

CHECK AGAINST DELIVERY

EU Business Forum on India, 10 June 2002

**Speech by Mr Philippe de Buck
UNICE's Secretary General**

Commissioner, Ladies and Gentlemen,

I am delighted to be with you here today in this EU Forum on India to assess the progress achieved in the framework of the EU-India Business Summits, and to discuss the next steps of this process. Your participation today demonstrates the growing interest of European business in India.

Before I start my presentation, let me first thank the European Commission for having organised this important event.

I would like to start giving you some highlights about UNICE's strategy in external relations and trade policy. I will then turn to EU-India relations and how to continue working towards strengthening mutual relations on economic issues, at bilateral and multilateral levels. I will close with the importance of the process of EU-India Business Summits to strengthen dialogue and cooperation between businesses.

One of UNICE's objective's is actively to promote a strengthening of the EU relationship with its main trading partners. UNICE is, however, not involved in any kind of European export and investment promotion activities. These activities, through the subsidiarity principle, are dealt with at national level by UNICE's member federations, and other organisations better equipped for that purpose. In the field of external relations, UNICE's main objective is to improve European companies' access to third markets and to strengthen business cooperation, which is developed following a complementary strategy, acting at multilateral and bilateral levels. UNICE's strategy vis-à-vis India is no different.

EU-India relations

Why is India important for European business?

India offers important attractions as an enormous market with sustained economic growth. It is a country with a democratic tradition, great cultural diversity and situated in the heart of a region undergoing change. India is emerging as a leader in new technologies, contributing to innovation and creativity worldwide, and its industry is being restructured to compete with its Asian neighbours.

India's growing importance as a global player is well recognised, with vast potential for the future. The existing figures for trade and investment flows show that the EU and India already have a mutually beneficial economic

partnership. The EU is India's main partner in trade, investment, and cooperation. There is, however, **scope for huge expansion**.

While the European Union is India's largest trading partner, India is only our 18th partner, with only 1.3% of total European goods imports. This low level is even more striking if we compare it with other regions in Asia and if we take into account that India represents almost one fifth of the world's population.

The same margin for improvement can also be found for investment. India has made important efforts to open sectors that were previously reserved exclusively for the public sector to both domestic and foreign private investors, making India a more attractive FDI destination. The European Union is consolidating its position as the one of the main investors in India. Sectorally, the EU has a substantial financial stake in industrial machinery, transport, electrical goods and electronics, chemicals and consultancy. However, EU FDI represents only 0.6% of the EU's worldwide investment flows, and 3% of global FDI in Asia.

The importance of India for European business should not make us forget that the enormous potential of EU-India relations is far from being fully exploited. Important efforts have still to be made towards further elimination of the remaining barriers to international trade and investment at bilateral, regional and multilateral level. It is also essential to create a stable

investment framework providing greater transparency and predictability to continue and increase the attraction of long-term capital to the region.

How this can be achieved?

First, India has to continue its **reform process**. UNICE welcomes what has already been achieved since 1991 in India's reform programme. Although slow in its implementation, it has reduced economic distortions and has increased external and internal competition. This has already had an impact on some issues like insurance or telecommunications, and has helped to increase our bilateral trade and investment strongly in the last ten years. However, the reform process should continue with "second generation reforms". The Indian opening of new sectors to foreign investment should allow many leading European companies to activate or form partnerships in India with capital and know-how, to the benefit of Indian consumers, industrialists, employees and the economy as a whole.

The effectiveness of the reform, however, has not had the same impact between the States of the Indian Union. Some States have achieved high growth rates, while others lag behind.

The public sector as both producer and consumer of goods and services is declining, although still significant – in 1999 it accounted for a quarter of GDP, and one third of investments. Public companies are present in nearly all economic sectors, playing a main role in industrial production. The

privatisation process started in 1991 has produced limited results and should be continued to allow an opening of competition to private national or foreign companies. Business structure in India is characterised by powerful holding companies, together with a large SME important sector which is still largely protected.

The Indian economy is in the process of opening, but its commercial policy is still much more restrictive in comparison with other emerging economies. Tariffs, both direct and indirect, are still very high, with average protection above 30%.

Foreign investment regulations have changed greatly in the last few years. In 2000, the foreign investment framework was substantially revised, leaving only a very small list of areas requiring prior approval. Some progress can still be made, by cutting bureaucracy at national and State level, to speed the pace of Foreign Direct Investment and increase India's integration in the world economy.

Second, through the tool that is bringing us here together: the **EU-India joint initiative to enhance mutual trade and investment**. This is based on specific business recommendations to political leaders on what has to be done to improve the investment environment and to promote trade links. UNICE accepts its responsibility and will contribute to this process in order to ensure progress on subjects of importance for European business. Today, during this conference we will have the opportunity to listen to the reports of

the first initiative covering food processing, mechanical engineering, telecommunications and information technology; and to decide how to transform them into an action plan. Words are not enough, implementation is key. We will also discuss on the second initiative on four sectors which were decided in the last EU-India Summit in November 2001 in New Delhi: biotechnology, financial services, textiles and energy. The objective is to prepare the EU-India Business and Political Summits to take place in Copenhagen on 9 and 10 October respectively.

EU business effort has to be sustained for this joint initiative if we want it to produce concrete results engaging all the partners concerned. Only with the strong support of business will the work under way in this joint initiative be effective and produce the desired effects.

At the bilateral level, the efforts made in the framework of the Joint Initiative should be completed with the actions initiated by the EU-India Joint Commission, the sub-commissions on trade, economic co-operation and development co-operation; and the working groups on sectoral issues. In this respect, of particular interest is the establishment of an EU-India Round Table to involve organised civil society (ECOSOC for the EU) in the EU-India Partnership.

Third, the bilateral dimension should not eclipse the **multilateral side** and the important role that India plays in WTO. It is clear that the biggest impetus to bilateral relations can come from the multilateral level. Multilateral and

bilateral trade liberalisation are complementary and should be pursued simultaneously. Bilateral initiatives, provided that they are fully compatible with the principles and rules of the multilateral trading system of WTO, can contribute positively to trade and investment liberalisation at multilateral level.

UNICE considers that the rules-based system of the WTO, which establishes the framework in which companies operate at international level, has proved its benefits for developed and developing countries. UNICE actively supported the launch of a new round of trade negotiations. The Development Agenda agreed in Doha is a great achievement and a significant step towards restoring confidence in the multilateral system and strengthening international economic governance. The challenges are great and the process very complex. Its success depends on the active participation and determination of all the members.

UNICE therefore encourages EU institutions, and EU and Indian governments to work towards increasing cooperation on multilateral trade and investment issues, guaranteeing a solid framework of open markets, full transparency and full protection of investments as the basis for future growth and prosperity.

UNICE priorities for the Doha Development Agenda are:

- improved market access for non-agricultural products
- further liberalisation of services
- establishment of a multilateral framework for foreign investment

- o a WTO agreement on trade facilitation

To contribute to the negotiating process, UNICE is working closely with the Commission negotiators and participates actively in the dialogue with civil society to improve mutual understanding and alleviate fears and concerns. In particular, it has developed detailed positions on all issues of the multilateral trade negotiations and has a specific website on WTO matters (wto.unice.org). It has also over the years established working contacts with sister organisations from India such as the Confederation of Indian industry (CII) to improve mutual understanding and cooperation on WTO issues.

Role of Business Organisations

It is important that EU and Indian business strengthen their dialogue as a way to improve mutual understanding and continue identifying issues for possible joint actions, for instance vis-à-vis the WTO or as was the case with the Joint Initiative. Such a dialogue would also contribute to and enhance the EU-India Business Summits, whose third meeting, as I mentioned before, will take place on 9 October in Copenhagen, organised by the Confederation of Danish industries on the EU side. It will take place on the eve of the 3rd EU-India Summit.

Secondly, the exchange of experience and good practice between business organisations must be promoted, with the objective of strengthening our

respective business organisations. This will undoubtedly reinforce our positions vis-à-vis our respective governments.

As the voice of European business, UNICE will assume its responsibility in the dialogue with India's Government and business community in order to ensure progress on subjects of importance to European business such as trade and investment liberalisation, development cooperation, and other business-related issues.

UNICE hopes that the conditions for closer economic co-operation with India will be fully implemented in order to further strengthen our bilateral economic relationship. To this end, UNICE is committed to continue its action at both official and private-sector levels.

I hope that this Forum will be a success.

Thank you for your attention.
