemented to date are typically tightly focused projects to reduce water use or to train women farmers, for example. But these programs fail to address the root causes of hunger and poverty because companies lack adequate policies to guide their own supply chain operations.

Important policy gaps include:

- Companies are overly secretive about their agricultural supply chains, making claims of 'sustainability' and 'social responsibility' difficult to verify;
- None of the Big 10 have adequate policies to protect local communities from land and water grabs along their supply chains;
- Companies are not taking sufficient steps to curb massive agricultural greenhouse gas emissions responsible for climate changes now affecting farmers;

- Most companies do not provide small-scale farmers with equal access to their supply chains and no company has made a commitment to ensure that small-scale producers are paid a fair price;
- Only a minority of the Big 10 are doing anything at all to address the exploitation of women s

India is the world's second largest producer of food next to China, and has the potential of being the biggest with the food and agricultural sector. The food processing industry is one of the largest industries in India-it is ranked fifth in terms of production, consumption, export and expected growth. The food industry is on a high as Indians continue to have a feast. Fuelled by what can be termed as a perfect ingredient for any industry - large disposable incomes - the food sector has been witnessing a marked change in consumption patterns, especially in terms of food. Increasing incomes are always accompanied by a change in the food basket. The proportionate expenditure on cereals, pulses, edible oil, sugar, salt and spices declines as households climb the expenditure classes in urban India while the opposite happens in the case of milk and milk products, meat, egg and fish, fruits and beverages. For instance, the proportionate expenditure on staples (cereals, grams, pulses) declined from 45 per cent to 44 per cent in rural India while the figure settled at 32 per cent of the total expenditure on food in urban India. A large part of this shift in consumption is driven by the processed food market, which accounts for 32 per cent of the total food market. It accounts for US\$ 29.4 billion, in a total estimated market of US\$ 91.66 billion. The Confederation of Indian Industry (CII) has estimated that the food processing sector has the potential of attracting US\$ 33 billion of investment in 10 years and generate employment of 9 million person-days. The Government has formulated and implemented several Plan Schemes to provide financial assistance for setting up and modernizing food processing units, creation of infrastructure, support for research and development and human resource development in addition to other promotional measures to encourage the growth of the processed food sector .Food processing is a large sector that covers activities such as agriculture, horticulture, plantation, animal husbandry and fisheries. It also includes other industries that use agriculture inputs for manufacturing of edible products. The Ministry of Food Processing,

Government of India indicates the following segments within the Food Processing industry:

- Dairy, fruits & vegetable processing
- Grain processing

- Meat & poultry processing
  - Fisheries
  - Consumer foods including packaged foods, beverages and packaged drinking water.
- Though the industry is large in size, it is still at a nascent stage in terms of development of the country's total agriculture and food produce, only 2 per cent is processed.
- Corporate Catalyst India A report on Indian Food Processing Industry The industry size has been estimated at US\$ 70 billion by the Ministry of Food Processing, Government of India. The food processing industry contributed 6.3 per cent to India's GDP in 2003 and had a share of 6 per cent in total industrial production. The industry employs 1.6million workers directly. The industry is estimated to be growing at 9-12 per cent during the period 2002 to 2007.Value addition of food products is expected to increase from the current 8 per cent to 35 percent by the end of 2025. Fruit & vegetable processing, which is currently around 2 per centof total production will increase to 10 per cent by 2010 and to 25 per cent by 2025.The highest share of processed food is in the dairy sector, where 37 per cent of the total produce is processed, of this only 15 per cent is processed by the organized sector. The food processing industry in the country is on track to ensure profitability in the coming decades. The sector is expected to attract phenomenal investments of about Rs 1,400 billion in the next decade.

## **CH.5:- POLICIES AND NORMS OF BELGIUM FOR IMPORT / EXPORT INCLUDING LICENSING / PERMISSION, TAXATION**

### **POLICIES AND NORMS OF BELGIUM**

The agreements signed and in force between India and Belgium are as under:

Social Security Agreement in November 2006 (came into force in September 2009); Agreement on cooperation in the field of Science & Technology, November 2006; Agreement on Avoidance of Double Taxation (DTAA) August 1997; Bilateral Investment Protection Agreement (BIPA) signed between India and BLEU in November 1997; Cultural Agreement- September, 1973; and Air Services Agreement- April, 1967

There are three regions of Flanders, Wallonia and Brussels-Capital are principally responsible for energy efficiency, renewable energy sources, energy R&D and the distribution and supply of electricity and gas.

### **FOOD SAFETY AUTHORITY (EFSA)**

The European Food Safety Authority is providing independent scientific advice on food and feed safety. The CIAA is an active member of European Food Safety Authority Stakeholder Consultative Platform and Emerging Risk Stakeholder Group. the CIAA has contributed to various conferences, including an event entitled 'Can science and innovation deliver a more sustainable food chain' and the organisation continues to contribute to input into EFSA's work on food related issues.

### **FUTURE EU TRADE POLICY**

In November 2010, the European Commission adopted its Communication 'Trade, growth and world affairs: Trade policy as a core component of the EU 2020 Strategy' which builds upon the 'Global Europe' strategy and sets priorities for European trade policy for 2010 to 2015.

Trade Group Member

- Belgium is a member of the following organizations and EU Unions: World Trade Organization,(WTO)
- Belgium Luxemburg Economic Union, (BLEU)

- Belgium, Netherlands, Luxemburg Economic Union,(BENELUX)
- Customs Union with Turkey, Andorra and San Marino
- European Union (EU)
- European Monetary Union,(EMU)

## LICENSES FOR IMPORT AND EXPORT

An Import License is required to be provided when the goods are presented for import clearance. the designated agency the European Union licenses, national licenses, and surveillance forms based on the type of commodities imported .

## QUOTAS

Bilateral agreement quotas or "quantitative limits of import" have been assigned to specific countries for specific products to allow the controlled importation of specific products.

## DANGEROUS GOODS CERTIFICATION

Some goods may require DG certification. Examples of some commodities that may require dangerous goods certification are perfumes, liquor, chemicals, etc.

## PREFERENTIAL CERTIFICATE OF ORIGIN DOCUMENTS

Belgium is a participating member in many trade groups and has some bilateral and multilateral preferential agreements, which offer duty rates for qualifying goods imported directly from nations, which are granted these preferences

## IMPORT DUTIES

All merchandise coming into Belgium must clear Customs and is subject to customs duty assessment unless the goods are duty or tax exempt by law. Customs duties are, generally a percentage, which is applied to the transaction value (euro) of the imported goods based on the cost of the goods, insurance, and freight charges a specific rate of duty (so much per piece, liter, kilo, etc.) and others at a compound

## **EXCISE DUTIES**

Excise taxes are accessed against certain commodities, which are normally identified as "luxury" goods. The excise tax is normally assessed against tobacco products, perfumes and alcohol products but can also be accessed against other goods as deemed by Belgium regulations.

## **WATCH DUTY RATE**

Watches imported into Belgium are subject to classification and duty assessment based on a per item basis. The actual duty and the final rate of duty are determined based on the classification of the watch at the time of entry processing with customs.

## **BELGIUM IMPORT PROHIBITIONS**

The importation of certain classes of merchandise may be prohibited or restricted to protect the economy and security of Belgium and other EU member states, to safeguard consumer health, well-being, and to preserve domestic plant and animal life. Some commodities are also subject to an import quota or a restraint under bilateral trade agreements and arrangements.

These requirements apply to all importation types, including shipments made by mail. The exporter should make certain that the Belgium importer has provided proper information to

- (1) Permit the submission of necessary information concerning packing, labeling, etc.
- (2) ensure that necessary arrangements have been made by the importer for entry of the merchandise into Belgium.

## **BELGIUM EXPORT PROHIBITIONS**

Export controls form of export licensing and permit requirements for controlled commodities. Export controls may be product specific, technology specific or country specific.

The following is a listing of commodities prohibited or restricted for export from Belgium

Goods subject to the Dual-Use and Related Goods, (Military equipment) (Export Control) Regulations 1995 (DUEC)

Certain cultural goods, antiques and works of art

- Counterfeit coins and bank notes
- Goods bearing false origin statement
- Counterfeit or pirated goods
- All CITES goods
- Wild animals Weapons
- Explosives
- Some agriculture products
- Some medicines & drugs Euratom goods
- Precursors, CFC's
- Some Phytosanitary goods
- Waste products
- Meat, cheese, milk products
- Some drugs

## **TAXATION OF BELGIUM**

Value-added tax (VAT) is due on any supply of goods or services made in Belgium, where it is a taxable supply made by a taxable person in the course of a business carried on by said person. The standard VAT rate is 21 percent., social housing reduced to 6 percent

margarine pay television and as from 1 August 2005 services rendered by operators providing access to radio and television programs by means of a decoding device installed at the customers' premises.

.meals as from 1 January 2010 (beverages: 21 percent). There is a reduced rate of 6 percent for certain goods and services social housing

1 food and drinks

2 books

3 drugs and medicine

4 admission to cultural, sporting, and entertainment events

5 hotel and camping accommodation

6 Funeral services. Services of composers and authors

7 distribution of water Agricultural services People Transport

## **THE LIST OF GOODS SUBJECT TO A ZERO-RATE INCLUDES**

Newspapers and periodicals

Waste products (metal scrap).

## **The list of exemptions with right to deduct input VAT includes amongst others**

- export of goods
- intra-Community supply of goods
- supplies with respect to aircrafts and sea-going vessels; and
- Supplies to embassies, consulates, and international institutions.

## **The list of exemptions without right to deduct input VAT includes amongst others**

- financial services
- letting of immovable property
- hospital services
- medical care
- educational services

If your business makes taxable supplies or provides services within the scope of VAT in Belgium you will be required to register and in principle account for Belgian VAT. No VAT registration threshold exists in Belgium.

All group members are jointly and severally liable for the debts of the other VAT group members for the time of their membership and a group member must remain in the VAT group for a minimum of three years. However, if the group conditions are no longer met, a premature exit is possible or mandatory.

VAT grouping is not applicable on cross-border transactions.

Most registered businesses are required to submit VAT returns on a monthly basis. If your annual turnover is less than EUR1,000,000, you may opt to submit quarterly VAT returns. When filing quarterly VAT returns, your business has to make advance payments at the latest on the 20th of each second and third month of the quarter.

Businesses in the following sectors need to submit a monthly VAT return when the taxable annual turnover exceeds the hold of EUR200,000

- mineral oils
- mobile phones, computers, peripheral equipment, and accessories; and
- motorized vehicles subjected to the regulation regarding registration.

On 1 January 2010 a new hold was added. VAT taxable persons are also obliged to file monthly VAT returns when they exceed the limit of EUR 400,000 for intra-Community supplies of goods on a yearly basis. Monthly VAT returns have to be filed following the quarter where in the hold of EUR 400,000 is reached.

An annual listing must be completed each year (at the latest on 31 March) showing the supplies for an amount of more than EUR250 exclusive of VAT to customers registered for VAT in Belgium. Failure to submit the listing may result in a penalty of up to EUR2,500. Penalties for any mistakes in the listing are between EUR25 and EUR1,250

If you sell goods to a customer who is registered for VAT in another EU Member State and the sale involves the removal of those goods from Belgium (either by you or your customer) to that Member State, then you do not need to charge VAT and you may exempt the supply as an intra-Community dispatch. You must obtain your customer's VAT number and quote it together with the reference "Exempt from Belgian VAT - article 39bis of the Belgian VAT Code" on your invoice. You should also obtain evidence of the goods' removal from Belgium.

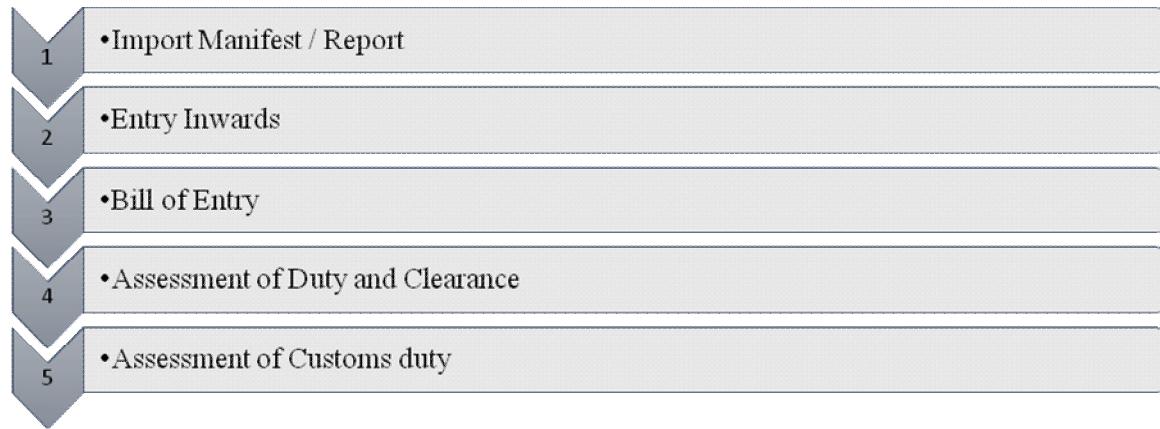
If you sell goods to a customer who is not registered for VAT in another EU Member State, you will have to charge Belgian VAT. If your sales exceed a certain threshold for

that Member State you may have to register in the Member State under what is known as the Distance Selling Scheme.

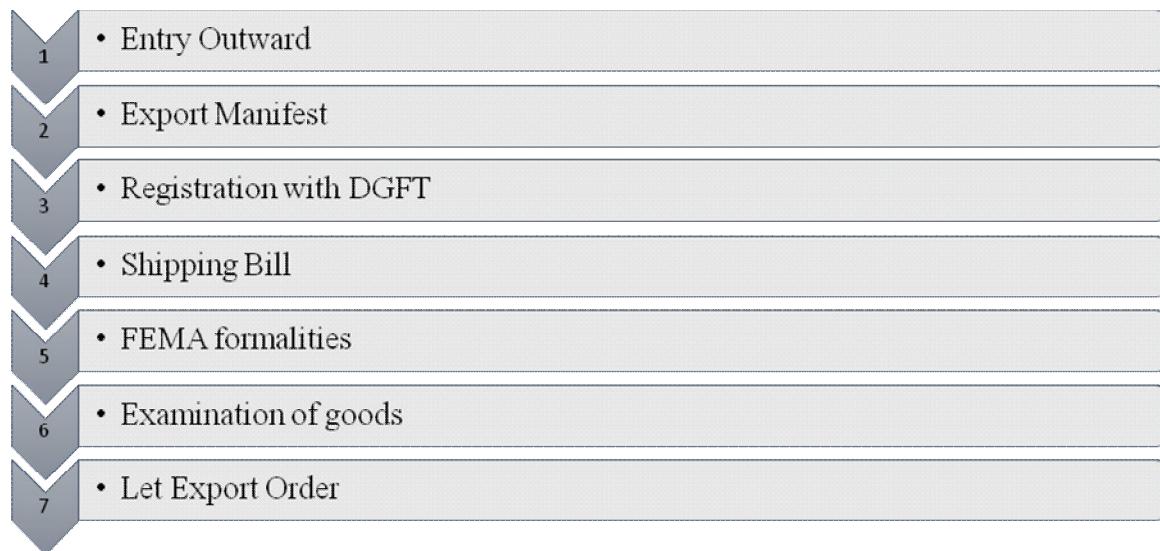
## **Topic-6**

### **Policies and Norms of India in Import / Export to the Belgium**

#### **Import Procedure :**



#### **Export Procedure :**



## **CH.7:- PRESENT TRADE BARRIERS FOR IMPORT/EXPORT GOODS**

**There are several types of tariffs and barriers that a government can employ:**

- Specific tariffs
- Ad valorem tariffs
- Licenses
- Import quotas
- Voluntary export restraints
- Local content requirement

### **Legal and Illegal Trade Barriers**

**Illegal** - it violates international agreements and rules; or

**Legal** - it does not violate rules and agreements

- Customs duties
- Customs procedures:
- Technical regulations & standard

The total all food and drink market\* in Belgium and Luxembourg was worth Euro 29.4 billion in 2011, made up of Euro 29.4 billion in retail (100.0%) and Euro 0.0 billion (0.0%) in foodservice.

Since the 1930s, many developed countries have reduced tariffs and trade barriers, which has improved global integration and brought about globalization.

Free trade benefits consumers through increased choice and reduced prices, but because the global economy brings with it uncertainty, many governments impose tariffs and other trade barriers to protect industry.

## **CH.8:- POTENTIAL FOR IMPORT/EXPORT IN INDIA**

Economic liberalization and rising income of middle class population have had a positive impact on consumer spending and consumption in both rural and urban areas. Indian consumer now spends a significant proportion of disposable income on food and other essential commodities.

The Indian fast food market is growing at an annual rate of 25-30 per cent, according to a report published by market research firm RNCOS in September 2010, titled 'Indian Fast Food Market Analysis'.

Our new research report "Indian Food and Drinks Market: Emerging Opportunities" has projected that the Indian food, beverages and tobacco market will grow at a CAGR of around 7.5% during 2009-2013 to around US\$ 330 Billion by 2013. All the segments registered uptrend in terms of consumption and sales between 2005 and 2009, but the alcoholic segment outperformed other segments.

### **Food Processing Sector In India - August 2012**

The proportionate expenditure on staples (cereal, grams, pulses) decline from 45 per cent to 44 per cent in the rural India while the figure settled at 32 per cent of the total expenditure on food in urban India.

A large part of this shift in consumption is driven by the processed food market, which accounts fro 32 per cent of the total food market. It accounts for US\$ 29.4 billion, in total estimated market of US\$ 91.66 billion.

### **Business Opportunities Food And Drinks Sector 2012**

The Indian food services industry is expected to grow at a compound annual growth rate (CAGR) of around 12 per cent during 2012-2015, according to a RNCOS research report, 'Indian Food Services Market Forecast to 2015'.

According to another report, the industry is estimated to be nearly worth US\$ 13.56 billion and is growing at a healthy CAGR of 17 per cent. The food services sector in India is expected to reach US\$ 24.77 billion by 2015, according to a Franchise India report released at the Indian Restaurant Congress.

As per RNCOS research report titled, 'Indian Organic Food Market Analysis'. The report further expects that the sector will post significant growth during 2011-2013, growing at a CAGR of 15 per cent.

### **Food Industry Sector Report - December 2010**

Report published by market research firm RNCOS in April 2010, titled 'Indian Food and Drinks Market: Emerging Opportunities' the Indian food and beverages market is expanding rapidly and is projected to grow at a compound annual growth rate (CAGR) of about 7.5 per cent during 2009-13 and would touch US\$ 330 billion by 2013.

The food retail industry, currently at US\$ 70 billion is predicted to grow more than double to US\$ 150 billion by 2025.

## CH.9:- BUSINESS OPPORTUNITIES IN FUTURE

### ➤ Highlights

- The Belgian alcoholic drinks market generated total revenues of \$11.2 billion in 2009, representing a compound annual rate of change (CARC) of -0.8% for the period spanning 2005-2009.
- The Belgian beer market generated total revenues of \$5.6 billion in 2009, representing a compound annual rate of change (CARC) of -2.6% for the period spanning 2005-2009.
- The Belgian confectionery market generated total revenues of \$1.6 billion in 2009, representing a compound annual growth rate (CAGR) of 5.5% for the period spanning 2005-2009.
- The Belgian dairy market generated total revenues of \$5.6 billion in 2009, representing a compound annual growth rate (CAGR) of 1.6% for the period spanning 2005-2009.
- The Belgian frozen food market generated total revenues of \$1.6 billion in 2009, this representing a compound annual growth rate (CAGR) of 3.4% for the period spanning 2005-2009.
- The Belgian juices market generated total revenues of \$607.3 million in 2009, representing a compound annual growth rate (CAGR) of 1.9% for the period spanning 2005-2009.
- The Belgian milk market generated total revenues of \$2.8 billion in 2009, representing a compound annual growth rate (CAGR) of 1.9% for the period spanning 2005-2009.
- The Belgian savory snacks market generated total revenues of \$364.6 million in 2009, representing a compound annual growth rate (CAGR) of 2.5% for the period spanning 2005-2009.

- The Belgian soft drinks market generated total revenues of \$4.9 billion in 2009, representing a compound annual growth rate (CAGR) of 2.9% for the period spanning 2005-2009.
- The Belgian spirits market generated total revenues of \$1,140.4 million in 2009, representing a compound annual rate of change (CARC) of -0.3% for the period spanning 2005-2009.
- The Belgian wine market generated total revenues of \$4.2 billion in 2009, representing a compound annual growth rate (CAGR) of 0.6% for the period spanning 2005-2009.
- 

**The Department of Foreign Affairs and International Trade (DFAIT) highlights the following opportunities in the Belgium market for exporters:** health and organic foods, energy foods and sport drinks, snacks, ethnic foods, ready-made and microwaveable products, frozen and fresh fruit and vegetables, dried fruits and nuts, wine, specialty meat and non-meat products, and seafood.

- Belgium's significant food processing industry also creates demand for international bulk and intermediate goods for distribution both within Belgium and the EU.
- The fish market in Belgium has seen the greatest growth in the past decade, and there is growing demand for frozen fish and crustaceans as there is already high consumption of mussels and oysters. Fish farming is still beginning to be adapted in the EU, and due to ecological issues and quotas, growing demand for fish and seafood may need to be sourced from imports.
- Belgians are expressing boredom with their traditional foodservice and retail offerings, and possess a tradition of gastronomy, cultural diversity, and willingness to try new foods, which makes Belgium a popular test market for food products, and ideal for Canadian exporters.

## CH.10:- CONCLUSION

- As the demand of foods there are more opportunity in the Belgium market for exporters in to following areas health and organic foods, energy foods and sport drinks, snacks, ethnic foods, ready-made and microwaveable products, frozen and fresh fruit and vegetables, dried fruits and nuts, wine, specialty meat and non-meat products, and seafood.
- Fish market is also more demanding in Belgium market so there is good opportunity is there in that business in Belgium.
- The Belgium: Food and Beverages Industry Guide is an essential resource for top-level data and analysis covering the Belgium Food and Beverages industry.
- This incisive report provides expert analysis with distinct chapters for Alcoholic Drinks, Beer, Confectionery, Dairy, Frozen Food, Juices, Milk, Savory Snacks, Soft Drinks, Spirits and Wine.
- Belgium's significant food processing industry creates demand for international bulk and intermediate goods for distribution both within Belgium and the EU.
- The fish market in Belgium has seen the greatest growth in the past decade, and there is growing demand for frozen fish and crustaceans as there is already high consumption of mussels and oysters.

# **ANALYSIS OF CHEMICAL INDUSTRY**

# **CH.1:- INTRODUCTION, ROLE AND STRUCTURE OF CHEMICAL COMPANY OF MCCOY SOUDAL**

## **INTRODUCTION**

Mccloysoudalis a 50:50 joint venture company between the McCoy Group of India and The Soudal Group of Belgium. It is one of the largest manufacturers of Sealants, Adhesives and Polyurethane (PU) Foams in the World. Now with 11 manufacturing plants, operations spread in more than 35 countries and product availability in more than 120 countries, we are the larges and one of the oldest companies globally in our field.

### **Overview of products:**

- McCoy Soudal Sealants Adhesives & PU Foams

McCoy Soudal is a joint venture company between the McCoy group of India and Soudal group of Belgium. It is one of the largest manufacturers of Sealants, Adhesives and Polyurethane (PU) Foams in the world, with seven manufacturing plants and operations spread in more than 30 countries and product availability in more than 120 countries.

### **Key Markets:**

Textile, Cosmetics, Pharmaceuticals, Paper, Paints, Rubber, Construction, Retail.

### **Role of Company:**

The Belgian chemicals industry is one of the most diversified and integrated chemicals clusters in the world. The Belgian cluster (especially in Antwerp Port) is the biggest in the world after Houston. 11 of the top-15 global chemicals groups have production facilities In Belgium. The share of the chemical industry in the total Belgian economy is twice the size of the average in the European Union and even bigger than in the traditional chemicals country Germany.

► To offer the chemical sector additional support, the federal government together with Essenscia (the Belgian federation of the chemicals industry and life sciences) have established a High Level Group (HLG) for the chemicals sector. This HLG works in five thematic working groups, i.e. innovation, energy, logistics, taxation and the labour

market. Based on practical topics the working groups look for solutions to reinforce the investment climate and the sector's competitive capacity.

## **STRUCTURE**

- throwing lights on the JV between McCoy Silicones Ltd and Soudal NV Belgium which took place in April 2010, he added that the ambition of McCoy group is to have its own identity and the desire of Soudal group to expand their respective positions in the vibrant and growing Indian marketplace, brings the two companies together on one platform.
- Soudal plans to leverage McCoy's leadership status, established network and marketing expertise in the Indian marketplace and McCoy by integrating Soudal's 44 years of experience in Sealants, Adhesives & Foams, R&D developments & global manufacturing base, believes to offer the largest range of sealants, adhesives & foams in the Indian subcontinent.
- It serves professionals in construction, retail channels and industrial assembly and has 45 years of experience with endusers in over 100 countries. With 11 manufacturing sites in 4 continents and 35 subsidiaries worldwide, Soudal ensures optimal technical and logistical support.

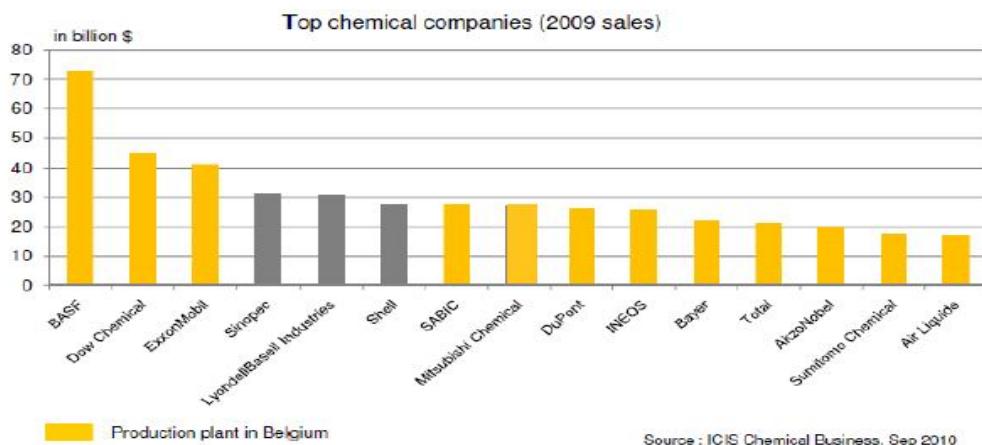
## CH.3:- COMPARATIVE POSITION OF CHEMICAL INDUSTRY WITH IN BELGIUM, INDIA & GUJARAT

### CHEMICAL INDUSTRY IN BELGIUM

**Belgium** represented a turnover of 45 billion euros in 2009 and added value of more than 10 billion euros. This represents one quarter of industrial activity in Belgium. The sector employs 91,500 people.

Employment in the chemicals industry has stayed stable during the past twenty years. The number of jobs in industry overall fell in the same period, with the logical consequence that the chemicals industry's share rose: from 13.6% in 1990 to 17.4% in 2009. Furthermore, 1 direct job in chemicals generates 1.6 indirect jobs in other sectors. The chemicals industry is therefore one of the most important sectors in Belgium.

#### Top 15 World Chemical Companies 12 with Production in Belgium



#### Antwerp (Belgium) Europe's Largest Chemical Cluster

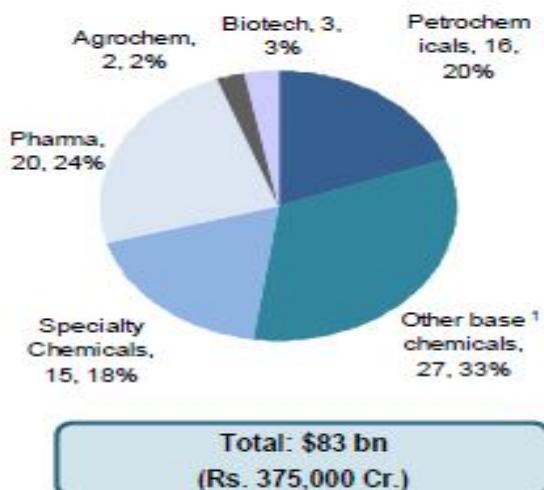
Representing the biggest chemical cluster in Europe, Antwerp is home to the most important chemical companies in the world. BASF, Bayer, BP, DuPont, Evonik, Ineos, Kaneka, Monsanto, Nippon Shokubai, Solvay, Total have major operations in Antwerp.

Process integration and diversity result in an enormous network where all chemical products are present in a complete value chain, unique in the world. This network turns Antwerp into a dominant player for a wide range of key chemicals and plastics.

Chemical Industry is one of the most significant sectors for the Indian economy.

## CHEMICAL INDUSTRY SIZE & SIGNIFICANCE

Indian chemical industry FY10 (% of total)



## STRENGTHS OF GUJARAT

- **Port:** Highest number of ports in the country
  - Cargo handled at Kandla, a major port 41.5 MMT (12% of India)
  - Chemical port terminal (3 MMT) - only one in India
  - LNG terminal at Dahej (5 Mn TPA) & Hazira (5 Mn TPA)
- **Rail:** Broad Gauge Rail network across the state
- **Airport:** 11 Airports with an international airport at Ahmedabad
- **Power:** A power sufficient state with highest per capita power consumption in the country
- **Others:** Pioneering work in Water, Urban Development, Industrial Parks

## **CH.4:- POSITION & TREND OF CHEMICAL INDUSTRY IN BELGIUM**

Being centrally located in the European continent, Belgium's trade is the hallmark of all its activities. Belgium's trade is further helped by its well-developed transportation network, diversified commercial and industrial base.

However, as Belgium must import a substantial amount of raw material to flourish, the nation relies heavily on imports and thus is exposed to global market volatility. Thus, the year 2008-09 proved challenging for the country. The GDP dipped from \$394.9 billion in 2008 to \$381.4 billion in 2009

### **Belgium Trade, Exports and Imports**

As raw materials and natural resources are not sufficient, the balance of trade is usually towards imports and thus there is always some trade deficit in Belgium.

The chemical industry is the second largest manufacturing sector in Belgium. The chemical industry represents 1/5 of the total turnover in Belgium and 20% of the total export in Belgium.

According to the 2009 estimates, Belgium had an export volume of \$296.1 billion and ranked 13<sup>th</sup> in the world. This, however, showed a tremendous drop from the 2008 figures, which shone bright at \$371.5 billion. The various export commodities include:

- Machinery and equipment
- Chemicals
- Finished diamonds
- Metals and metal products
- Foodstuffs

The following countries are the biggest export partners of Belgium:

Germany, France, Netherlands, , UK, US, Italy.

### **Trade Ties**

India's industry minister Kamal Nath noted that India and Belgium are keen on strengthening bilateral relations by diversifying and boosting trade between the two

countries.

In his address at the Luncheon Session on “India and Belgium Partners in a Globalised World” with His Majesty Albert II, the Minister said the bilateral trade between the two countries during 2007-08 was US\$8.6 billion that represented a growth of 13 percent over the 2006-07 trade which stood at US\$7.6 billion.

- Since the formation of World Trade Organization, structural changes have happened in chemicals trade. There has been reduction in tariff for chemical imports in developed countries.
- However, non-tariff barriers associated with environmental issues are influencing the chemical imports by developed countries. India has been increasing its export of chemical products in the recent years.

## **CHEMICALS AND PETROCHEMICALS: Project Opportunities in Gujarat**

- ☞ **Investment:** In the last five years, Gujarat has attracted highest investment among all states in India worth INR 1,82,998 crore.
- ☞ **Manufacturing:** At present, Gujarat has a production share of over 50 % in petroleum products and 31 % in chemicals and 45 % pharma industry in India. This leads to good synergies.
- ☞ **Infrastructure:** The State offers great road/rail/air connectivity and reliable power supply to its consumers. Moreover, the State has easy accessibility to the western, middle-eastern and African markets through 41 ports.
- ☞ **Government and people:** are very friendly to the Industry:

## **CH.5:- POLICIES AND NORMS OF MCCOY SOUDAL GROUP OF INDIA AND MCCOY SOUDAL GROUP OF BELGIUM**

- ❖ the United States in all aspect of the ruling
- ❖ including:
  - ▶ gaming,
  - ▶ Duty
  - ▶ business issues,
  - ▶ physical condition care, child wellbeing
  - ▶ funding writing and fulfillment, and
  - ▶ Discussions with state and restricted government

### **MCCOY PLAN:**Key points of the McCoy Plan:

- 5 year business strategy for all government departments and agencies
- Low cost budgeting; accrual accounting
- organization and directorial costs cut in half
- explanation of the tax burden on people and companies
- co-ordinate service delivery throughout Alberta
- new training, skills development and educational opportunities for people across Alberta
- Support for local communities so that they can do things their way.

### **ENVIRONMENT POLICY:**

- ▶The mission of the Center for ecological Policy and Behavior (CEPB) is scientific analysis of the interactions among policy institutions, human behavior, and political decisions in the context of environmental and natural resource conflicts. Through developing and testing theoretical models from social science, seeks to derive practical lessons that can be used to improve environmental policy.

► Environmental behavior is influenced by stakeholder beliefs and values, access to information, scientific knowledge, scale and causes of the environmental problem, and existing policy institutions. The complexity of how all of these factors interact makes it difficult to determine appropriate policy solutions for different environmental problems. Common features of CEPB studies are the use of multiple theoretical frameworks and scientific methods of data acquisition and quantitative analysis to help unravel these complex issues.

We focus on a wide variety of environmental problems and issues, including division management, climate change, forest management, marine/coastal systems, biodiversity, and agriculture. Our faculty and students work both locally and internationally, with recent projects in Brazil, Bhutan, Costa Rica, and India.

► The CEPB team includes an actively engaged group Graduate students come from diverse backgrounds including "natural and social sciences" and are enrolled through the Graduate Group in Ecology. Recent graduates have gone on to become academics, researchers, or policy analysts in universities and governmental agencies.

## **CORPORATE TAXATION POLICIES OF BELGIUM**

► Companies from the chemical and life sciences industry contribute significantly to the budget of national, regional and local authorities through the payment of various taxes. This is a financing source for social, environmental and economic policies.

► At the same time, the chemical and life sciences sector benefits from subsidies and tax incentives which are often related to longer-term projects with a focus on the sustainable development of chemical and life sciences activities in Belgium

.► In 2009, companies and employees from the chemical and life sciences industry contributed around €4 billion to the state budget after deduction of subsidies and tax incentives.

This represents about 40% of the sector's value added.

## **LEGAL POLICIES OF SAFETY IN BELGIUM**

► disturbing the sum total contribute chain. accomplish requires all companies manufacturing or importing chemical substances into the European Union in quantities of one tonne or more per year to register these substances

.► Registrations are submitted to the European Chemicals Agency (ECHA) and contain information on the substance's properties, uses and risk management measures.

► This information must be passed along the supply chain to downstream users so they know how to use substances safely. Article 57 also restricts the manufacture, import, placing on the market and/ or use of certain dangerous substances and use precise approval is required for 'substances of very high concern'.

## **CHARACTERISTIC FOLLOWED BY MCCOY SOUDAL MANUFACTURING**

- Plastics offer light weight solutions

- Lightweight plastics can play an important role

- Plastics are the basis for high-performance building components.

- The annual energy consumption of a passive house is already exceeded

## **International and European quality standards governing Norms:**

- Quality is the key to international markets

- . Commercial class standards are used as a common trading language for buyers and sellers and as a reference for quality control.

Quality requires the setting of the necessary quality standards:

- To build trust and open market opportunities

- To encourage high quality production

- To improve the profitability of producers

- To protect consumer interests

Commercial quality covers

- A range of parameters describing the internal and external Characteristics of the product

That is necessary to ensure transparency in trade and obtain good levels of flavor. It lies between essential qualities such as food or nutritional safety and marketing claims.

International standards

•The UNICCO's Committee on Trade (CT) works to develop closer economic relations Among Member States, as well as to better integrate their cost-cutting measure into the world

Economy. It makes policy recommendations, develops standards for use in trade and Assist portion country in implement them. It also suggest traditions and wealth of Creating legal and administrative frameworks for fostering trade, investment and business

Growth.

Quality standards according to the following standard layout making chemical product:

1. Definition of products

2. General provisions concerning quality: these are general requirements relating to Physical condition, hygiene appearance, damp absence of overseas smell and/or Tang, development and /or maturity the condition of the create must be such As to enable them to withstand handling and transport and arrive in a satisfactory Circumstance at the leave of target they also contain requirements on Classification in defined According to their excellence individuality and the extent of in no doubt defect.

3. Provisions concerning sizing

4. Provisions concerning tolerances

5. Provisions concerning presentation

6. Provisions concerning marking (labeling)

7. Annex I: supplementary provisions

8. Annex II: note on the interpretation to be given to the provisions concerning Presentation and packaging of the produce

#### ► POLICIES OF CONSUMER PROTECTION MCCOY OF BELGIUM

Principal and consumer protection

- The Code Alimentary system presents a unique opportunity for all countries to Join the international community in formulating and harmonizing food standards And ensuring their global implementation.
- It is also allows them a role in the development of codes governing hygienic processing practices and recommendations relating to compliance with those standards.
- The significance of the food code for consumer health protection was underscored in 1985 by the United Nations Resolution 39/248 whereby guidelines were adopted for use in the elaboration and reinforcement of consumer protection policies. The Guidelines advise, "When formulating national policies and plans with regard to Governments should take into account the need of all consumers for food Security and should support and, as far as possible, adopt Principles from the Codex Alimentary or, in their absence, other generally accepted international Values."

### **Promoting Controversy Of chemical sector in India:**

- National award for Technology Innovation**

A scheme of national awards for technology innovation in various fields such as dyes, pesticides, it is to be formulate under this scheme, the Government would institutionalize awards for terrific contributions ended in technology innovations. The collection for awards would be made by a Committee Of eminent persons.

- Traffic fair and exhibition the Government would actively**

Facilitate and support the marketing and organization of major exhibitions and events in order to provide a platform to the Indian chemical manufactures to show case their strengths

- Market Development**

The Government would travel around new avenues of export of chemical from India to Latin American, African and Middle East countries through our embassies and missions overseas

## **CH.6:- Policies and norms of export and import in India to chemical sector.**

### **Import policies.**

The liberalization of Indian economy started with the external sector. The Rupee was devalue in two stages in July 1991. This was immediately followed by closure of direct export subsidy. Import licensing was abolished for many items, including capital goods. A new type of import licence called Exim Scrip was introduced. Exim Scrip was available against export of goods and it was freely transferable in the market. The licence was valid for import of a broad range of goods. So, importers wanted Exim Scrips but only exporters could earn them. The premium on sale of the Exim Scrip was an incentive for the exporters.

The List of Restricted Items consisted of 11 categories as under:

- (a) Consumer Goods (11 entries)
- (b) Precious, Semi-precious and other shingle (5 entries)
- (c) Safety, Security and related items (6 entries)
- (d) seed, Plants and Animals (4 entries)
- (e) Insecticides and pesticide (2 entries)
- (f) Electronic Items (9 entries)
- (g) Drugs and Pharmaceuticals (9 entries)
- (h) Chemicals and related Items (2 entries)
- (i) Items Relating to Small Scale Sector (16 entries)
- (j) Miscellaneous Items (15 entries)
- (k) Special Categories (2 entries)

The Exim Policy abolished Actual User condition for freely importable goods. Such a condition was applicable only for goods imported under a license or when notified so through a Public Notice. Imports by travelers were governed by luggage Rules, notified by the Customs.

### **Export policies.**

- The Govt. Policy, essentially, has been to allow the export of manufactured products quite freely but restrict export of goods of plant origin, animal source and sandstone origin. The restrictions are essential in public interest.
- For example, free exports of agricultural produce might create scarcity within the country something no Govt. wants. There are other restrictions too which, because of international commitments under multilateral and two-sided treaties, are to be respected. For example, export of textiles to developed countries was restricted through quotas under the erstwhile Multi Fiber Agreement (MFA) which no longer exists. Export of ozone depleting substances is restricted under the Montreal Protocol. Exports of perilous substances are subject to restrictions under the Basel Convention.
- The Exim Policy specified that all exports contracts shall be denominated in foreign currency. Contracts for which payments are received through Asian Clearing Union may be denominated in the currency of the exporter, importer or in any freely adaptable currency.
- Currency and all such payments shall be deemed to have been received in convertible currency.

### **Norms of Belgium chemical company:**

▪ NEW DELHI: With the emergence of Asia as a prominent player in the international chemical industry, India is also ornamental its position as a required after purpose for the global chemical players. The problem of the Indian chemical industry is that its present share stands in the global industry stands at just 3%.

▪ It is where the importance of better infrastructure and sustainability assumes significance for ornamental industrial growth of chemicals. Centre has also said that as per the present trends, the Indian chemical industry could grow at 11% to touch the size

of \$224 billion by 2017.

▪ While talking to SME News about the growth prospects of Indian chemical industry, Ravi Kapoor, MD, Hibachi Color Pvt Ltd and Chairman – Gujarat Chapter of Indian Chemical committee, said, “This shape is attainable if the current issues of communications, land availability and investment are addressed. This sector enjoys good growth forecast although its present share in the global industry is fairly low.”

▪ Analysts are of the belief that investment on research and development (R&D) has potential to enhance India’s global competitiveness in the chemical sector. Even though, presently India spends just 0.5% but by 2017, the R&D spending needs to touch 4%.

▪ It is believed that setting up of a chemical sector committee for novelty can act as a key raised area to address the efficiency issue. Promotion of development of local cluster along with modernism centers in universities meant for the chemical industry can also establish helpful in the long run.

▪ Moreover, India should eye for inking global partnerships with nations such as Germany to learn about the recent innovations in the sector.

## **Ch.7:- PRESENT TRADE BARRIERS FOR IMPORT/EXPORT OF CHEMICAL INDUSTRY**

India's present share in Global Trade is 0.6%, i.e., US\$ 45 Billion & it has been envisaged by our planners to increase the same to 1% i.e US\$ 80 Billion. World is becoming increasingly competitive & only the best & the most competitive will survive. Incentives should be made available to the industry where larger MNCs have made inroads. Chemical Industry is the most important Foreign Exchange earner with major value additions throughout the value chain. The value is added using knowledge, energy and Capital.

### **Current Status**

Chemical Industry is an important constituent of the Indian economy having approx. US \$ 28 billion turnover which is approx. 7% of India's GDP. In terms of volume, it is 12th largest in the world, and 3rd largest in Asia. Within India, it constitutes about 15% of manufacturing capacity and 20% of the Excise revenue to the Government of India. Chemical industry has weightage of about 13% in the index of industrial production. The global chemical industry is valued at about US \$ 1.7 trillion, of which, India's chemical sector accounts for just 2%.

### **Market Development Assistance**

The current financial assistance to exporters for participation in International Trade Fair is upto Rs.1.10 lacs annually.

**Suggestion:** In view of the dynamic global scenario, the cost of participation in International Trade Fairs is considerably high. Therefore, the financial assistance to exporters should be increased to Rs.5.00 lacs or USD 10000, for status holders This

assistance would encourage manufacturer exporters to participate & enhance country's image and manufacturing capabilities in the international arena

### **Reimbursement of Registration Charges**

Under Market Access Initiative, Financial assistance shall be available under the scheme to the Export promotional Councils etc, for reimbursement of Registration charges for product registration abroad for chemicals, biotechnology and agro chemicals and testing charges for engineering products.

**Suggestion:** The Organic and Inorganic sector which is the backbone for Chemicals, biotechnology sector is deprived from above assistance. Therefore it is suggested to include Organic and Inorganic sector also under the preview of above said initiative.

### **EU REACH Proposal**

EU REACH (Registration, Evaluation and Authorization of Chemicals) is a nonTariff barrier imposed by the European Union. This shall increase burden on the industry and reduce the competitiveness.

**Suggestions:** Govt. should create an infrastructure & a cell for assistance (Technical & financial) so that country's export and competitiveness of the industry is not hit. Govt. should establish centers for toxicology and statistical modeling (QSAR) expertise. Testing laboratories approved by EU should be set up within India. These laboratories should adhere to various International standards. As there are going to be myriad of chemicals needing testing, this would result in saving testing cost and most importantly valuable time.

### **Duty Free Import of Fuel**

Organic and Inorganic chemical sectors are allowed only 4% FOB value of export to import duty free fuel for captive power plants only. In the Chemical Sector, Energy is

required in two forms i.e. Electrical & Thermal. Substantial energy is utilized in the form of thermal energy i.e. steam, which is very critical utility in various reaction process as well as distillation. This utilization of steam cannot be substituted by power, as technology would not permit for the same. The fuels used for steam generation are Coal, R.F.O, Furnace Oil, L.D.O. and HSD etc. After considering steam i.e. thermal energy also in the utility, the cost of utility of chemical industry varies between 10% and 15% of the FOB value of the product exported. Therefore, it is suggested for upward revision for the duty free import of fuel for atleast 10% after considering the fuel required via steam for chemical industry. Duty free Entitlement for Status Holders for incremental growth more than 25% in FOB value.

**Suggestion:** The condition of incremental growth for big exporters is very high. For company's having high turnover, incremental growth percentage wise may be less but value wise is high. Therefore, it is suggested that incremental growth limit should be brought down to 10% for Trading house & above.

### **Transferability of Advance License**

Currently advance license is issued on Actual user condition. It can be converted into Transferable, once the export obligations are fulfilled with no import of any item allowed taken place. However, if some of the inputs included in the license have been imported, the license can't be converted into transferable for balance of the inputs even after the export obligations are fulfilled.

**Suggestion:** There are few imports which are hazardous, difficult to handle & store and the quantities are uneconomical to import by the license holder. They can be imported by only those who can combine such licenses and have the requisite infrastructure. Therefore, in such cases Advance License should be made transferable after fulfillment of export obligations.

### **Transpacific Economic Partnership Agreement**

ACC also calls for the swift conclusion of negotiations on the Trans Pacific Economic Partnership (TPP) negotiations. The chemical sector strongly supports the TPP, and views it as an opportunity to build consensus around new, high-standard trade disciplines

that address current and emerging trade issues. ACC analysis shows that the **TPP agreement has the potential of generating \$1.2 billion in export growth.** In addition to the TPP, the INDIA.government must explore options for free trade agreements with key APEC economies not already part of the TPP.

### **Integrated Risk Information System (IRIS)**

EPA's Integrated Risk Information System is not a regulatory program, but it drives many other important EPA regulatory and policy decisions that can have a major impact on jobs and the economy. IRIS is a leading source of health risk information for domestic and international regulatory bodies, including other EPA program offices. However, IRIS relies on outdated methods for assessing the safety of chemicals, and lacks the transparency needed by risk managers who use these assessments. Reforms to IRIS to ensure it employs a more transparent, rigorous, and science-based approach in its assessments, are essential to ensuring that our nation's chemical management system delivers sound public health decisions, while at the same time encouraging innovation, competitiveness, and export growth.

### **Regulatory**

Today, Indian chemical manufacturers comply with a massive amount of data collection, reporting and other regulatory requirements, many of which are vital to ensuring the health and safety of our products. However, regulations not grounded in science or lacking a methodology for calculating risk typically impose massive, unnecessary costs for Indian manufacturers with little or no public benefit. The Indian chemical industry needs cost effective, science-based regulations that achieve both economic and social policy objectives.

### **Innovation through regulation**

Innovation, including science and technological progress, is an important source of enhanced competitiveness for Indian chemical manufacturers, and a driver of economic and export growth. In the chemical sector, innovation and chemistry are inextricably linked. From applied technology in medical devices, aerospace, energy efficiency, computing, cars, fuels and more, chemistry enables technological advancements that drive further innovation, create jobs and enhance safety in our everyday lives. The Indian

chemical sector's growth and competitiveness depend on its capacity to innovate and commercialize new chemical products and applications.

### **Toxic Substances Control Act (TSCA)**

The current regulatory regime under the core Indian chemical management law the Toxic Substances Control Act – is in need of modernization. TSCA is more than 35 years old, and needs updating to reflect advances in science and technology, to provide for greater business certainty, to continue to promote innovation within the industry, and provide customers confidence that chemicals are safe for their intended uses. Domestic and foreign consumers should be confident that the Indian employs a regulatory framework that bases decisions on chemical safety science and state-of the- art testing and assessment methods. A more efficient and effective chemicals management system can serve as a catalyst for enhancing the industry's export performance, while also protecting human health and the environment.

## **CH.-8 & 9:- POTENTIAL FOR IMPORT AND EXPORT AND BUSINESS OPPORTUNITY**

### **-General Provisions**

Goods are imported in India or exported from India through sea, air or land. Goods can come through post parcel or as baggage with passengers. Potentials naturally vary depending on mode of import or export. Potentials discussed in this Chapter are applicable for imports by sea, air or land, but not as baggage or postal dispatch.

**-COMPUTERISATION OF CUSTOMS WORK** - Work of customs at Delhi airport has been computerized. Work at Mumbai port is also computerized. Whenever the work is computerized, documents like IGM and Bill of Entry have to be filed electronically. Potential in computerized environment has been specified in CC, New Delhi PN 22/98 dated 8.5.1998. Guidelines for preparing data file for Bill of Entry and shipping bills for Mumbai Customs House has been prescribed vide PN 108/99 dated 30-9-1999 and PN 10/2001 dated 30.1.2001.

**-ENTRY** – ‘Entry’ in relation to goods means an entry made in a Bill of Entry, Shipping Bill or Bill of Export. It includes (a) label or declaration accompanying the goods which contains description, quantity and value of the goods, in case of postal articles u/s 82 (b) Entry to be made in case of goods to be exported (c) Entry in respect of goods imported which are not accompanied by label or declaration made as per provisions of section 84. [section 2(16)].

**-AMENDMENT TO DOCUMENTS** - Importer, exporter or 'Person In charge' have to submit various documents to customs authorities like Bill of Entry, Import Manifest, Export Manifest etc. Some times, it may become necessary to amend the document due to various reasons like change in classification, clerical mistake in document,

change in unloading / loading plan of vessel etc. In such case, permission to amend these documents have to be obtained from customs authorities. [section 149]. Such permission can be given if there are no fraudulent intentions

### Import Potentials

Potentials have to be followed by 'person-in-charge of conveyance' as well as the importer.

WHO IS 'PERSON IN CHARGE' - As per section 2(31), 'person in charge' means (a) In case of vessel - its master (b) In case of aircraft - its commander or pilot-in-charge (c) In case of train - its conductor or guard and (d) In case of vehicle or other conveyance - its driver or other person in charge.

Documents to be submitted by Importer - Documents required by customs authorities are required to be submitted to enable them to

- (a) check the goods
- (b) decide value and classification of goods and
- (c) to ensure that the import is legally permitted. The documents that are essentially required are :
  - (i) Invoice
  - (ii) Packing List
  - (iii) Bill of Lading / Delivery Order
  - (iv) GATT declaration form duly filled in
  - (v) Importers / CHAs declaration duly signed
  - (vi) Import Licence or attested photocopy when clearance is under licence
  - (vii) Letter of Credit / Bank Draft wherever necessary
  - (viii) Insurance memo or insurance policy
  - (ix) Industrial License if required
  - (x) Certificate of country of origin, if preferential rate is claimed.
  - (xi) Technical literature.
  - (xii) Test report in case of chemicals

(xii) Advance License / DEPB in original, where applicable  
(xiii) Split up of value of spares, components and machinery  
(xiv) No commission declaration. – A declaration in prescribed form about correctness of information should be submitted. – Chapter 3 Para 6 and 7 of CBE&C's Customs Manual,  
2001.

### **Assessment of Duty and Clearance**

- The documents submitted by importer are checked and assessed by Customs authorities and then goods are cleared. Section 2(2) defines 'assessment' as follows – 'Assessment' includes provisional assessment, reassessment and any order of assessment in which the duty assessed is Nil. Thus, 'assessment' includes
  - Noting of Bill of Entry: –
    - Bill of Entry submitted by importer or Customs House Agent is cross-checked with 'Import Manifest' submitted by person in charge of vessel / carrier. It is noted if the description tallies. 'Noting' really means taking on record by customs officer. This date is relevant for determining rate of customs duty. Thoka number (serial number) is given in the import section. Otherwise, it is returned for clarifications. In case of EDI system, noting is done by the system itself which also generates bill of entry number.
    - Date of presentation of bill of entry is highly relevant and the rate of duty as applicable on this date will be considered for calculating the duty payable. Bill of Entry is accepted only after proper scrutiny vis-a-vis import manifest and various declarations given in bill of entry and attached documents like invoice, bill of lading etc. If such documents are not attached, the authorities can refuse to accept the Bill of Entry, and hence submission of such incomplete Bill of Entry cannot be taken as date of presentation of Bill of Entry - Simla Agencies v. CC - 1993 (63) ELT 248 (CEGAT).
  - Prior Entry of Bill of Entry: -
    - After the goods are unloaded, these have to be cleared within stipulated time -

usually three working days. If these are not so removed, demurrage is charged by port trust/airport authorities, which is very high. Hence, importer wants to complete as many formalities as possible before ship arrives. Proviso to Section 46(3) of Customs Act allows importer to present bill of entry upto 30 days before expected date of arrival of vessel. In such case, duty will be payable at the rate applicable on the date on which 'Entry Inward' is granted to vessel and not the date of presentation of Bill of Entry, but rate of exchange will be as prevalent on date of submission of bill of entry. - confirmed in CC, New Delhi circular No 64/96 dated 10.12.1996 and CBE&C circular No 22/97-Cus dated 4.7.1997.

- Assessment of Customs duty: -

- Section 17 provides that assessment of goods will be made after Bill of Entry is filed. Date stamp of receipt is put on the 'Bill of Entry' and then it is sent to appraising department either manually or electronically

- APPRAISING THE GOODS –

- Appraiser has to (a) correctly classify the goods (b) decide the Value for purpose of Customs duty (c) find out rate of duty applicable as per any exemption notification and (d) verify that goods are not imported in violation of any law. He can call for any further documents that may be required for assessment. If he is of the opinion that goods have to be examined for appraisal, he will issue an examination order, usually on the reverse of Bill of Entry. If such order is issued, the Bill of Entry is presented to appraising staff at docks / air cargo complexes, where the goods are examined in presence of importer's representative. Assessment is finalised after getting the report of examination. – Chapter 3 Para 11 and 12 of CBE&C's Customs Manual, 2001.

- VALUATION OF GOODS: -

- As per rule 10 of Customs Valuation Rules, the importer has to file declaration about full 'value' of goods. If the assessing officer has doubts about the truth and accuracy of 'value' as declared, he can ask importer to submit further information, details and documents. If the doubt persists, the assessing officer can reject the value declared by importer. [rule 10A(1) of Customs Valuation Rules]. If the importer requests, the assessing officer has to give reasons for doubting the value declared

by importer. [rule 10A(2)].

- If the value declared by importer is rejected, the assessing officer can value imported goods on other basis e.g. value of identical goods, value of similar goods etc. as provided in Customs Valuation Rules. [This amendment has been made w.e.f. 19.2.98, as per WTO agreement. However, it has been held that burden of proof of under valuation is on department]. - - Assessing Officer should not arbitrarily reject the declared value and increase the assessable value. He should follow due process of law and issue appealable order. – MF(DR) circular No.

16/2003-Cus dated 17-3-2003.

•**APPROVAL OF ASSESSMENT:** -

- The assessment has to be approved by Assistant Commissioner, if the value is more than Rs one lakh. (in cases covered under ‘fast track clearance for imports’, appraiser is also authorised to approve valuation). After the approval, duty payable is typed by a “pin-point typewriter” so that it cannot be tampered with. As per CBE&C circular No. 10/98-Cus dated 11-2-1998, Assessing Officer should sign in full in Bill of Entry followed by his name, preferably by rubber stamp.

**EDI ASSESSMENT** – In the EDI system, the cargo declaration is transferred to assessing officer in the groups electronically. Processing is done on the screen itself. All calculations are done by the system itself. If assessing officer needs clarification, he can raise a query. The query is printed at service centre and importer replies through service centre. Facility of tele-enquiry about status of documents is provided in major customs stations. Under EDI, normally, documents are inspected only after assessment. After assessment, copy of Bill of Entry is printed at service centre. Final Bill of Entry is printed only after ‘Out of Charge’ order is given by customs officer. – Chapter 3 Para 18 to 22 of CBE&C’s Customs Manual, 2001.

•**PAYMENT OF CUSTOMS DUTY:** -

- After assessment of duty, necessary duty is paid. Regular importers and Custom House Agents keep current account with Customs department. The duty can be debited to such current account, or it can be paid in cash/DD through TR-6 challan in designated banks.

- After payment of duty, if goods were already examined, delivery of goods can be taken from custodians (port trust) after paying their dues. If goods were not examined before assessment, these have to be submitted for examination in import shed to the examining staff. After shed appraiser gives 'out of charge' order, delivery of goods can be taken from custodian.

- EXAMINATION OF GOODS: -

- Examiners carry out physical examination and quantitative checking like weighing, measuring etc. Selected packages are opened and examined on sample basis in 'Customs Examination Yard'. Examination report is prepared by the examiner.
- Accelerated Clearance of Imports and Exports Scheme (ACS) – Finance Minister, in his budget speech on 28-2-2003, had announced a 'self assessment scheme' for importers and exporters. As per the scheme, importer will himself determine classification of goods including claim for exemption benefits. Computer System will calculate the duty based on his declaration. Physical inspection of imported goods will be done by risk- assessment and management techniques on a computer based system and not on the orders of customs examining staff. Audit of import documents will not be by existing system of concurrent audit but will be done by post-clearance audit, as prevalent in developed countries.
- Subsequently, a Accelerated Clearance of Import and Export Scheme (ACS) has been announced vide MF(DR) circular No. 30/2003-Cus dated 4-4-2003. The scheme is announced through administrative instructions, without making any change in statutory provisions. Hence, the scheme is not same as 'self removal' under Central Excise. Presently, the scheme is introduced on trial basis at Air Customs, Sahar (Mumbai), ICD, New Delhi and Chennai Sea Customs. In case of imports, the scheme will be open to all status holders under EXIM policy, Central and State Government PSUs and other importers who have been importing for at least two years and have filed at least 25.

- Bills of Entry in preceding year: –

- In case of exports, the scheme will be open to all status holders under EXIM policy, EOU/STP/EHTP units whose goods have been sealed in presence of customs/excise officers, Central and State Government PSUs, manufacturer-exporters who have been exporting for at least two years and have filed at least 25 Shipping Bills in preceding year and bulk exporters.
- Certain sensitive items have been excluded from the provisions. Importer/exporter intending to avail this facility has to make application to Commissioner. The clearances will be subject to post clearance audit.
- Provisional Assessment - Section 18 of Customs Act, 1962 provide that provisional assessment can be done in following cases
  - (a) when Customs Officer is satisfied that importer or exporter is unable to produce document or furnish information required for assessment
  - (b) it is deemed necessary to carry out chemical or other tests of goods
  - (c) when importer/exporter has produced all documents, but Customs Officer still deems it necessary to make further enquiry. In such cases, assessment is done on provisional basis.
- The importer/exporter has to furnish guarantee/security as required by Customs Officer for payment of difference if any. Goods can be cleared after payment of duty provisionally assessed and after providing the security. After final assessment, difference is paid by importer or refunded to him as the case may be. If the imported goods were warehoused after provisional assessment, the Customs Officer may require importer to execute a bond for twice the difference in duty, if duty finally assessed is higher [section 18(2)(a)]. The bond is called as 'P D Bond' (Provisional Duty Bond). The bond is with security or surety. Bank guarantee can also be given as a security.

- Checking of duty drawback / license documents - Documents in respect of Duty Entitlement Pass Book

(DEPB), advance license, duty drawback etc. will be checked.

- Execution of bond and payment of duty: -

Once the duty is assessed, the bill of entry is returned to importer. The Bill of Entry should be presented to comptist for calculation and pinpointing of the duty. If bond has to be executed, it will be taken in bond section.

- Payment of duty: -

- If goods are to be removed to a warehouse, duty payment is not required. The goods can be taken to a warehouse under bond, without payment of duty. However, if goods are to be removed for home consumption, payment of customs duty is required. CHA or the importer can take it for payment of customs duty. Large importers and CHA have P.D. accounts with customs. Duty can be paid either in cash or through P.D. account. P. D. account means provisional duty account. This is a current account, similar to PLA in central excise. The importer or CHA pays lump sum amount in the account and gets credit on the amount paid. He can pay customs duty by debiting the amount in P.D. (Provisional Duty) account. If the importer does not have an account, he can pay duty by cash using TR-6 challan. Of course, payment through PD account is very convenient and quick

### Export Potentials

- Potentials have to be followed by (a) 'person-in-charge of conveyance' and (b) the exporter. The potentials are similar to potentials for import, of course, in reverse direction.

- NO STOPPAGE OF EXPORT CONSIGNMENT: -

- Exports are vital for our economy. Any stoppage in export consignment means loss of export orders to the exporter and loss of foreign exchange to the country. Hence, it has been provided that movement of export consignment will not be interrupted and no export consignment shall be withheld for any reason whatsoever. In case of

any doubt, customs authorities may ask for an undertaking that the export is on sole responsibility of the exporter. [Highlights of EXIM policy 1997-2002 as amended on 13.4.1998].

- Potentials by person in charge of conveyance – Any new airline, shipping line, steamer agent should be registered in Customs Systems for electronic processing of shipping bills etc.
- The ‘person in charge of conveyance’ has to follow prescribed potentials.

- Entry Outward: -

- The vessel should be granted ‘Entry Outward’. Loading can start only after entry outward is granted. (section 39 of Customs Act). Steamer Agents can file ‘application for entry outwards’ 14 days in advance so that intending exporters can start submitting ‘Shipping Bills’. This ensures that formalities are completed as quickly as possible and loading in ship starts quickly.

- LOADING WITH PERMISSION: -

- Export goods can be loaded only after Shipping Bill or Bill of Export, duly passed by Customs Officer is handed over by Exporter to the person-in-charge of conveyance. In case of baggage and mail bags, shipping bill is not necessary, but permission of Customs Officer is required (section 40).
- Export Manifest - As per section 41, an Export Manifest/Export Report in prescribed form should be submitted before departure. [The report is popularly called as ‘Export General Manifest’ - EGM]. The details required are similar to import manifest. Such manifest/report can be amended or supplemented with permission, if there was no fraudulent intention. Such report should be declared as true by the person-in-charge signing the export manifest. This report is not required if the conveyance is carrying only luggage of occupants.
- Potentials to be followed by Exporter – Export potentials have been summarized in Chapter 3 Part II of CBE&C’s Customs Manual, 2001.

**Every exporter should take following initial steps --**

- Obtain BIN (Business Identification Number) from DGFT. It is a PAN based number
- Open current account with designated bank for credit of duty drawback claims
- Register licenses / advance license / DEPB etc. at the customs station, if exports are under Export

**•Promotion Schemes**

Exporter has to submit 'shipping bill' for export by sea or air and 'bill of export' for export by road. Goods have to be assessed for duty; even if no duty is payable for most of exports, as 'Nil Duty' assessment is also an assessment.

- Shipping Bill to be submitted by Exporter - Shipping Bill and Bill of Export Regulations prescribe form of shipping bills. It should be submitted in quadruplicate. If drawback claim is to be made, one additional copy should be submitted.

**•There are five forms:**

(a) Shipping Bill for export of goods under claim for duty drawback

- These should be in Green colour

(b) Shipping Bill for export of dutiable goods - this should be yellow colour

(c) Shipping bill for export of duty free goods - it should be white colour

(d) shipping bill for export of duty free goods ex-bond - i.e. from bonded store room  
- it should be pink colour

(e) Shipping Bill for export under DEPB scheme - Blue colour.

- The shipping bill form requires details like name of exporter, consignee, Invoice Number, details of packing, description of goods, quantity, FOB Value etc. Appropriate form of shipping bill should be used.
  - Relevant documents i.e. copies of packing list, invoices, export contract, letter of credit etc. are also to be submitted. In case of excisable goods, form ARE-1 prepared at the time of clearance from factory should also be submitted.
  - Customs authorities give serial number (called 'Thoka Number') to shipping bill, when it is presented. Excise formalities at the time of Export - If the goods are cleared by manufacturer for export, the goods are accompanied by ARE-1 (earlier AR-4). This form should be submitted to customs authorities. The Customs Officer certifies that the goods under this form have indeed been exported. This form has then to be submitted to Maritime Commissioner for obtaining 'proof of export'. The bond executed by Manufacturer-exporter with excise authorities is released only when 'proof of export' is accepted by Maritime Commissioner or Assistant Commissioner, where bond was executed.
- Duty drawback formalities:-
- If the exporter intends to claim duty drawback on his exports, he has to follow prescribed potentials and submit necessary papers. The potentials are discussed in the chapter on 'Export Incentives'. He has to make endorsement of shipping bill that claim for duty drawback is being made. If he fails to do so due to genuine reasons, Commissioner of Customs can grant exemption from this provision. [proviso to rule 12(1)(a) of Duty Drawback Rules].
- G R / SDF / SOFTEX Form under FEMA :-
- Reserve Bank of India has prescribed GR / SDF form under FEMA. "G R" stands for

'Guaranteed Receipt' form, while SDF stands for 'Statutory Declaration Form'). SDF form is to be used where shipping bills are processed electronically in customs house, while GR form is used when shipping bills are processed manually in customs house.

- Other documents required for export: -

- Exporter also has to prepare other documents like (a) Four copies of Commercial Invoice (b) Four copies of Packing List (c) Certificate of Origin or pre-shipment inspection where required (d) Insurance policy. (e) Letter of Credit (f) Declaration of Value (g) Excise ARE-1/ARE-2 form as applicable (h) GR / SDF form prescribed by RBI in duplicate (i) Letter showing BIN Number.

- RCMC certificate from Export Promotion Council: -

- Various Export Promotion Councils have been set up to promote and develop exports. (e.g. Engineering Export Promotion Council, Apparel Export Promotion Council, etc.) Exporter has to become member of the concerned Export Promotion Council and obtain RCMC - Registration cum membership Certificate.

- Check in customs: –

- Document submitted is processed by customs authorities, and following are checked - Chapter 3 Para 39 of CBE&C's Customs Manual, 2001.

Value and classification of goods under drawback schedule in case of drawback shipping bills

Export duty / cess if applicable

Advance License shipping bills are checked to ensure that description in invoice and final product specified in Advance License matches. If necessary, samples may be drawn and assessment may be done after visual inspection or testing

Exportability of goods under EXIM policy and other laws - Some exports are totally

prohibited under various Acts e.g. items restricted or prohibited under Foreign Trade (Regulation) Act; antiques; art treasures; Arms; narcotics etc. Some items like tea, coffee and coir products can be exported only against authorization/licence under respective Acts.

- Examination of goods before export: -

- After shipping bill is passed by export department, the goods are presented to shed appraiser (exports) in dock for examination. Goods will be examined by examiner. This inspection is necessary (a) to ensure that prohibited goods are not exported (b) goods tally with description and invoice (c) duty drawback, where applicable, is correctly claimed.
- Customs Act. [The conveyance may be vehicle, ship or aircraft]. After transit, the goods may go to another customs station.
- On arrival at customs station, the goods will be liable to customs duty as if it is first importation in India. - section 55.
- Transhipment of Goods - Goods imported in any customs station can be transshipped without payment of duty, u/s 54 of Customs Act. Transhipment means transfer from one conveyance to another. [The conveyance may be vehicle, ship or aircraft]. Such transhipment may be to any major port or airport in India. The goods can be transshipped to any other customs station in India if customs officer is satisfied that the goods are bonafide intended for transhipment to any customs station. The facility is available at all customs ports and Inland Container Depots (ICDs). [Notification No. 50/95-Cus(NT) dated 6-9-95].
- Goods to be transshipped must be specified in Import Manifest or Import report and a 'Bill of Transhipment' should be submitted to Customs Officer. In case of goods being transshipped under an international treaty or bilateral agreement

between Government of India and Government of a foreign country, a Declaration of Transhipment shall be submitted instead of Bill of Transhipment. [section 54(1)]. [India has such bilateral agreement with Nepal].

Such goods should not be 'prohibited goods' under section 11 of Customs Act. The goods should be sealed during transhipment by customs officer. A bond has to be executed for the purpose. After execution of bond, a certificate from customs officer has to be submitted within one month that goods have been properly transferred. [Goods Imported (Conditions of Transshipments) Regulations, 1995]. On arrival at customs station, they will be liable to customs duty as if it is first importation in India. - section 55.

• TRANSIT AND TRANSHIP: -

Distinction between transit and transhipment is that in 'transit' goods continue to be on same vessel, while in transhipment, goods are transferred to another vessel / vehicle. Hence, potentials are also different.

Coastal goods - Coastal goods means goods transported from one port in India to another port in India, but do not include imported goods. Thus, coastal goods mean goods taken by ship from one Indian port to another. No export or import is involved, but control is necessary to ensure that coastal goods are not diverted illegally for export.

• LOADING OF COASTAL GOODS: -

The Consignor should submit bill of coastal goods to Customs Officer (section 93). Form of the bill has been prescribed. These will be loaded by master of vessel only after 'bill of coastal goods' is passed (section 93). Master of Vessel will carry an 'Advice Book' where entries will be made by Customs Officer. This 'Advice Book' has to be presented for inspection of Customs Officers, if called for. After

loading, the vessel can leave only after obtaining written order from Customs Officer. As per notification No 15/98-NT dated 27.2.1998, exemption has been granted for delivery of 'Advice Book' at each port of call. However, the 'Advice Book' will have to be submitted for inspection on board of vessel, when called for.

- **UNLOADING OF COASTAL GOODS: -**

- Unloading of coastal goods should be done only at Customs Port or coastal port appointed by CBEC under section 7 of Customs Act. On arrival, all bills relating to goods which are to be unloaded will be delivered to Customs Officer. Unloading can be done only after obtaining permission from Customs Officer. Customs Officer can inspect goods and ask for questions and documents relating to goods. Goods will be unloaded at approved place under supervision of Customs Officer.

- **IMPORT MANIFEST IS REQUIRED TO BE SUBMITTED BEFORE ARRIVAL OF AIRCRAFT OR VESSEL:**

- Section 30(1) of Customs Act provides that Import Manifest should be filed before arrival of ship or aircraft. Normally, the Agents submit the Import Manifest before arrival, so that maximum possible formalities are completed before vessel or aircraft arrives. This also enables importers to file 'Bill of Entry' in advance.
  - Grant of Entry Inwards by Customs Officer - Unloading of cargo can start only after Customs Officer grant 'Entry Inwards'. Such entry inwards can be granted only when berthing accommodation is granted to a vessel. If there is heavy congestion at port, shipping berth may not be available and in such case, 'Entry Inwards' cannot be granted. This date is highly relevant for determining rate of customs duty applicable.

- Carrier responsible for shortages during unloading - If the goods are short landed, the carrier is liable to pay penalty upto twice the amount of duty payable on such short landed goods. It has been held that tally sheet prepared by Port Trust authorities on unloading of goods is a statutory document and should be accepted in preference to steamer survey - Scindia Steam Navigation v. CC - 1988 (33) ELT (CEGAT) followed in re India Steamship Co. Ltd. - 1992 (57) ELT 510 (GOI).
- Potential by Importer - The importer importing the goods has to follow prescribed potentials for import by ship/air/road. (There is separate potential for goods imported as a baggage or by post.)
- Bill of Entry - This is a very vital and important document which every importer has to submit under section 46. The Bill of Entry should be in prescribed form. The standard size of Bill of Entry is 16" × 13". However, for computerization purposes, 15" × 12" size is permitted. (Mumbai Customs Public Notice No. 142/93 dated 3-11-93).
- Bill of Entry should be submitted in quadruplicate – original and duplicate for customs, triplicate for the importer and fourth copy is meant for bank for making remittances.

Under EDI system, Bill of Entry is actually printed on computer in triplicate only after 'out of charge' order is given. Duplicate copy is given to importer.

Types of Bill of Entry - Bills of Entry should be of one of three types. Out of these, two types are for clearance from customs while third is for clearance from warehouse.

- **BILL OF ENTRY FOR HOME CONSUMPTION –**

- This form, called ‘Bill of Entry for Home Consumption’, is used when the imported goods are to be cleared on payment of full duty. Home consumption means use within India. It is white colored and hence often called ‘white bill of entry’.

- **BILL OF ENTRY FOR:**

- when required on payment of duty. This will enable him to defer payment of customs duty till goods are actually required by him. This Bill of Entry is printed on yellow paper and often called ‘Yellow Bill of Entry’. It is also called ‘Into Bond Bill of Entry’ as bond is executed for transfer of goods in warehouse without payment of duty.

- **BILL OF ENTRY FOR EX-BOND CLEARANCE: -**

- The third type is for Ex-Bond clearance. This is used for clearance from the warehouse on payment of duty and is printed on green paper. The goods are classified and value is assessed at the time of clearance from customs port. Thus, value and classification is not required to be determined in this bill of entry. The columns in this bill of entry are similar to other bills of entry. However, declaration by importer is not required as the goods are already assessed.

- **RATE OF DUTY FOR CLEARANCE FROM WAREHOUSE: -**

- It may be noted that rate of duty applicable is as prevalent on date of removal from warehouse. Thus, if rate has changed after goods are cleared from customs port, customs duty as assessed on yellow bill of entry and as paid on green bill of entry will not be same.

- Mention of BIN on Bill of Entry: –

- A BIN (Business Identification Number) is allotted to each importer and exporter w.e.f. 1.4.2001. It is a 15 digit code based on PAN of Income Tax (PAN is a 10 digit code). [Earlier an EC (Import Export code) number issued by DGFT was required to be mentioned on Bill of Entry].

- Filing of Bill of Entry - Normally, Bill of Entry is filed by CHA on behalf of the importer. Customs work at some ports has been computerized. In that case, the Bill of Entry has to be filed electronically, i.e. through Customs EDI system through computerization of work. Potential for the same has been prescribed vide Bill of Entry (Electronic Declaration) Regulations, 1995.

## CH.10:- CONCLUSION

A robust export-led growth strategy must address both domestic and international policies that systematically disadvantage Indian manufacturing competitiveness. The purpose of ACC's "Keys to Export Growth" is to provide insights and actionable recommendations that will lead to stronger export growth for the Indian chemical sector, and the Indian economy as a whole. ACC and its members support a broad and comprehensive policy approach that addresses a range of policy issues.

From energy and tax to trade and regulations, ACC's "Keys to Export Growth" presents clear recommendations on public policy issues that can make a positive contribution to the chemical industry's efforts to drive innovation, increase productivity, and encourage investment.

- Promoting resource efficiency is a policy objective of the Federal Government of Belgium, but also of the regions, with many cross-cutting linkages to various policy fields. Therefore, resource efficiency policies are formulated and introduced by various Federal Departments, covering different issues and aspects of the resource efficiency agenda.
- The development of the Belgium's environmental policy is characterized by a separation of responsibilities between the national and the regional level.

The Environmental federal level is responsible for:

- the establishment of an integrated product policy
- the chemical policy
- the transit of wastes
- the protection against ionizing radiation and radioactive waste management

• On the Federal level, a mainly horizontal approach is contributed to resource efficiency with cross-cutting linkages between various governmental bodies and policy fields, such as:

- Federal Public Service (FPS) for Economy, SMEs and Energy
- Federal Public Service for Foreign Affairs, Foreign Trade and Development
- Federal Department for Sustainable Development
- Federal Department for Sciences

These FPS are, for instance, in charge of the general building policy, the financial and fiscal policy, the energy policy etc. 2011 survey of resource efficiency policies in EEA member and cooperating countries - BELGIUM

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