INDO-GER
ENTERING A

Fifty years after signing the Indo-German Development Cooperation, ties between the two countries are set to enter a new era. German investments in India are growing, even as bilateral trade is surging, writes **Rajiv Pai.**

MAN TIES NEW PHASE

GERMANY is fast emerging as a rock solid strategic partner of India. Trade between the two countries has attained new highs, with the target of US$12.5 billion for 2009 having already been reached three years earlier in 2006.

Germany also had a role in India's path-breaking moon mission. Chandrayaan 1 took off from the Satish Dhawan Space Centre in Sriharikota on the south-eastern coast on October 22, 2008, with SIR-2 – an infrared spectrometer designed and built by German scientists from the Max Planck Institute for Solar System Research in Katlenburg-Lindau.

"At the moment, this mission offers us the only opportunity to be actively part of lunar research," says Urs Mall, who heads the group that developed the SIR-2 spectrometer.

The Chandrayaan mission aims to create a three-dimensional atlas of the moon, locate and confirm the presence of water, and also study the lunar soil's chemical and mineral composition. One of 11 scientific instruments that are part of the mission - five of them produced in India and the others supplied by NASA, the European Space Agency and Bulgaria - the SIR-2 analyses the optical properties of mineral components in lunar soil. From the data collected, researchers hope to gain insight into the early history of the moon and, by extension, the Earth.

This year, the world's largest democracy and Europe's economic powerhouse also celebrate 50 years of development cooperation. Germany views India as an 'anchor country'. This essentially means that India is no longer viewed purely as a developing country and German support is now based on

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CELEBRATING 50 YEARS OF COOPERATION: Heidemarie Wieczorek-Zeul, Germany's minister for economic cooperation and development, with P. Chidambaram, the Union Minister for Finance, at the 50th anniversary of the signing of cooperation pact

the sharing of know-how.

In what was termed as a significant milestone in Indo-German technical cooperation in the field of urban development, the Indian Ministry of Urban Development and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, the German international cooperation enterprise for sustainable development, signed a joint statement of cooperation in August 2008.

According to records in the German

Statistics Office, trade between Germany and India surged 14.6 per cent in 2007 to US$15.18 billion. Indian exports to Germany rose by 13.1 per cent to US$5.89 billion and imports from Germany increased by 15.5 per cent to US$9.29 billion. Imports of machinery and industrial equipment, which is the largest category and accounts for more than a third of merchandise imported from Germany, were up by 11.3 per cent. The automotive sector achieved the highest growth rate, increasing by 59.5 per cent to US$379 million.

Continuing in the same vein, Indo-German trade grew at a brisk pace from January to August this year, amounting to almost US$11.3 billion, an increase of more than 15 per cent over the corresponding period in 2007. The growth rate was thus considerably higher than with other trading partners such as Japan and China, which was less than 10 per cent. In 2007, Germany was the most important trading partner of India from within the European Union. The latter, with a share of almost 20 per cent, continued to be India's biggest trading partner overall.

"It is most likely that Germany will retain its position in the table of India's top trade partners, if not improve it further," anticipates Martin Thümmel, Germany's deputy consul-general in Mumbai. He points out that German exports to India have been driven by a huge preponderance of machinery, electrical equipment and tools, essentially items serving the Indian manufacturing sector. "I find the rather small share of the automotive sector interesting," he notes. "If one compares the composition of Indian exports to previous years, one can see a fairly even increase in all categories, that is, technology-intensive products are growing, but also textiles and the like."

Germany is currently India's sixth-largest trading partner. "India's market economy with democracy, a sound political system and legal framework, skillful entrepreneurs, brilliant engineers and world-class scientists ensure lasting business opportunities,"

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points out Bernhard Steinrücke, director-general of the Mumbai-based Indo-German Chamber of Commerce (IGCC). The chamber is the official representative of the trade fairs organised by Messe Berlin, Hannover Fairs International, Messe München International and Nürnberg Messe. Since the start of reforms in India in 1991, Indo-German trade volume has expanded by over 600 per cent, at an average of 38 per cent every year, from US$3.38 billion in 1990.

The trade balance, too, has been fluctuating. In 1990, Germany recorded a US$140.59 million trade surplus, while this advantage shifted to India in the following years. Germany regained this advantage to the tune of US$446.97 million in 2004, US$1.01 billion in 2005, US$2.74 billion in 2006 and US$3.4 billion in 2007.

Among foreign investors in India, Germany ranks seventh, with cumulative foreign direct investment (FDI) of US$2.26 billion since April 2000. Of the total 27,426 foreign collaborations approved by the Indian government since 1991, 2,672 were from Germany. The largest is in the field of machinery and parts, followed by heavy vehicles, chemicals, technical consultancy services, computers and electrical appliances. During 2006, Indo-German collaborations were market leaders in as many as 15 product groups. Automotive supplier ZF Friedrichshafen is one of the latest German companies to enter India, with an investment of US$25 million for setting up a manufacturing facility in Pune. "The plant will be commissioned by mid-2009 and will make commercial vehicle transmissions for heavy trucks and agriculture and construction components for the domestic market," says Wolfgang Vogel, board member of the company. ZF has been supplying its products to several Indian firms such as Telcon, JCB India, BEML, Schwing Stetter, Greaves Cotton, Ashok Leyland, Asia MotorWorks and Force Man for the last 25 years. Vogel says growth in India's auto market had compelled his firm to establish a plant here. Business interest is certainly two-way. Bangalore-based Kirloskar Electric Company Ltd (KEC) acquired Lloyd Dynamowerke GmbH (LDW) of Bremen about three months ago. KEC chairman and managing director Vijay Kirloskar termed the acquisition as being of strategic importance for his company as it would gain from LDW's engineering skills, its unique footprint in Europe and its customer base built up over decades. LDW manufactures electrical rotating machines and drive systems, and its customers include Siemens, Alstom, Thyssen Krupp and Gottwald. According to Berthold Groeneveld, ceo, LDW, "KEC is a perfect fit for our future growth in Europe and worldwide, especially in the emerging markets."

KEC is a leading manufacturer of electrical equipment in India, with factories in Bangalore, Mysore, Hubli, Pune and Tumkur. According to P.S. Malik, joint managing director, KEC, the company will distribute LDW products in India and South East Asia as also leverage on LDW's presence in Europe to sell its products in that market.

Bernd Mützelburg, the German ambassador to India, explains that the high profile visit by Prime Minister Manmohan Singh to Berlin and Hannover in 2006 gave an impetus to bilateral relations and helping put India 'on the map' for German business leaders. Mützelburg, who accompanied the Indian premier, recalls how India elicited boundless attention in his homeland. India was designated the 'partner country' both at the Hannover Industry Fair, jointly inaugurated by Singh and German Chancellor Angela Merkel, and at the Frankfurt Book Fair held the same year.

An unprecedented number of 300 Indian companies took part in the Hannover event. The IGCC rented 600 sq m of exhibition space in the India special hall, where small and medium enterprises (SMEs) were provided display areas on a nominal basis. Such a heightened participation showcased India's businesses as amongst the foremost, not only in software and the knowledge industry, but also in a range of manufacturing segments. It also revealed an openness to promote industry with foreign capital

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and technology. The year 2006 was momentous in more ways than one. The deepening ties between the two nations gained a distinct edge with visits by business delegations from three German states within just one week. They were led by Jörg Kastendiek, Bremen's minister for Economics and Ports.

"No country can afford to overlook India," says Walter Hirche, now the deputy prime minister of Lower Saxony's and who was the minister for economics, labour and transport. He headed a 45-member delegation from his state. His team interacted with companies working in the areas of IT, engineering, automotive components, tourism, food-processing, logistics, education, law and management services. According to him, "Companies from Lower Saxony are keen on entering into strategic alliances and joint ventures with their Indian counterparts and their investment focus is not necessarily restricted to regions like Mumbai and Delhi." Lower Saxony is Germany's second largest state and is the headquarters of Volkswagen (in Wolfsburg) and developer of the finest cruise ships (in Papenburg), besides possessing enormous R&D expertise in the aerospace industry.

Dr Hanspeter Georgi, minister of economics and labour of the state of Saarland, had led a delegation of 16 pharmaceutical and healthcare firms – who were looking into setting up distri-

RECOGNISING INDIA'S EPOCHAL PROGRESS

'India's economic miracle' is the term used by Bernd Mützelburg, German ambassador to India, to describe developments in India over the last 15 years. Though growth has of late slackened from 9.6 per cent to below 8 per cent (projected for the current fiscal), it is perceptibly better than Germany's, which is below 2 per cent.

Indian companies have a good financial base and invest worldwide, while India's orientation towards competition and international markets is irreversible, he says. This has increasingly drawn the attention of German businesses, known for their innate aversion for risk. Recognising India's epochal progress, these enterprises are embracing the opportunities unfolding in India.


Bernd Mützelburg, German ambassador to India

One of Germany's highest ranking diplomats, Mützelburg was the foreign and security policy adviser to former Chancellor Gerhard Schröder from 2002 to 2005. Soon after taking charge in Delhi, he inaugurated the Indian base of four German companies: Sartex and Amazel in Pune, Würth, (an auto components firm) in Delhi and the joint venture between Neoman Bus GmbH (the bus division of the MAN Nutzfahrzeuge Group) and Force Motors in Madhya Pradesh. Sartex produces epoxy coated weaves that are many times stronger and lighter than steel. Amazel manufactures engineered films for insulation.

The ambassador believes his country now realises that India's market reforms are a sustained effort and its business environment transparent. "Indeed, India is widely reckoned as the key global player of this century," adds Mützelburg. He feels that though political equations have been strong, the strategic partnership – signed in 2000 and consolidated during former Chancellor Gerhard Schröder's visit to India in October 2004 – needs to be concretised further.

The recent talks between Indian Prime Minister, Manmohan Singh, and German Chancellor, Angela Merkel, acknowledged the fact that while economic ties are a cornerstone of this partnership, it should also encompass defence, civilian nuclear cooperation and collaboration in high-technology sectors like space and science.

Commenting on the joint demand by India, Germany, Brazil and Japan (the Group of 4, or G-4), for permanent membership of the UN Security Council, Mützelburg asks, "How can one deny a permanent seat to the largest democracy that India is, and which has a population of over a billion?" He is quick to add: "And similarly, also for the European economic powerhouse and the world's largest exporter that Germany is?"

A FRUITFUL PARTNERSHIP

The Indo-German Development Cooperation agreement was inked in October 1958, and saw the launch of two of India's most important technology initiatives: the setting up of the Rourkela steel plant in Orissa and the Indian Institute of Technology (IIT) in Madras (now known as Chennai).

Over the last 50 years, the cooperation has diversified into a fruitful partnership in areas including health, infrastructure development, rural development, poverty alleviation, economic reforms, consumer protection, environmental protection and small industries development.

Heidemarie Wieczorek-Zeul, Germany's minister for economic cooperation and development, visited India on the 50th anniversary of the signing of the cooperation agreement. "Indo-German development cooperation during the past 50 years has been very successful in shaping the relationship between our two countries," says the minister. "During that time, we have always managed to adapt our cooperation effectively to changing demands and new global challenges. When we started 50 years ago, the focus of our cooperation was on industrial development and the transfer of technological know-how. Later, poverty reduction, basic needs and rural development became important dimensions of our development policy."

Today, the political, economic and geopolitical importance of India reflects its development. "India plays a crucial role not only with regard to economic and political stability in South Asia but also when it comes to finding solutions to global structural challenges such as climate change, environmental degradation and poverty education. Therefore, Germany regards its development cooperation with India as a form of global structural policy," explains Wieczorek-Zeul.

The common aim of the cooperation agreement between the two countries today is to contribute to the achievement of the Millennium Development Goals and to help find solutions to global challenges such as energy supply, environmental degradation and climate change.

Another important aspect of the cooperation is that it helps to empower women and indigenous people, and to reinforce social and economic rights, adds the minister.

Indo-German development cooperation today focuses on three priority areas: energy, environment and sustainable economic development.

Development cooperation activities range from supporting cooperative banking reform and introducing social security schemes to projects on energy efficiency.

Besides funding, innovative ideas, know-how and capacity building play a key role today.

Germany has committed nearly US$460 million in 2008 for projects in energy, environment protection and microfinance.

The bilateral partnership between the two nations graduated to the level of 'strategic partnership' since 2001.

Trade ties between the countries are expected to accelerate over the coming years. A target of US$27 billion has been set for 2012.

Looking at the rapid growth in trade in recent years, it appears to be an easily achievable target.

bution networks in India – to New Delhi and Mumbai about two years ago. The visiting delegation also evinced an interest in technical collaborations with Indian companies.

India also beckoned Christa Thoben, the economic affairs minister of Germany's largest state of North Rhine-Westphalia (NRW), who brought business delegations twice to the country in 2007. "One of every five Indians based in Germany is in NRW and about 100 Indian companies have their base there," she notes. NRW has the highest economic output in Germany, contributing 22 per cent to its gross domestic product. This makes the federal state alone one of the 20 most powerful economies of the world. "Cooperation between German and Indian medium-sized companies has a particularly high potential in the new global economic architecture," remarked Mr Kamal Nath, the Union Minister for Commerce and Industry, in his address to the Fourth Handelsblatt annual conference on India, held in Berlin in September 2008.

Remarking that the combination of German and Indian strengths was "unbeatable", the minister observed that Germany's strengths included technology and innovation, while India's strengths were its diversified demography and domestic market.

Concurring with his assertion was Meera Shankar, India's ambassador in Germany, who also attended the event and who spoke of the increasing cooperation opportunities that exist between the two countries. "With their inherent strengths and dynamism, India and Germany are natural partners," she pointed out.