

Seventh EU-India Business Summit
Helsinki, 12th October 2006
Prime Minister's Remarks

Hon'ble Mr. Matti Vanhanen, Prime Minister of Finland, Mr. Mauri Pekkarinen, Minister of Trade & Industry, Finland, Mr. Kamal Nath, our Minister for Commerce & Industry, Mr. Peter Mandelson, the EU Trade Commissioner, Mr. Christoffer Taxell, President of EK, Mr. Saroj Poddar, President, FICCI, Mr. R. Seshasayee, President, CII, Mr. Luca Cordero di Montezemolo, Vice President of UNICE, Excellencies and distinguished participants in the Seventh EU-India Business Summit,

I am deeply honoured to have this opportunity to share my thoughts with business leaders from India and the European Union. The practice of holding a business summit alongside the India-EU Summit underscores the importance of business and trade in the relations between India and the European Union.

Indeed, it is the winds of trade that brought our two civilizations in contact with each other in the modern world. But that was long ago, and in a different world. Today, our businessmen and women meet as equals in a globally integrated world. There was a time, some years ago, when our newspapers mostly reported on European companies investing in India. Today we read reports about Indian companies and Indian business persons investing in Europe. I welcome this new phase in our business relations.

I understand that many of you have already met with my cabinet colleague, Mr. Kamal Nath, Minister for Commerce & Industry, and other members of the Indian delegation. I believe they have brought you up-to-date with economic and social developments in India.

As you may be aware India is now into the fourth year of 8.0% growth in our national income. This is unprecedented. In the first quarter of the current fiscal year the rate of growth has hit a new high of 8.9%. Our industrial sector is growing at 8.5% to 9% annually.

In manufacturing, one of the drivers of growth this year is the automobile industry. Production of commercial vehicles has grown in the first quarter of this fiscal by 36.2%. Air traffic has grown by 32.2%. The number of telephone connections, including mobile phones, a product of particular interest here in Helsinki, has grown by a staggering 48.9%.

Our services sector has been an engine of growth in recent years and continues to be so. India is poised to become one of the leaders of the emerging knowledge industry.

Given a stable macro-economic situation, we should be able to record 8.5% growth in GDP during the current year with the industrial sector growing at approximately 10%. I am enthused by our industrial production registering a 10 year high of 12.4% in July 2006, compared to July of the previous year.

I cite these statistics to draw your attention to the underlying change in India. The process of growth underway in India is now much more sustainable than ever before. More to the point, it is widening and deepening the market for goods and services.

However, we are aware that to sustain the growth momentum, we need to do much more in the field of infrastructure and improve its all-round availability and quality. We have evolved several models for greater association of private developers and investors in building highways, ports, telecommunications and various sources of energy. Many established Indian and foreign companies find

these to be potentially profitable avenues. I invite European firms to participate actively in the infrastructure boom in India.

I am informed that a survey conducted by Eurostat in 2003, had revealed that European companies operating in India had a rate of return of 13%, compared to their global average of 6% on capital employed.

I am aware of the various issues raised by EU investors and other European participants in the Indo-EU Business Summit held in New Delhi last year.

The Government has tried to address several of these concerns, including the need to improve physical infrastructure. We have allowed 51% foreign equity in single brand retail outlets. Several foreign chains have availed of this opportunity and others are seriously exploring this avenue to enter the rapidly growing Indian retail market. As you know the wholesale trading and franchisee routes are already available to foreign investors.

We have taken concrete measures to strengthen the intellectual property regime in India. Last year, we amended the Indian Patents Act to allow for product patents for pharmaceuticals, bio-tech products and pesticides. Earlier this year, we notified a set of Rules to make the new Law operational. The maximum permissible period for grant of a patent has been brought down from 12 years to 6, while the minimum could be as short as 8 months. We have considerably modernized and strengthened our machinery for grant and enforcement of IPRs, though as you would all appreciate this is a continuing exercise.

Given our comparative advantage in manpower and now a fully compliant IPR regime, investments in knowledge based industries including R&D facilities can be very attractive. In fact, over a hundred of the Fortune 500 MNCs have already set up research bases in India, and many more investments are in the pipeline.

We continue to work towards smoothening our procedures and reducing the paper work involved in starting a business in India. We have enacted the Right to Information Act, a landmark legislation that enables a virtual full and time-bound right to access any information from a government functionary.

The EU remains by far India's largest trade and investment partner. The EU's enlargement can only increase its importance for us. There is increasing Indian presence in European business and such a development would further strengthen our relationship. We are engaged with the European Union to evolve further formal mechanisms to promote trade and investments between the EU members and India. The recently received recommendations of the High Level Trade Group would form the basis of a future agreement on economic cooperation.

All this suggests that we have much to look forward to. Yet, the fact remains that the present level of bilateral economic engagement is far below potential. I invite you to show the spirit of adventure and enterprise of your forefathers and set out to explore the opportunities in India once again. A new India is ready to welcome you with a sense of confidence and hope in the future. Europe and India must be closer partners in progress and prosperity.

Thank you.