

Check against delivery

***ROUNTABLE ON INVESTING IN THE EUROPEAN UNION – WAY
FORWARD FOR INDIAN COMPANIES
AND
RELEASE OF FICCI – GRANT THORNTON PUBLICATION ON
INVESTING IN THE EUROPEAN UNION – A COMPREHENSIVE
GUIDE FOR MID –MARKET COMPANIES***

**Address by H.E Ms Danièle Smadja,
Ambassador, Head of the Delegation of the European Union
New Delhi, 23 July 2010**

Mr Chairman, Excellencies, distinguished panellists, ladies and gentlemen,

In recent years, the Indian economy has undergone a rapid transformation. It has now become one of the main economic powers in the world and a key trading partner of the EU. As for the EU, it is the world's largest economy with more than 15 trillion \$ in purchasing power parity.

It is not surprising therefore that the EU and India share a keen interest in increasing their trade and investment links and engaging more actively with each other in order to strengthen their bilateral economic ties.

Investment has become a key dimension in today's globalised world. It has deeply changed the relationship between economic activity and trade. Trade is no longer just about exchanging raw materials or finished products. Thanks to foreign investment, the complete production chain is now segmented between

different locations in different countries. Trade does no longer follow the production process; it is now at the heart of it. As an example, trade in parts and components has become an essential piece of and actually the most dynamic one of international trade. Outsourcing has become a synonym for globalisation as well as a centre piece of the economic development of this country.

Virtually all countries are now striving to attract FDI since they recognise its important role in economic growth and development and that it is the real driving force behind globalisation. In addition, it has become a key driver of competitiveness. FDI is also a particularly important source of capital for developing countries, as it does not create debt obligations, and it represents long-term commitment and lasting assets. On-going debates in India about the potentially disturbing effects of sudden capital inflows and outflows underline how precious the stability of FDI is for the economy.

India has been playing an increasing role in attracting foreign investments. There is clear evidence of the positive and increasing impact of FDI on India's economic development. An example of a liberalised sector which benefited from FDI is telecom in which there is a considerable presence of European companies.

The EU is today by far the first investor in India (excluding Mauritius), with 27% of total investments in 2009. The Netherlands, Germany and the UK are the main investors.

But one of the most striking features in the case of India is the development of FDI from this country to other countries, especially developed countries. In parallel to the development of inward FDI, India's outward FDI took off in 2000 and has been on a sharp upward trend since then. This is a unique feature of

India: outward FDI has been tracking inward FDI with a very short time lag while most other developing economies (including in Asia) usually absorb substantial amounts of inward FDI before starting to invest abroad. In a few years, India has become now comparable to Brazil, China, Mexico or Singapore as a source of FDI.

This is interesting for our debate because the EU is not only the largest investor in India but also the biggest outlet for Indian investments abroad. Tata's deal with Corus remains the biggest investment ever done by an Indian company outside India. Tata Motors' acquisition of Jaguar and Land Rover or Arcelor's acquisition by Mittal are other examples of such huge investments. But apart from these big money deals, there have also been smaller deals over multiple sectors such as pharmaceuticals, IT, logistics and automotives amongst others.

This should not come as a surprise because the EU is the principal host of foreign investment globally. About one third of total foreign investments are made in the EU. The EU being the world's largest economy, being present in the EU is a must for any global company.

I would like to reiterate in this context that the EU welcomes foreign investments, in particular from Indian companies. As we think FDI is positive for India, we believe it is positive for the EU.

We have an open regime as regards FDI. We want to take it forward with India. As you know we are negotiating a comprehensive and ambitious FTA which obviously covers FDI. We are ready to commit to full openness towards Indian investments in this context. This would bring more predictability in the EU-India investment relations.

We would also like India to further open its economy to EU investments.

Concluding the FTA negotiations will send a clear signal of engagement on both sides. It would boost both trade and investment between the EU and India. We need to seize this opportunity. This is a once in a life time opportunity for both of us.

The Lisbon Treaty provides us with a useful additional asset in this respect. Under the Lisbon Treaty, investment policy will be developed and managed at the European level giving the EU a strengthened negotiating hand to deliver better investment protection for all European businesses.

We will therefore be able to integrate both investment liberalisation and investment protection to our talks with India, which will make the agreement more comprehensive, more balanced, more ambitious and more useful for both EU and Indian operators. This will respond to the needs of India as well.

I hope this roundtable and the study will improve the awareness of our respective business community as regards the benefits of investing in each other market.

My presence today as well as the presence in the panel of Ambassadors from several EU Member States is sending you a clear signal: the bilateral relations that India enjoys with EU Member States and the bilareal relations that India has with the EU as such are part and parcel of the same package and mutually supportive.

Thank you for your attention.