

Address by Peter Mandelson, European Trade Commissioner at the EU-India Business Summit in New Delhi on 7 September 2005

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For me, it is great to be back in India, and to see so many of my friends here again. I cannot wait to catch up with them – as long as we steer well clear of the subject of Chinese textiles.

My clear view of trade policy has been slightly clouded of late by visions of pullovers, trousers and ... other items of lingerie.

India was my destination of choice as Trade Commissioner in my first visit outside Europe. That was in January. Since then, we have been developing plans to launch a new era in EU-India trade and investment relations. And not before time. I am delighted with the Action Plan and the High Level Task Force on trade that we are launching today. I have also made Kamal Nath my true friend, and India the EU's partner in the Doha Round. Our interests do not entirely overlap in the Round – although they do to a larger extent than some might think – but we are united in our desire to make Doha a success, delivering an ambitious outcome for developing countries.

We need to reach sensible conclusions on agriculture both in terms of market access and domestic support as well as export subsidies. With the G20 proposals, which the EU has embraced, we are going in the right direction on these issues and I welcome the guidance that India has been giving in this area.

I am glad that, earlier we were able to find good solutions for India in our generalised system of preferences. India now ranks as the number one GSP beneficiary out of 160 countries. India's exports under the GSP scheme were worth almost 7 billion euros in 2004. Of course, our textiles and clothing industry is a very sensitive issue for the EU and this necessarily had to be taken into consideration. But our new scheme gives ample room for Indian exports to grow, particularly in view of the graduation of – and limitations imposed on – China. India is now on the same footing as Pakistan for clothing.

In the time I have to address you, I hope you do not mind if instead of concentrating on EU-India bilateral relations – which are basically strong, sound and growing – I talk about India.

I care about India. India is now a big - and growing - player in the world economy. But there is a bigger question for India that only Indians can resolve.

Is India prepared to take the steps that will make this great country one of the top economic powerhouses of the world?

For there are several ways of looking at the figures on India's trade performance. Yes, trade is growing rapidly, but India's share of the world's trade is about 1 percent for goods and 1.5

percent for services. Yes, India is now the EU's 12th trading partner. The volume stands at an impressive sounding 33 billion euro. Impressive - that is until you realise that the figure for Korea is 48 billion; for Russia 126 billion and for China 175 billion. And remember Korea has a population of only 48 million, not getting on for a sixth of all the people who lives on this planet.

Of course, recognising the need to catch up, India opened up. You changed. You moved away from the "licence Raj". And you began to prosper as a result. But the question is how India can best take the next leaps forward. What more can be done to create conditions in India to attract greater amount of investment from Europe? It is not talk we need, but actions.

I know from talking to Kamal how keen the Government is - progressively and steadily - to reduce tariffs and non-tariff barriers that stand in the way of India's integration in the global economy. India has so much to gain from that integration. Look at how exports have grown once the old barriers began to be removed. Look how successfully India has grown to be a major investor in other countries. Its FDI stock was as little as 0.6 billion US dollars in 1996. It is 5 billion today.

It is from the stimulus of economic openness that India's productivity per head will rise - and so will income per head, even as the population is rising. Economists have estimated that if your pro-poor growth strategy is to be sustainable, India's investment rate has to be over 30 percent of GDP to achieve sustained growth of 7-8 percent. FDI as a percentage of current investment needs to rise from less than 5 percent at present to 15 percent in the next five years. Yet the barriers to FDI have got to fall if this ambition is to be realised.

It is certainly not for me to suggest what policies India should pursue. But I believe sincerely that India will be a winner from greater openness. The opportunity to achieve that lies in the Doha Round, and the chance it offers to multilateralise India's essential domestic reforms. India should seize the leadership in the Round in a way that clearly accords with its own legitimate, national interests.

Services is a crucial part of the Doha agenda. This is of major interest to India. India has recently improved its offer, one of few in the WTO's membership. You have recognised the need to be more ambitious to fill the gaps in your infrastructure, your retail sector and its links to modern food processing and your agricultural sector - I suggest you can go further.

The current fashion is to despair of the multilateral system and to resort to bilateral and regional deals that on the face of it look simpler to negotiate. I am not opposed to this approach as long as - and it is a big "as long as" - it is compatible with the multilateral system. India gains from the multilateral WTO system. Multilateralism defends India's interests. What other system could have lead to the agreement on TRIPS and medicines? We in the West may not always like it - but if there wasn't a WTO, the pressure on developing countries simply to dance to the developed countries' tune would be intolerable.

As it is, the WTO Round should be a serious programme to bring opportunity for growth to developing countries. The poor of the world deserve no less. It should be a chance for them to bear down on the barriers that both frustrate your access to other markets but also stand in the

way of much-needed stimulus to your innovativeness and competitiveness, in your own domestic economy.

Of course, I am fully aware of the specificities of the Indian situation. Trade and social policies have to be carefully managed and balanced.

So my last word to India today is this. Please join with the EU to use the next thirteen weeks between now and the milestone WTO Ministerial in Hong Kong to think and act with boldness and make the case for greater openness to the rest of the WTO membership. Show global leadership to the developing world in arguing for and winning an ambitious Doha Round. And act in India's long term interests to become the leader of Asia in the generation ahead.