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THE PARTNERSHIP SUMMIT 2011 “NEW PARTNERSHIPS FOR ECONOMIC RESURGENCE: THE GLOBAL IMPERATIVE”

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Speaking notes for Philippe de Buck, Director General, BUSINESSEUROPE
Plenary Session 1 – Global Trade Agreement: Is Multilateralism Relevant?
(24 January 2011, 14h30 – 16h30 - Political Leaders Plenary Session)

1. Introduction

- It is a great pleasure and honour for me to be in here today. I would like to thank the President of CII, Hari Bhartia, for the invitation, and the Director General Chandrajit Banerjee.
- BUSINESSEUROPE, which unites 40 federations in 34 countries across Europe, is a friend of India. Through our partnership with CII, we advance the EU-India relationship to create new business opportunities and ultimately more growth and jobs for our economies.
- Today’s panel discussion on the relevance of multilateralism lies at the heart of our work with India and with our partner CII. Indeed, BUSINESSEUROPE and CII are joint advocates for a number of key multilateral discussions:
 - trade negotiations in the WTO;
 - climate negotiations in the United Nations;
 - macro-economic cooperation in the G20 Summit.
- The EU and India are major economies and we also work to deepen the bilateral partnership. Recently, our governments embarked on bilateral free trade negotiations – which is a sea-change in our partnership. This agreement will also support our common multilateral ambitions.
- Despite the slow progress in WTO negotiations, I believe we should remain strong supporters of the Doha Development Round. The WTO helps fight against protectionism and can bring much needed new growth to the global economy.

2. Multilateralism contains the protectionist threat

- A couple of years ago, people thought that protectionism was a thing of the past. But the global financial crisis brought in a new wave: “Buy American” and “Buy China” did real harm to our exports and probably to Indian exports too. Import



tariffs were put on to goods in Russia and Ukraine. And many governments now find it fashionable to restrict the movement of (business) people. This is bad for our businesses!

- Luckily, the WTO was able to limit the damage to these cases. And we hope that as trade expands again in 2010 and 2011, governments will re-engage in trade liberalisation.

3. Business is supportive of Doha – but needs results!

- G20 leaders gave a new impetus to the Doha Round at the Korea Summit and we support Pascal Lamy's call for a "final countdown" for the negotiations in 2011. Minister Sharma will also meet his fellow trade ministers in Davos on 27 January where I believe some progress can be made on that front.
- If our negotiators cannot advance the Doha Round in 2011, there is a serious risk that business leaders will lose interest in the deal. Quite simply, 10 years of negotiations is far too long to keep corporate leaders engaged. And it would be a shame if the natural allies of freer trade abandoned ship.

4. A successful Doha Round will boost global growth

- The Doha Round is economically important as an insurance policy, a tool for companies to save money, and most importantly as a growth driver.
 - The Doha Round is an important insurance policy because it will align WTO commitments with the applied tariff levels in most countries. For example India, which has reduced its tariffs from around 35% to 10% on average over the past five years, will bind its applied tariffs in Geneva. This is very important for stability in global trade and will be an effective tool to limit protectionist temptations.
 - The Doha Agreement will also reduce applied or real tariffs significantly. With the package currently on the table, the duties paid worldwide would be cut by around \$ 90 billion annually or a 25% savings on customs duties worldwide for businesses. Tariff cuts along will boost global growth by at least 1%.
 - But the Doha Round should do much more by looking at ways to drive new growth. Sectoral tariff liberalisation on key intermediate goods like chemicals or machinery, also renewable energy equipment, would be a boost for a country like India. You use chemicals in your key export sectors, pharmaceuticals, automotive, agribusiness. You invest heavily in infrastructure development, power stations, water supply, buildings, for your development. More far reaching and comprehensive services liberalisation is necessary – especially in information technology, business and professional services and logistics. This will bring huge cost savings and efficiencies to India's rapidly growing economy.



- Trade negotiations are no longer a “zero-sum-game”. They should not be a mercantilist calculation of export gains. It is about growth, efficiencies and the competitiveness of global supply chains. That is why BUSINESSEUROPE is so keenly supportive of Indian requests to facilitate services liberalisation in some many areas – including access for services providers.

5. Is the EU-India Free Trade Agreement a threat to multilateralism or the Doha Round?

- I would also like to briefly mention the EU-Indian bilateral relationship. As you know, there is a free trade negotiation underway. 2011 should be the year of the final deal!
- Firstly, I do not think that this free trade deal undermines the WTO system. The EU and India have clearly indicated that they will strictly observe WTO rules on the matter.
- Secondly, this deal must reflect the new EU-India relationship as a partnership of equals. This deal reflects the newfound maturity of our political relations. It will strengthen the dynamics in business relations.
- When you consider that EU-China trade is around 10 times bigger than EU-India trade, it is surprising that our trade policy prioritizes India. But this choice reflects an understanding of where we want to go in the future.
- The good news of the last years has been the growing investment relationship between the EU and India. This shows a big interest in each other’s markets future development. The EU-India FTA should contribute to this development in three ways.
 - First, by eliminating tariffs, the agreement will boost two-way trade and stimulate cooperation between companies. Indeed, Indian and EU trade is very complementary. For example, India is a major parts supplier to the EU car industry and India’s pharmaceutical sector is an increasing important contributor to the EU pharmaceutical value chain. We recognize, of course, that some of India’s industries will need more time to open up to free trade and that is why we are prepared to look at flexibilities in the timing of tariff elimination.
 - Second, by opening up procurement markets, the agreement will encourage more cooperation in infrastructure development in India and in Europe. This is important for the Indian people who need better roads and services but it is also vital for India’s industrial development. The experience and expertise of European companies in this field can be an important asset to help fulfilling this demand, provided that the public procurement market in India will be open accordingly.



- Third, we want to develop services trade above and beyond the current level of engagement. India is the EU's 12th largest trading partner in services, but only with a 1.6% share of the EU's trade in services.
- Fourth, promoting innovation is the way forward to ensure the future competitiveness of our companies. Increasingly European and Indian companies are cooperating in technological developments from the automotive sector, to the pharmaceuticals sector and also in clean technologies. Strong intellectual property rights protection is crucial to foster this cooperation and must be an important part of the agreement.

6. Conclusions

- We are now in the Doha Round's 10th year and we do not want to rely on the promise of a hypothetical follow-up WTO Round to provide the economic growth the world economy needs in the short-to-medium term.
- By concluding the Doha Round, governments would demonstrate unambiguously and concretely that they are serious about fighting protectionism, bolstering international trade, and strengthening the multilateral trading system. A successful Doha Round would provide a most effective barrier against protectionist pressures.
- We should also push for the successful conclusion of the EU-India FTA negotiations as they are a vital complement to the multilateral negotiations. Such a deal that removes barriers to trade and investment in goods and services and also deals with key issues like procurement and IPR, will create many new opportunities for our companies.
- Both our organisations have an impressive track record of cooperation in a large number of areas. We look forward to further pursuing with you this successful path!
