

## German Firms looking at High-Tech Indian demand

# India, A 'Fair Partner' in Trade



Peter Fahrenholtz

India and Germany been trading for the last 500 years, the first significant milestone being the laying of a telecom cable between Kolkata (then Calcutta) to London By the German company, Siemens. Indo-German business relations have since flourished steadily in various sectors. Peter Fahrenholtz, Deputy Consul General, is bullish about bilateral trade rising to Euro 9.0 billion (\$11 billion) by 2007 from the present level of Euro 7.6 billion (\$9.1 billion). This year India was given the honour of being the "Partner Country" at the Hanover Fair, held in April, which would result in more Indo-German joint ventures. Fahrenholtz thinks that German companies would be interested in supplying capital goods in the technology intensive industries, further pushing up bilateral trade.

### What is the history of the trade relation between India and Germany?

The trade relations between India and Germany started around 1506 exactly 500 years ago thanks to the Portuguese. In the early 16th century when the Portuguese were trading with India via the sea route, a German company in 1505 sponsored a merchant ship where the sailors were Portuguese and the merchants were Germans. Another important year was 1867, when the first telecom cable was built from Kolkata to London by Siemens. Ever since the Independence of India the bilateral relations between our two countries have been excellent.

With an increase in bilateral trade of 21,6% in the year 2005, Indo-German business relations keep on flourishing. The target of Euro 9 billion (\$11 billion) by the end of 2007, as agreed by both Heads of Government at the end of 2004, seems well in reach.

Now bilateral trade stands at Euro 7.6 billion (\$9.1 billion). Indian exports to Germany increased by 14.9% to reach Euro 3.4 billion, whereas German exports to India grew an impressive 27.7% reaching Euro 4.2 billion. The trade balance between the two countries recorded Euro 805 million in Germany's favour. We also expect the year 2006 to be a successful one for Indo-German trade, especially since India will be the Partner Country at the Hanover Fair, the largest industrial fair in the world, to be held from 24th to 28th April 2006.

### Could you name few of the potential areas of trade between Germany and India?

First of all Germany was once again the largest exporting nation in the world in 2005. This means that in spite of high costs German products are globally highly competitive due to the high levels of quality and innovation. The items that Germany exports to India are mainly in the field of capital goods and other technology intensive products. Machinery comprises almost one third of Germany's exports to India followed by products in the fields of electronics, chemicals, metals, automobiles, opticals etc. Of late, German medical equipment and biotechnology are an emerging export to India. Also, I see high potential for alternative energy in areas like hydrogen cells, wind generated electricity, bio-fuel where German companies have a lot of experience. Since India will have to expand its infrastructure and energy supply our companies would like to contribute their expertise in the building or expansion of ports, airports and roads as well as power plants. Being a very ecology minded nation we would like to cooperate on the pressing issues of water management, sewage systems and pollution control.

On the other hand German imports from India are mainly products from the textile, leather, spice and chemical industries. We encourage all Indian entrepreneurs to come to Germany in order to invest there at a location in the heart of Europe. The Indo-German Chamber of Commerce with its more than 6,500 member companies and offices in all the major cities of India as well as in Düsseldorf in Germany



will be an excellent partner for any Indian company looking at doing business in Germany.

**Could you share the experience of working in India and the changes that you see around?**

It has been a year now since I came to Bombay. I have seen a tremendous improvement in the trade relationship between India and Germany in that time parallel to the spectacular growth of the Indian economy. This is an exciting period to be here and I am happy to be able to contribute my modest part to the improvement of the bilateral relations.

**What are your views on India being considered as an outsourcing hub?**

We prefer to produce in India, for India. We do not see India mainly as a destination for cheap labour production and hence the cost factor is a not that much of an issue for Germany. Also I believe that outsourcing does not play such an important role for the Indian economy overall.

**What are your views on India and its economy?**

Germans have always been great fans of India. The Germans are familiar with the old civilisation of India, its religion and philosophy and the Father of the Nation Mahatma Gandhi. We are witnessing at present the transformation of this country into a modern industrial nation and as a global player. The unleashing of the entrepreneurial talent of Indian business coupled with the commitment, optimism and skill of the people will go a long way to ensure success. However, the many structural changes in the economy and society that the nation needs to



go through will undoubtedly be painful. I am certain that the world's largest democracy will achieve its goal of providing prosperity to its entire people.

**What are the issues or bottlenecks that you have to face while trading with India?**

Over regulation, bureaucracy, corruption and deficits in infrastructure and power supply are the worst bottlenecks in India. There are crores of Euros waiting to be invested in Indian markets but due to the above reasons this is not happening at the speed it could. These investments would create more employment opportunities, would help in the transfer of technological know-how and create additional tax revenue.

**Could you name few successful German companies in India?**

There are far too many German companies big as well as medium or small to recollect their success stories but for example Siemens, will be investing \$500 million in India in the next few years, an amount generated only from its activities accumulated largely thanks to its operations in India. The same is true for Mico-Bosch. Another one is Germany's largest insurance company Allianz Insurance, along with its partner Bajaj (presently BajajAllianz). It is today the number one private insurance company in India. The German Post via its daughter DHL, the courier company, is rapidly expanding its presence in India. Deutsche Bank has recently launched into retail banking after tasting success in the cooperative banking sector. They have plans in opening up branch offices all over India. Lufthansa is flying from five destinations in India and will soon start operations from Kolkata. The ever-growing car market in India has attracted a lot of new German prestigious car companies into entering the Indian market. Mercedes has its factory in Pune, BMW is the latest one to set up its operations in Chennai. Other major car companies are planning to set up production units in the Indian market soon.

**What are your comments on the activities of the Trade Commissioners Forum?**

The forum helps us to resolve issues and achieve our goals. It gives us a platform to access each other's ideas and interact directly with one another. So, it is very useful and I hope there will be even more cooperation and support extended to such activities. ■