Distinguished Guests, Ladies and Gentlemen,

Thank you, Mr Alan Dukes, Chairman of Asia Matters, for inviting me to speak at this EU Asia Top Economist Round Table. At the outset, I must thank my colleague and friend, HE Mrs Radhika Lokesh, India’s Ambassador to Ireland, for having motivated my participation. And, of course, I must thank Asia Matters Executive Director Martin Murray for inviting me.

I am also happy to be in Dublin. The Aer Lingus in-flight magazine on my flight to Dublin had an advert that stated that Ireland was the only English-speaking country in the Eurozone. If that was not sufficient, the magazine also prominently featured an Indian restaurateur, whose chain of Indian restaurants in Ireland is on the way to earning a Michelin star.

Distinguished Guests, Ladies and Gentlemen,

Parliamentary elections have just been held in India.

In the largest exercise of democratic franchise in human history, more than 550 million citizens of India voted to elect their representatives for the 16th Lok Sabha the lower house of the Indian Parliament. That’s more than the population of the EU and larger than the electoral college of the EU and the US put together. It also bears noting that more than a 100 million of these voters were young people, casting their vote in the general election for the first time.

The outcome was stunning and historic in equal measure.
The Bhartiya Janta Party, under the leadership of Shri Narendra Modi, won 282 seats out of a total of 543, and tallied 336 together with its allies in the National Democratic Alliance, the NDA. This was the first time in three decades (since 1984) that any party at the Centre has won an absolute majority.

The results surpassed all expectations, proving yet again the savvy of the Indian voter who delivered a crystal clear verdict of what he/she wanted. They also hugely underscored the desire of the voter to see economic growth and development at the centre-stage of government action and placed their faith in Prime Minister Shri Narendra Modi and his development track record as Chief Minister of Gujarat for the past 13 years.

With anticipation of a victory of the Bharatiya Janata Party, the Indian stock exchange had already moved upwards even prior to the announcement of the election results. But, once the clear verdict of the people became known, the stock market surged even from its already high level. The Sensex, India’s Footsie, now stands at a record of around 25,000 – it was around 18000 in the middle of last year.

The Indian Rupee, which had touched a low of around Rs 70 to a US$ last year, has rallied to under Rs. 60. And, May 2014 saw record flow of foreign institutional investment into India of over US$ 5 billion. These flows had fallen to around US$ 350 million or so last October/November and, in fact, outflows from India exceeded inflows.

A major source of worry in recent years had been the Current Account Deficit. Despite India’s growth rate in the last year having been just under 5%, Current Account Deficit is no longer a matter of major concern having been brought down to 1.7 percent of GDP in 2013-14 from 4.7 percent of GDP in 2012-13. The trade deficit has also contracted by about 27% to US$ 138.6 billion in 2013-14 from US$190.3 billion in 2012-13.

Distinguished Guests, Ladies and Gentlemen,

The pressure of coalition politics was seen by many as being the cause of the so-called policy paralysis in the last years of the previous Government.
Not having to walk the tightrope of keeping afloat a coalition provides the new Government the space and flexibility to chart out an ambitious vision and carry forward difficult decisions.

The mantra of the new government is ‘less government, more governance.’ To this end, a lean Council of Ministers has been sworn in with responsibilities of Ministers linking organic affinities among Ministries. The government’s style of working is also expected to be more result-oriented, target driven and accountable, with no complacency for corruption.

Within two days of taking charge, the government began work on allowing up to 100% Foreign Direct Investment in defence production, sending a strong signal to investors. A listing of 10 top priorities for the Government was issued days after it took office. These include priority action on education, health water, energy and roads and infrastructure and investment reforms and the implementation of policy in a time bound manner. Transparency in Government was also prioritized. There will no doubt be many other initiatives over the coming days and weeks which will aim to transform not just the Indian economy but India itself.

On the foreign policy side, Prime Minister Narendra Modi’s swearing-in ceremony on 26 May 2014 was attended by the Heads of State/Government of seven of our neighbouring countries, viz. Pakistan, Afghanistan, Sri Lanka, Nepal, Bhutan, Maldives and Mauritius. Bangladesh was represented by the Speaker of Parliament. The friendly gesture of inviting our neighbors for the ceremony was warmly reciprocated and sets the tenor for India’s diplomatic initiatives on the regional and global stage in the coming months.

**Distinguished Guests, Ladies and Gentlemen,**

The Indian economy is among the ten largest economies in nominal GDP. In PPP terms, with a GDP of around USD 5 trillion, it is the third largest in the world, larger than any economy in Europe. At the same time, despite its economic size and membership of clubs such as the G-20 and BRICS, India is home to the largest number of the world’s poor, and with a real per capita income of only US$ 1,500.
The new government has therefore, not surprisingly, adopted the slogan ‘Sab Ka Saath, Sab Ka Vikas,’ meaning ‘Together we will all progress’.

**Distinguished Guests, Ladies and Gentlemen,**

This brings me to the second part of my address. How will these changes in India impact on India-EU relations, in particular on our economic engagement?

The EU is a valued and valuable Strategic Partner for India. We have had Summit level interaction since the year 2000 and been Strategic Partners since 2004. We marked the Golden Jubilee of our engagement in 2012-13, and this year we are celebrating the 10th anniversary of our Strategic Partnership.

There are dialogue processes covering collaboration in sectors ranging from foreign policy and security, to trade and finance, energy and environment, migration and mobility, research and innovation, and education and culture.

The India-EU relationship is also an intrinsically dynamic one which has evolved, and indeed transformed, over time. It broadly stands on three pillars - economic, politico-security and popular-cultural. These three pillars vary considerably in size and strength, and are evolving at different velocities.

India’s relationship with the EU complements and supplements relations with individual EU member-states, with several of whom, there are deep historical, political and economic ties. At the same time, the relationship is autonomous of the member-states, adding an overarching dimension to our relations with Europe. As Ambassador to the EU, I can tell you that this really means that one has to deal with 28+1.

**Distinguished Guests, Ladies and Gentlemen,**

The core of India’s relationship at the EU level was economic to start with, in tune with the European construct itself.
The EU has long been and remains even today India’s largest trading partner. India, in turn, is the EU’s tenth largest trading partner. Annual trade amounts to nearly Euro 100 billion (goods: €72.70 billion (2013); services: €22.8 billion (2012)). The balance of trade is more or less equitable, and was marginally in India’s favour last year (2013).

For me, as I am also Ambassador to Belgium, it is a happy augury that after Germany, Belgium is India’s second largest trading partner in the EU. Our trade with Belgium is, of course, anchored in the diamond trade and the very significant role of the Indian diamond traders based in Antwerp.

The EU has, moreover, been one of our largest sources of Foreign Direct Investment and source for cutting edge technology. Indeed, European companies, be they major European banks, FMCG major Unilever, automotive heavy Mercedes Benz or top capital goods manufacturer in Siemens, have always had major presence in India. I daresay their India operations are now also significant contributors to their global turnover, profits and Indians are now there in their top management.

I am also glad that it is not only the very biggest or those in the business of running large factories that are present in India. Well known European chocolatier Ferrero Rocher have a large unit in India and our Ambassador told me the last time that I was in Dublin that an Irish company is a major player in the duty free sector in India.

For FDI equity inflows during Financial Year 2013-14, the EU at over US$ 9 billion was our largest source. As per our official figures cumulative EU FDI equity investment into India is around US$ 57 billion for the period 2000-2014, accounting for over 25% of FDI equity flows into India in that period.

Importantly, these investment flows are now a two-way process and investments of Indian companies in Europe include sectors such as steel, automobiles, pharmaceuticals and IT and contribute immensely to technological ties that should propel our relations in the future. I am, therefore, happy to see a senior representative of Infosys as a speaker in this Round Table.
For me it is also a matter of pride to hear that the TATAs, with their Jaguar Land Rover and Corus operations, are among the most important employers in one of the major countries of the EU.

**Distinguished Guests, Ladies and Gentlemen,**

What should be done to seriously invigorate India-EU economic engagement over the coming months and years?

The most high-visibility and high-impact move for both sides would be to give a final push to the Bilateral Trade and Investment Agreement that has been under negotiation since 2007. This would be a game changer and catapult our relationship into a higher orbit.

The agreement has to be a ‘win-win’ for both sides and be saleable for India’s many stakeholders too and not just those in the EU.

India has offered the EU concessions in goods at levels not offered till date. Services are vital for India and the agreement must address our request in services (Mode1 and Mode 4) including data secure status. It must also take into account India’s huge development imperatives and the different levels of development in the two economies. Moreover, matters of regulatory requirements need to be addressed. Indian tariffs are visible, EU’s subsidies, incentives and the rising number of non-tariff barriers, on the other hand, tend to be invisible but very pervasive.

The ball is now in the EU’s court. While all sides try to secure the best possible deal, in this case it would appear that it is time to stop looking for a ‘perfect’ deal and aspire to a pragmatic, realistic, forward-looking deal. While the economic motivation behind the BTIA is compelling, its conclusion will also send a strong political message.

**Distinguished Guests, Ladies and Gentlemen,**

The Indian economy is one of the few major economies in the world that has been an engine for global economic growth in recent years propelled by increased domestic consumption.
In addition, an urban population projected to reach 500 million by 2017 and an almost limitless demand for infrastructure in roads, ports, railways, airports and the energy sector marks it as a clear destination for the global economy. This scenario is now coupled with huge optimism stemming from a new leadership with a proven record in push things being at the helm.

This obviously makes it worth the while for any serious player to try and gain “first mover” advantage. However, it is important to understand that in today’s competitive global market, competitiveness both in price and technology would be the touch stone for companies and players wanting to do business in India. This to my mind is particularly important for European companies who face stiff competition in India not only from their traditional rivals from within Europe or the US and Japan but now also from South Korea, Brazil, China and others.

Moreover, companies have to be willing to transfer technology and be there for the long-haul. They must also be prepared to customize for the Indian market. The most visible example of this is possibly McDonald, who were said to never waver from their standard Big Mac, but who offer McAloo (Potato) burgers in India!

**Distinguished Guests, Ladies and Gentlemen,**

Asia Matters has been repeatedly highlighted in this conference. Indeed, it was just pointed out that in the coming decades Asia would contribute more than half of the globe’s GDP. I hope that this reality will drive perceptions towards Asia and lead to the required mind-set change in the EU.

Europe has all the advantages of tapping into India - the world’s third largest economy that is fast opening up across the board, that should soon return to high growth, a rapidly expanding middle class of two hundred million plus, a huge pool of scientific manpower and a predominantly young workforce, underpinned by rule of law, a democratic and secular polity and a remarkable cultural heritage.
India, on its part, has been and will continue to be an attractive partner for Europe in the 21st century and I am privileged to be part of this productive and mutually beneficial engagement between India and the EU.

**Distinguished Guests, Ladies and Gentlemen,**

Please think when you last saw both TIME and ECONOMIST feature the same world leader on their covers for the right reasons. Prime Minister Narendra Modi was on both these and countless other covers last week. This, I guess, more than anything that I may have said should convince you that time is right for you and EU to focus on India.

Thank you.