



## STATEMENT

### **BUSINESSEUROPE and the Confederation of Swedish Enterprise**

The 9th EU-India Business Summit, under the theme of “India - EU: Strengthening Synergies for Growth” took place in New Delhi on November 6. The event was organised by the Confederation of Indian Industry (CII), the Federation of Indian Chambers of Commerce and Industry (FICCI), The Confederation of Swedish Enterprises (SN) and BUSINESSEUROPE.

The Business Summit brought together high-level business leaders of India and the European Union in a general discussion and also was the site of a focused meeting of the EU-India CEO Round Table.

The following are priorities of the European side for the EU India relationship:

#### **1. The deepening relationship – much done, more to do**

*Recommendation: The Government of India and the European Union should put strengthening the economic relationship at the heart of their strategic partnership.*

The business communities of India and the European Union recognise the **importance and the huge business potential of the relationship**. In the ten years up to 2008 EU India trade tripled to reach €61 billion. Even though the trade relationship has not escaped the effects of the crisis – the first months of 2009 are 15% down on the same period last year – they do show that the relationship has increased somewhat in importance. Though India still only represents a relatively small percentage of the EU’s total imports and exports – 2.3% during the period from January to July 2009, that number is significantly higher – by some 10% than the same period in 2008. Up to the minute figures on investment are not available but we know that in 2007 Indian companies and European companies held over €23 billion in investments in each other’s economies.

However, while the bilateral relationship between the EU and India is currently strong, it has a long way to develop before it reaches the scale appropriate for two of the largest economic,

trading and innovating entities in the world. Broadening our cooperation and bringing our businesses closer together can help ensure both India's and the EU's competitiveness in the global market-place.

## **2. The broad based trade and investment agreement**

*Recommendation: Business urges negotiators to push ahead to reach a timely and ambitious conclusion of the broad based EU India Free Trade Agreement.*

One avenue to achieve this is through the conclusion of the ambitious broad based trade and investment agreement currently under negotiation. Business strongly supports these negotiations and calls on the summit leaders to make a decisive commitment to move the process forward this year. Nonetheless, we must be clear that a deal will need to be comprehensive if it is to be successful. On manufactured goods, the agreement cannot totally exclude any industrial goods sector from liberalisation, particularly those of major export interest. Companies are also eager to see two-way trade in services and here there is a particular commonality of interest with Indian firms, particularly around promoting labour mobility and investment. However, the agreement must also address the longstanding obstacles to services market access in India for key sectors such as insurance, retail and of course legal services. Furthermore, European companies are certain that procurement liberalisation will bring benefits to India's citizens through more efficient and cheaper services and infrastructure as well as being a key market access issue.

The agreement should also include serious chapters on non-tariff barriers, investment, intellectual property rights, competition policy and measures to facilitate trade at the border. The provisions of the deal must be guaranteed by a robust dispute settlement process inspired by the principles of WTO accompanied by an effective mediation mechanism for tackling non-tariff barriers, similar to that proposed by the EU and India in the WTO.

## **3. Global Partnership on Climate, Trade and Finance**

India and the European Union are partners in major global decision-making bodies and should work together to advance an agenda that promotes international trade, efforts to tackle climate change and the rapid recovery of the global economy.

*Recommendation: India and the EU should work for an agreement at Copenhagen that is effective, long term and sees a fair distribution of the burden.*

The international climate conference in Copenhagen will be a decisive meeting for reaching an international post-2012 climate agreement. India and the European Union should work together to combat climate change. European companies are themselves committed to doing their share. The International Energy Agency estimates that the majority of technological options to reduce industrial CO<sub>2</sub> emissions will cost between 34 euro and 68 euro per tonne of CO<sub>2</sub>, with some options rising as high as 135 euro. This underlines the magnitude of the challenge that industry faces. A new agreement must avoid risking the future competitiveness of our industry.

The deal will need to include a number of key elements. Some of these are particularly relevant in an EU-India context:

For instance the deal must establish reductions from developing countries by 2020. As agreed under UNFCCC, countries have to act in line with the principles of common but

differentiated climate protection responsibilities, and of action based on respective capabilities. Advanced developing countries must therefore commit to setting their own binding emission targets or policies in such a way that global emissions peak at the latest by 2020. The deal must also protect intellectual property rights from compulsory licensing. Technology dissemination and deployment must be promoted through the creation of enhanced national and regional enabling environments involving the private sector whilst maintaining the protection of intellectual property rights.

Other key business priorities for the Copenhagen conference include a commitment by all developed countries to strong reduction targets; a level playing field worldwide for internationally traded goods; a universal scheme for monitoring, reporting and evaluation; include sector approaches; recognised adaptation activities; address deforestation and address aviation and shipping. European companies are also strongly opposed to the idea of any border tax adjustment measure.

*Recommendation: The EU and India should increase their bilateral cooperation in the clean energy research area. They should also work to remove restrictions on how many credits from Clean Development Mechanism projects companies are allowed to buy.*

Innovation and skills in the area of green technology will be crucial to tackle climate change. More is needed in both India and the EU to promote collaborative research into clean energy – whether in the areas of power generation or energy efficiency. The EU and India have much to gain from greater cooperation between businesses in this field. The Clean Development Mechanism (CDM) is a key instrument to reduce global greenhouse gas emissions.

*Recommendation: India and the EU should seek to reach an ambitious outcome that delivers market access and meets the development objective of the Doha mandate*

Both business communities believe that the World Trade Organisation remains the best forum to deliver new trade liberalisation. We welcome the statement from political leaders in Pittsburgh that the Doha Round should be completed in 2010. The final deal should deliver real new market access for goods and services, substantially reduce trade distorting support in agriculture, as well as enhance WTO rules to facilitate trade. A positive outcome of the negotiations would send a strong signal on governments' commitment to open economies at a time of economic uncertainty.

*Recommendation: India and the EU should make access to finance the priority of their efforts to reform financial markets through the G20 process.*

The EU and India are also working together in the **G20** seeking to put the world economy back on track. New rules to ensure a financial system that appropriately deals with risk are absolutely vital for our mutual long term prosperity. Nonetheless, the goal of governments should be to restore access to finance for companies that are seeking to pave the way to global economic recovery.

#### **4. Infrastructure and public procurement.**

*Recommendation - Business calls for the use of public private partnerships and more open and transparent public procurement to promote infrastructure development.*

As one of the fastest growing economies in the world India needs a massive development of communications, health transport and energy **infrastructure** to avoid bottlenecks in its

development. Under the 11<sup>th</sup> Five Year Plan the Union government plans investment in infrastructure of some €315 billion by 2012.

Business believes that private sector investment in infrastructure is the best tool to maximise the efficient use of resources and deliver the infrastructure needed in the appropriate timescale. Experience has shown that **public private partnerships** (PPP) can improve productivity, deliver better quality services and provide contractual guarantees. Above all they attract private sector investment. It is crucial that PPPs are properly structured if rewards are to be maximised. India and the EU should engage in an exchange of best practices on PPP development in this light.

Successful private sector investment in infrastructure, as well as other provision to government, in India will depend on the government putting in place legislation to guarantee an **open and transparent public procurement regime**. The exchange of best practices with the European Union would be beneficial for further improving public procurement mechanisms in India.