

Small and medium enterprises can play a major role in India-Germany ties

India and Germany recently celebrated 70th anniversary of diplomatic relations. In these years, the commercial relation between both the countries has improved.

Today, Germany has a strong economic relation with India as it is the 6th largest trade partner of India in the world and the topmost trade partner in the European Union.

Bilateral trade between both the countries stands at USD 19 billion, with the balance of trade in favour of Germany. India exports USD 7.3 billion worth of goods to Germany and imports USD 11.8 billion worth of goods.

Germany is the seventh largest source of foreign direct investment into India as the country has invested USD 12.39 billion in the last 20 years.

Majority of the German investment into India is concentrated in automotive, transportation, chemicals, electrical machinery, metallurgy and services sector such as insurance.

India is home to more than 1,500 German companies, one third of which have presence in India through joint venture.

German multinational companies such as Daimler, Siemens, Bosch and Bauer have presence in India for more than 100 years.

The future of our bilateral relation will be shaped by collaboration among small and medium enterprises in both the countries.

Today, China is the largest source of intermediate goods and components to manufacturing companies in Germany.

There are around 3.5 million medium sized enterprises (also known as Mittlestand in Germany) that operate in diverse manufacturing sectors. According to industry sources, German Mittlestand support 60% of the country's employment and employ 83% of apprentices in that country. Around 93% of these firms are run family run businesses and many of these firms are engaged in export of their products.

Already, India's large IT companies are providing software and IT-enabled services to German companies.

There is scope for small Indian IT companies to explore such IT outsourcing opportunities with Germany manufacturing firms.

Similarly, India's micro, small and medium enterprises in the electrical machinery, automotive, chemicals and other manufacturing sectors can explore vendor development opportunities with Germany.

In 2015, India launched the Make in India Mittlestand program to attract investment from Mittlestand companies. Following this, India is said to have received FDI of USD 1.35 billion from 135 German companies.

The proposed India-European Union free trade agreement will give a major boost to bilateral relations once the agreement is signed and implemented. With both the sides showing renewed interest to revive trade negotiation, which was halted in 2013 because of certain contentious issues, there is some ray of hope in that front.

Going forward, small and medium enterprises from both the countries can explore each others 'market through joint venture, marketing alliance, vendor supply opportunities and exchange of skilled labour. India can also perform value addition and final assembly of sub-components produced in Germany.

Experts feel that there is strong potential for growing commercial relationship in leather, textile, pharmaceuticals, and other sectors.

Local chambers of commerce can support Indian companies in gaining negotiation skills and training them on inter-cultural aspects, including language training to do business with German firms.

Indian companies can explore the German market by having liaison office, local representative office or virtual office in Germany.

Notifications

Press Information Bureau

Minister chairs review meeting on Single window system for industrial clearances and approvals

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