

India-EU business gets a voice

Federation of European Business in India expects to become the go-to agency for EU companies in India, writes ADITI PHADNIS

Businesses from most member countries of the European Union (EU) have been present in India for many decades but have represented their interests and concerns to the Indian government through bilateral chambers of commerce.

As a departure from this, a business advocacy body called the Federation of European Business in India (Febi) was launched in July with the aim of becoming “a strong unified business-driven voice advocating for EU companies”.

This comes amid a 2024 survey of German companies in India, flagging bureaucratic hurdles, high corruption, and the tax system as the three biggest obstacles to doing business in India.

By contrast, a similar survey of Swedish companies shows 88 per cent of those did not see corruption as the primary challenge but red tape, and labour and tax regulations.

After liberalisation started, following tieups with Indian companies, EU concerns have also found a voice through

industry bodies like the Confederation of Indian Industry and Federation of Indian Chambers of Commerce and Industry.

But it is now time to scale up, said Hervé Delphin, ambassador of the EU to India and honorary president of Febi: “EU-India relations have been on an ascending trajectory, with a growing economic footprint. More than 4,500 European companies are present in India, providing 6.5 million direct and indirect jobs. The EU is India’s largest trading partner in goods, with trade amounting to 123 billion euros in 2022-23, and ranks among the top three investors in India. Ongoing negotiations for a free-trade agreement between the EU and India hold promise to enhance trade flows and economic cooperation significantly. Febi will bring a much-needed business perspective, which will contribute to further expansion and bringing together the EU-India economic and trade eco-system. It will be a true force multiplier.”

Febi held its first annual general meet-

ing (AGM) on July 4. Rémi Maillard, president and managing director of Airbus in India and South Asia, was elected its first president, Sanjay Tiwari, public affairs advisor to Maersk India, and Oscar Esteban, president, Indo-Spanish Chamber of Commerce, were elected vice-president and treasurer, respectively. Seventy-three companies are members of the new body with interests in more than 10 sectors in India, including aerospace, automotive, agri-food products, chemicals and pharma, consumer and luxury goods, finance and insurance, telecom, ICT (information and communication technologies) and digital trade, machinery and capital goods, energy and renewables, and transportation and logistics.

In its vision statement Febi has said it

will “act as a responsible discussion partner for senior public sector officials of the European Union as well as the Government of India, highlighting to them the perspective of businesses as it pertains to policies and legislation”. It will focus on specific areas that deserve attention under the banner of “ease of doing business”. These include taxation and Customs; labour laws; (Central) banking rules and regulations affecting the cross-

border transfer of funds; transparency with regards to norms for tendering for projects involving large capital expenditure; alignment of local standards to global standards across domains such as food standards, health standards, material norms, construction standards, educational qualifications, etc.

Coincidentally, the formal launch of Febi comes in tandem with the July unveiling of two 2024 surveys of German and Swedish businesses operating in India. While both reports hail India as one of the most promising investment destinations in the world, they also raise concerns.

The German Indian Business Outlook 2024 report, which came out on July 22 and was prepared jointly by KPMG

(Germany) and Indo-German Chamber of Commerce India, is based on responses from 85 German companies operating in the country as well as Indian subsidiaries of German companies. One-fourth of the companies were in the automotive sector while 23 per cent were in industrial manufacturing. The rest are in diverse sectors.

The report says India is a better investment destination than most Asian countries because of “consistently strong economic growth, availability of well-educated English-speaking specialists and low labour costs”.

But it says almost two-thirds of the companies surveyed cite bureaucratic hurdles like protectionist measures, procurements rules and Indian standards that are not in line with international standards as the “most negative factors for India as a place to do business”. Thirty-nine per cent say high corruption is the second-most negative location factor. And India’s tax system is the third-highest negative factor, say 27 per cent of those.

The report notes compared to a similar report in 2023, 11 per cent more companies complained about bureaucratic hurdles in 2024.

Somewhat different are the findings of a June 2024 report by Business Sweden, a state entity, and the Swedish Chamber of Commerce India. In a survey conducted in February-March 2024 to track how

Swedish companies operating in India perceive the business climate, economic situation, and market development opportunities in the country, the biggest negatives seen by Swedish business in India were Customs, licences, permits and approvals, and labour market regulation. Interestingly, the report says 88 per cent of Swedish companies “have reported not encountering any instances of corruption while conducting business in the country, while 8 per cent acknowledged facing some form of corruption while dealing with public bodies”.

Philipp Ackermann, ambassador of Germany to India, has said Chancellor Olaf Scholz is likely to visit New Delhi this year with a huge business delegation, and trade and business will be on the agenda. “We expect that to happen in the second half of October.”

He expects EU business to get a fillip as a spinoff from that visit.

Although it is brand new, Febi expects to become the go-to agency for European companies in India as a primary problem solver. Maillard said: “India’s rapid expansion holds significant potential for European companies to grow here in a symbiotic way. We will work with our Indian and EU stakeholders and industrial partners to ensure that trade opens up more opportunities, thereby helping both regions to grow and thrive together.”

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