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CHECK AGAINST DELIVERY

ING Seminar “India Target 2005”

8 November 2004

“EU-India relations in a global world” (17:15 - 17:30)

**Intervention by Mr Philippe de Buck
UNICE’s Secretary General**

Ladies and Gentlemen,

I am very pleased to be with you here today in this “India Target 2005” seminar and I would like to thank ING and the other organisations involved for having organised it.

During my intervention, I will share with you some reflections on the EU-India relationship, its challenges and opportunities and what business can do to strengthen bilateral links.

Why are relations with India so important?

Seen from the European point of view, India is a major partner for the EU, politically and economically. India's growing importance as a global player is well recognised. It is playing an ever more assertive role in the WTO negotiations and is liberalising its economy continuously. India is a key destination for outsourced activities, but at the same time its vast manufacturing sector is increasingly becoming a new exporting force.

India offers significant economic opportunities as an enormous market with sustained economic growth. 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 aid. There is, however, scope for huge expansion and for a privileged partnership.

For India, the EU is a reliable partner. Between India and Europe there have always been historical links, and India was amongst the first countries to set up diplomatic relations with the then European Economic Community, in 1963. The “two largest democracies in the world” are strong supporters of the multilateral system and actively cooperate in the UN, in the WTO, in other international fora, and regarding international sustainable development and security issues.

The key challenge is how to further develop this cooperation on global issues. A lot can be done together based on our shared values and interests by coordinating and bringing positions closer ahead of important international meetings. This is of outmost importance because in a global world you need to set up key alliances in order to be able to participate in the world's policies.

The EU and its 25 Member States, and India should therefore explore all opportunities to strengthen dialogue at all levels, government, business and civil society, to improve mutual understanding and identify practical steps to overcome difficulties and move forward together at bilateral and multilateral levels. For its part, UNICE, as most of its members, VBO-FEB and Agoria included, is working closely with the Confederation of Indian Industries (CII) in this direction. Business organisations and other components of organised civil society are playing an increasing role supporting States in strengthening international relations.

The importance of India for European business should not allow us forget, however, that the enormous potential of EU-India relations is far from being fully exploited.

The EU accounted for 24.2% of India's exports and 22.5% of total imports in 2003. It may sound a lot but to put that in perspective, the total volume of bilateral trade puts India in the same group as countries with smaller economies such as Malaysia, Hong Kong, Singapore, and South Africa. India ranks as the EU's 14th trading partner accounting for only 1.6% of EU exports and imports.

The same margin for improvement can also be found for investment. India has made important efforts to open sectors previously reserved for the public sector to both domestic and foreign private investors, making India a more attractive destination for investment. Since 1991, FDI inflows from the EU have amounted to €3.7 billion, mainly in the power, energy, telecommunications and transport sectors. However, India only receives 0.3% of the EU's FDI outflows.

What should be done? How can bilateral trade and investment be promoted? Action should be taken at three complementary levels:

1. the national level by the Indian Government,
2. the bilateral level,
3. and the multilateral level through the WTO trade system.

First, India has to continue its reform process. UNICE welcomes what has already been achieved since the early 90s, with positive achievements in terms of growth performance. This is an opportunity to pay tribute to the current Prime Minister, Dr Manmohan Singh, who was the driving force behind the reforms at that time. Having personally participated in the Belgian Prince's Economic Missions, or having led the Agoria missions in the 1990s, I have been a direct witness of the changes made in India in the last years, and the good results for Belgian companies. Unfortunately, there were also some well known failures.

The impact of the reforms is already being felt in some key sectors like telecommunications, and has helped to double European trade in the last decade. Now, India should continue these efforts pushing ahead with bold reforms, which would lead to increased external and internal competition. Progress should also be made in improving the distribution of the benefits of reform to all States in India.

The EU, which is the world's largest trader, is a very open economy. In comparison, the Indian commercial policy is much more restrictive. The EU average tariff for imports of industrial goods in Europe is 4.1%, while in India it is around 22%. Moreover, a number of non-tariff barriers such as quantitative restrictions and discriminatory duties exist in the Indian market. Trade and investment liberalisation will lead to a win-win situation for Indian and EU business and society at large.

For business, what is important is that the legislation adopted does not go against growth and prosperity. In this year's annual world development report entitled A Better Investment Climate for Everyone the World Bank urges developing countries to improve the investment climate by reducing red tape, making government regulation more predictable, delivering the basics of stable political environments and securing property rights. This is also what we in UNICE ask the EU institutions to do: better regulation, less red tape and more entrepreneurship. This is the message we have conveyed to Mr Barroso and to the new European Parliament in the UNICE publication "Business Vision for Europe."

Second. The bilateral dimension. For five years, the EU and India business communities have been meeting regularly in **EU-India Business summits**. These meetings take place in the margins of the bilateral political summits and are good opportunities for business representatives to meet high-level representatives from the EU and the Indian government.

EU and Indian business have been working jointly to address their respective policy-makers on concrete issues of interest for companies in terms of market access, investment conditions, etc. Previous business summits have produced a list of recommendations covering key sectors for both India and the EU. What is important is to focus on their **concrete implementation**.

UNICE, as the voice of business in Europe, has supported this process since its inception. As a matter of fact, today in Noordwijk (The Netherlands) is taking place a business event in the margins of the EU-India political summit, unfortunately on the same date as this conference, because of a postponement of the EU-India Summit and Business Summit which were originally scheduled for mid-October.

Third: The **WTO multilateral process**. It is clear that multilateral and bilateral trade liberalisation are complementary and should be pursued simultaneously.

The WTO negotiations are a **win-win situation** from which both the EU and India, together with the multilateral system as a whole, will gain. It is a forum to help countries focus on pro-competitive reforms and progressively open their markets to competition for the benefit of all – companies, consumers and governments. UNICE considers the WTO, which establishes the framework in which companies operate at international level, to be the international organisation which most affects companies' activities.

UNICE has been working to **build bridges with business** in India and other parts of the world to consider the possible options to move further forward.

With that objective, the EU and the Indian government have to **make every effort towards improving cooperation** on multilateral trade and investment issues, building on the 31 July 2004 WTO decision, as the basis for future growth and prosperity. Business should continue working together to keep momentum and push for significant trade liberalisation. The specific interests of developing countries should be taken into

account, but recognising the level of development and international competitiveness of specific sectors in these countries.

Regarding our bilateral relationship, EU and India should particularly cooperate on **investment issues**. There is a clear link between trade and investment as FDI enables developing countries to gain access to distribution networks and much needed new technologies to enable them to export. Legal certainty for investment is key to encouraging economic development. India should also benefit from that for its increasing investments abroad.

UNICE hopes that all the opportunities for closer economic co-operation with India will be fully exploited. To this end, **UNICE is committed to continue its action** at both official and private-sector levels. Since industry is in many ways the driving force behind reforms in our respective economies, it must play a major part in the practical strengthening of links between the EU and India.

I wish every success to Prince Philippe's Mission in India next year.

Thank you for your attention.
