

**Jahrestagung der Deutsch-Indischen Handelskammer am 27. Mai 2009
Rheinterasse Düsseldorf**

Dr. Hubert Lienhard

Vorsitzender des Vorstandes der Voith AG und

Vorsitzender des Wirtschaftsausschuss Indien im Asien-Pazifik-Ausschuss der
Deutschen Wirtschaft (APA)

Es gilt das gesprochene Wort.

Mr. Pratap,
Excellencies,
Minister Thoben,
Major Elbers,
Mr. Steinrücke,
Distinguished Guests,
Ladies and Gentlemen,

India is one of the most dynamic economies in the world. Though India is also suffering from the impact of the crisis, it is one of the few economies which has been realizing noticeable growth rates during this worldwide economic crisis. And I am convinced that India will be one of the countries where we see high growth rates as soon as the current crisis has been mastered.

India offers great opportunities and immense potential. India has abundant highly qualified human resources as well as a low-cost labour force. The rapidly growing middle and upper classes constitute a huge market whose potential is still waiting to be explored. According to the forecasts of the Asian Development Bank [forecast from 2005], India has a good chance of becoming one of the world's largest purchasing powers by 2025 – along with China and the USA!

The recent elections in India have provided a stable foundation for future reforms. The Congress Party has a sound majority which will hopefully speed up the reform process. We saw the euphoria on the Indian stock market after the election results were announced. The world expects the new Indian government to undertake profound reforms and open markets further for the global economy.

Indeed, reforms are necessary. There are, for example, still bottlenecks in the electricity supplies and in the transport infrastructure. The newly elected government should swiftly implement the envisaged infrastructure projects. Scarce domestic resources and growth-related environmental problems call for new technologies and solutions. Combating poverty is still a key issue on the agenda. Forecasts predict that in about 30 years India will have the highest population in the world. This creates the challenge of achieving stable and sustainable economic growth. Stable

and sustainable growth will not be achievable without international collaboration. We therefore call on the new Indian government to undertake measures to facilitate foreign investors' and companies' access to the market, by reducing public sector bureaucracy, for example. This will certainly contribute to the development of India's economy into one of the most advanced economies in the world.

Ladies and Gentlemen, a challenging but promising development process lies ahead. APA's goal is to pave the way for German business to participate in this development process. We want to foster mutual benefits and boost growth through partnership, innovation and sustainability. Partnership is the foundation for collaboration; innovation and sustainability is the course we should take.

Partnership and collaboration are essential in this globalized world – and even more so now, in the worldwide economic crisis. To be partners we need to know and understand each other's position well. And we need to know which fields offer the best potential for cooperation. The Indo-German relationship provides a whole range of fields for cooperation:

First, trade: India and Germany have become important trading partners for each other. In 2008 bilateral trade grew from around 5 billion euros in 2004 to more than 13 billion euros. India has become Germany's 8th largest non-European trading partner. Together with the UK, Germany is India's most important European trading partner. So it did not sound unrealistic when Prime Minister Singh and Chancellor Merkel jointly declared their intention to increase the bilateral trade volume to 20 billion euros by 2012.

India's main exports to Germany are textiles and clothing, chemical products and machinery. German exports' main sectors are machinery and equipment, chemical and pharmaceutical products, as well as electronic goods. But trade in automotive and automotive components is expanding steadily as well. In 2008, trade in this segment increased by some 28% compared to the previous year. These figures illustrate the fact that trade between India and Germany will be reflecting the trade patterns between advanced economies in the near future. And we have only been looking into goods and we all know that India's strength lies in the services sector!

Trade barriers are currently hampering bilateral trade. APA therefore welcomes the idea of an Indo-European free trade agreement. We call for open markets and elimination of national trade barriers. Tariffs are not the only trade barriers; there are also non-tariff barriers such as different product standards and certification procedures. These barriers have to be abolished.

We can do this in a cooperative manner. German institutions can provide support to India as regards implementing international standards. During the Hanover Trade Fair in 2006 and Chancellor Merkel's visit to India in 2007, harmonization of standards was one of the major topics. MOUs between German institutions such as DIN (German Institute for Standardisation) as well as VDE (Association for Electrical, Electronic & Information Technologies) and BIS (Bureau of Indian Standards) were signed. However, since then there has been no major breakthrough. We call for joint efforts to accelerate this process. Not only between our governments: We from the business side should also come up with suggestions as to where varying standards and certification procedures should be harmonised.

The FTA negotiations are making disappointingly slow progress. The change of government should be used as a chance to revive talks between India and the EU. Along with abolition of industrial tariffs and non-tariff barriers, full implementation of protection of intellectual property rights as well as binding and comprehensive regulations for dispute settlement should be the FTA agreement's goals. The automotive sector is a critical point. As the numbers showed, India and Germany are already working closely together in this sector. German business strongly advocates for full inclusion of the automotive sector in an FTA. Free trade would strengthen the competitiveness of all companies and exploit economic potential in both directions.

Second, investment: APA places high priority on investment relations being a two-way-street. This February, the Indian government announced that it would loosen regulations on FDI. According to this new plan, foreign firms will be able to hold majority shares in sectors where this was previously restricted, for example in the telecommunications and retail sectors. This is truly the right signal to set. Though this new regulation is not in force yet, we are confident that the newly elected

government will continue on this course. By contrast, Germany has implemented more restrictive measures on foreign investment. APA cannot support the recent changes made to German foreign trade and payment laws. Protective measures are not the right answer to the crisis. Only open markets promote innovation and enhance efficiency.

However, Germany also has a lot to offer. German government and German business have agreed to increase R&D spending to 3% of GDP by 2015 – with business accounting for two-thirds of this. The stimulus packages are geared to promoting, for example, energy efficiency and renewable energy – sectors crucial to the Indian economy. German firms will become more attractive to Indian companies seeking to acquire technology.

This brings me to the third point, innovation and sustainability: Innovation is the key to competitiveness and growth; sustainability is the key to long-term survival. Innovation is the tool; sustainability should be the goal.

In line with this concept, Indian and German business called for joint efforts and cooperation in the fields of climate protection, energy efficiency and urban development during Chancellor Merkel's visit to India in October 2007.

The project "Solar Roofs on German Schools and Institutions Abroad" initiated by the German Energy Agency (dena) is one of the projects in this field. As part of this programme IBC Solar, together with a local partner, set up 35 solar modules with a total peak power capacity of 7.8 kW at the Goethe Institute in Bangalore. Due to its high solar irradiation India is predestined for the generation of photovoltaic energy.

Or let me mention the Indo-German Energy Programme (IGEN). The IGEN is a joint programme of GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit, German Association for Technical Cooperation) and the Ministry of Power in India. Evonik and VGB Power Tech are involved in providing consulting and engineering services. The project's goal is to support and prepare public and private power plant operators for performance reporting as well as for the implementation of financially

attractive and technically viable improvements to the power plant net heat rate under the provisions of the Energy Conservation Act.

The Indian showpiece “Nano” is one of the most prominent examples of just how successful Indo-German joint innovation efforts can be. German companies such as Bosch, BASF, Continental or Freudenberg collaborated with Tata Motors to create this unique vehicle which has been developed in India for the Indian market. A hybrid version – of course jointly developed by Indian and German engineers – is also in planning.

Talks are in progress between Siemens and public sector power equipment manufacturer Bharat Heavy Electricals (Bhel) about a joint venture for manufacturing super critical and ultra-super critical steam turbines to contribute to higher energy efficiency.

India is also becoming an interesting R&D location. SAP, for example, operates a Co-Innovation Lab in Bangalore where IT companies and customers together develop innovative IT technologies. My own company, Voith, has moved its global technology centre for small hydropower plants to Delhi.

These are only a few examples of connections between India and Germany. Needless to say, the potential of Indo-German partnership is even greater than this.

Just like Germany, India has set up an economic stimulus programme focused on infrastructure, energy efficiency, renewable energy and environmental technologies. German companies are market leaders in these sectors and can provide excellent products and advanced technological know-how. The Indian government should be open to German companies as regards public procurement award procedures related to these technologies and should take avail of “Made in Germany” quality.

Ladies and Gentlemen, one of APA’s priorities is to develop the partnership with India at all levels. It is our objective to promote the enhancement of trade and investment relations in both directions and support India’s growth over the long term.

The Indo-German Chamber of Commerce is one of the most important links between Indian and German businesses and it ensures that any business experience gained in the region is directly integrated in all APA initiatives.

In this respect, we are very thankful for the Indo-German Chamber of Commerce's work and look forward to a long partnership.

Thank you.