



German-Indian Round Table Delhi

Minutes of the meeting on 29th December 2011

“Indo-German Business in 2012- An optimistic outlook for future business chances?”

Venue: PHDCCI, Shri Ram Hall, PHD House 4/2, Siri Institutional Area, August Kranti Marg, New Delhi

Chief Guest: Shri Amarendra Sinha (Development Commissioner-Ministry of Small Micro and Medium Enterprises)

Guest of Honor: Dr. Ashok K. Chauhan (Chairman AKC Group of Companies and Patron of GIRT New Delhi)

Participants at the Panel: Mr. Sharad Jaipuria (Vice-President PHD Chamber), Mr. S.K. Gupta (Director of PHD Chamber), Dr. Kebschull (Chairman IGEP)

The open discussion was organized by IGEP on behalf of GIRT, the German-Indian Round Table, and with support of PHDCCI at the PHD Chamber. It started with a welcome address given by Mr. Sharad Jaipuria, Vice President of the PHD Chamber of Commerce & Industry. He stated that India is making a mark at the global level and more and more countries are recognizing India's potential which is increased by opening doors to international collaborations. The PHD Chamber is a proactive, focused and forward looking apex chamber. The 6 major thrust areas focused by the Chamber are Industrial development, infrastructure, health, agriculture and agribusiness and education and skill development. According to the German embassy in New Delhi, Indo-German trade has increased 289 percent since India opened its markets in 1991 This means an average growth of 19 percent per year! Mr. Jaipuria emphasized that there is growth in many fields, which have not been typical for a country with traditional strength in agricultural, spices, tea, textiles, leather and handicrafts. These are especially: pharmaceutical products, biotechnology, the automotive sector, geothermal energy and many more. He underlined that India has a great opportunity for skill development. So it seems to be recommendable to harness this area and intensify joint-Ventures with strong and experienced partners like Germany.

This introduction of Mr. Jaipuria was followed by Dr. Kebschull's address. He said that Germans in general are known for being clever and sober business people. Contrary to the Indians they often are a bit pessimistic. This however, is – surprisingly for many others - apparently not the case in the current crisis. In spite of never ending negative media news they are quite relaxed. The main points stated by the speaker were:

1. The situation in the European Union still gives reason for concern, especially in: Portugal, Greece and Spain and also partly with Italy.
2. But there is reason for positive expectations. Germany-the biggest economy in EU - is astonishingly resilient. This is based on the past performance and on positive expectations, mainly not only because of a

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vague optimism, but because of strong indicators and already received orders.

3. Germany had in 2011:
 - 3% growth of the GDP
 - The highest number of employed people and the lowest unemployment rate in the last 2 decades
 - Exports reached a record of 1 Trillion Euro (considerably more than 1.3 Trillion US \$)
 - With India more than 11 billion exports and 7 billion imports took place. Therefore the target of 20 billion trade volume in 2012 (agreed by Indian Prime Minister Man Mohan Singh and German Federal Chancellor Angela Merkel) seems to be achievable.
4. Two important business indicators support the positive outlook for 2012:
 - Business expectations measured by the IFO-Index grew and continue to grow.
 - Consumers are spending constantly more according to the GFK-Index
5. The Germans expect higher wages and salaries, more jobs and a further increase in exports as well as in domestic demand.
6. A 0.5-1% growth rate is expected for 2012 in spite of all crisis scenarios.
7. The electrical and electronics industry is looking for a 5% growth this year.
8. Mechanical engineering also gives a good outlook.
9. The automotive industry is not at all afraid of the slowdown.
10. The German Machine Builders Association VDMA is looking forward to a 4% growth.
11. Expectations are unanimously positive.
12. The present crisis is the result of:
 - lack of coordination among Euro-currency-countries and of budget discipline- we cannot spend more than we have.
 - Capitalism in its worst way. Especially banks, investment banks and related organizations have gone in the wrong direction. Instead of their traditional business they have sunk down to money making machines, specializing on the strange activities which are only for their own interest and are sold to the public as following the objective to maximize shareholders value.
13. The crisis was not professionally managed.
14. EU countries lacked a synchronized approach and an efficient management system.
15. However, in the last summit before Christmas the French and the Germans together achieved a solution which paved the way for stability. There will be budget control and the possibility for sanctions in case of violations.
16. The EU will have a proper financial safety mechanism and will support the countries in need.
17. Germans can look forward for economic stability and growth.
18. We should not listen to people who say the best way to deal with the debt crisis is to take more debts. We should carefully see where to invest and where to

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spend. And there must be conditions for financial support as well as structural changes in the indebted countries.

Dr. Kebschull concluded his address by saying that the EU will remain strong and the euro will remain the currency. Recession can be avoided. India can expect more trade and investment and Germany is looking forward for investment from India and there are good chances for further growing Indo-German business relations.

“Germany will come out of the crisis and will help the EU!!” were the concluding words of Dr. Kebschull.

The meeting was carried forward by the Guest of Honor for the evening, Dr. Ashok K. Chauhan. Dr. Chauhan started with praise for IGEP and Dr. Kebschull, for making round tables popular in India and for contributing to Indo-German relations. The main points stated by him were:

1. The whole world is eyeing India. This is now our Indian time. We should utilize the chances to go global now.
2. There are complimentary trade virtues between India and Germany.
3. Germans want to work in India as they realize the value of India. Indians are dependable, complete their job and have approach strategies that Europeans don't have.
4. India is marching ahead on political stability and growth. Everything can be achieved now.
5. IGEP has provided this platform of GIRT to know who wants what and who needs what and to offer help where it is needed. Dr. Chauhan ended on a positive note by saying “we should have one leg in India and one abroad”.

The chief guest of the meeting Shri Amarendra Sinha, Development Commissioner MSME started his address with putting forward the following 3 questions:

Q1: Are we going to have a problem in 2012?

Q2: How will it affect Indo-German business outlook in the next year?

Q3: How do you see it unfolding in India and in Germany?

The questions were answered by him in the following manner.

1. Yes, we will have problems in 2012 due to Italy, Spain and Portugal. Earlier crisis were survived by the EU due to Germany and France. Especially the German response to the crisis has been phenomenal, for e.g. to avoid layoffs the workers would take 4-5 days salary and the government would train them in some other skill, due to this the labor would be re-skilled and multi-skilled and also when the auto industry faced a slowdown a subsidy was given by the government for changing old cars against new ones.. This was massively criticized at that time by others but Germany was the first to come out of the 2009 recession. Germany attained exports of 1 trillion Euro in 2011. The problem for Germany is that they are paying for the sins of others. The problem in India is: Inflation, Demand compression is not taking place, Access problem to technology and resources still exists, especially for SMEs.

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2. There is a massive possibility of collaboration between India and Germany in: Technology, Knowledge economy

In today's world India and Germany are good partners for accessing which ever market they want as long as it gives profit. They can share technology, manpower and resources. Shri Amarendra Sinha concluded by saying- "This is a golden period for Indo-German companies to come together." The lively open discussion was conducted by Dr. Kebschull. Mr. K.S. Subramaniam said, to address the problem of unemployment, he was looking for people to invest in information technology in London. He suggested Indo-German businesses to get involved in this.

Mr. Pawan Choudhary put forward a question to Shri Amarendra Sinha. He said the import barriers are dissolving. Is the government fully aware of this? Is Shri Sinha or the government advising the revenue department before increasing the custom duties? Referring to the healthcare sector he said that technology has to flow in, only then healthcare is sustained in India. If government lowers tariffs it will negatively impact this technology flow and healthcare will be discontinued. Also other countries may also retaliate.

Shri Sinha answered by saying that the government has done away with reservation but there are some reservations in FDI. There is no connection between the market getting flooded and custom duties imposition. The market is already inundated with Chinese goods. Customs duty imposition is not a solution in such cases, there is the WTO regime and India is always following this and taking into consideration the special situation of its entrepreneurs.

Mr. Arvind Karnik asked a question to Dr. Kebschull and Shri Sinha. He said there is a perceptible feeling in the foreign countries that India is suffering a policy paralysis, due to this the investments are falling down.

Dr. Kebschull replied by saying that investment always goes to places where it gets the best return. Germany wants new markets and the fast growing domestic market of India is therefore in the focus of potential German investors and investments. The domestic Indian market is the magnet for investments.

Shri Sinha said there is no policy paralysis, even if it would be the automatic procedure for FDIs helps to avoid this. Also, there is sometimes a bit too much negativism being generated by the media to get TRPs.

The atmosphere of the meeting was given a lighter touch by the former President of Delhi music society Mr. S.S. Moorthy by reciting the poem 'Good riddance but next what?' by Ogden Nash.

A very interesting question was put forward by Mr. Ravinder Singh. He asked why are Indian institutions not producing good quality people.

Dr. Ashok Chauhan replied that Indian institutes are bringing out great engineers and our engineers out-shine others.

Dr. Kebschull said the way in which students are studying and competing in India is more than impressive. They are the future of the country that compared to Germany.

Mr. Kalra concluded the open discussion by saying that there is no reason for the Germans to be pessimist i.e. there is tremendous trust between both the countries, no other two countries in the world share such a bond. Both countries can learn from each other especially in the area of food processing, water management and many more areas. There is a very optimistic and bright future.

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Shri Sinha ended the round table by naming some big ticket areas as follows: 1) Defense indigenization, 2) Defense offset, 3) Energy efficiency, 4) Inland and home land security

Follow-up Action:

GIRT will continue to promote business between the two countries. For this purpose the interested persons can contact: IGEP (Dr. Kebschull, Mrs. Sharda and the IGEP team) and Mrs. Nana Anders

In 2012 the preliminary dates for 3-4 GIRT meetings have been fixed. They will be finalized with Dr. Chauhan and German GIRT supporters. Cooperation with the PHD Chamber will be continued. The participants will get the minutes of the Round Table. They will be asked to make proposals for strengthening the service character and efficiency of GIRT, New Delhi.

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