

Euro crisis and India's exports

FIEO in association with IGEP foundation organized a seminar on the Euro crisis and its impact on Indian exports on June 21, 2012 at New Delhi. Mr Moritz Lumma, Head of Economic Section, Embassy of Germany, was present for the session along with Mr Heiko Quast from the German Consulate Mumbai. Other dignitaries present were Dr Dietrich Kebschull, Chairman - IGEP Foundation and Mr Gunnar Geyer, CEO, Hamburg Institute of International economics. Mr T.S. Ahluwalia, Member, FIEO Managing Committee, chaired the meeting. Mr Binay Kumar, Former President, FIEO, was also present during the interaction.

Mr Ahluwalia mentioned that the EU and India have a nearly balanced trade pattern with India's exports of \$46.89 billion in 2010-11 against India's import from EU to the tune of \$44.53 billion. The EU is India's largest trading partner and observed a compound annual growth rate (CAGR) of over 15% during the last decade from \$21 billion in 2000-01 to over \$91 billion in 2010-11. India-EU trade relations are of great importance as the EU receives over 18% of India's global exports and is also the source of over 12% of India's imports.

Mr Lumma and Mr Quast principally agreed with the IGEP Chairman, Dr Dietrich Kebschull, that the present crisis is an eminent challenge for the EU. Taking into consideration the already agreed and further planned measures, they expressed strong hope that the crisis will be solved through far reaching reforms, because this is in the interests of all Eurozone countries. Mr Gunnar Geyer, CEO of the Hamburg Institute for International Economic, however, warned of pre-mature optimism and said there are many stumbling blocks to be removed.



From Left: Mr Keilo Quast, Finance Expert, German Consulate General at Mumbai; Mr Sunil Agnihotri, Jt Dy. Director General, FIEO; Mr T S Ahluwalia, Member, FIEO Managing Committee; Dr Dietrich Kebschull, Chairman, IGEP Foundation; Mr Binay Kumar, Former President, FIEO; Mr Moritz Lumma, Head Economic Section, Embassy of Germany, New Delhi; and Mr Gunnar Geyer, CEO, Hamburg Institute of International Economics.

All the distinguished speakers from the German side were of the opinion that the euro as the common currency can only survive and get stronger if deep rooted structural reforms take place in the member countries. They are not only necessary in the highly indebted countries – Portugal, Ireland, Greece, Spain, Cyprus and Italy, but in all other euro states, too.

More budget discipline and austerity programmes are only a first step in this direction. It was discussed that for a stable currency, it will be necessary to transfer national sovereignty rights to the EU headquarters in Brussels. The common currency needs stronger synchronized economic and financial policies of the members which would mean tougher and guidelines with efficient and strict controls. The financial sector with banks and investment institutions will also be subject to more intervention and supervision by the Brussels EU-authori-

ties. Further, it was felt during the discussion that financial transaction tax was a step into the right direction but it will alone not be sufficient to tackle the current situation.

Mr Kumar expressed confidence in the Indian export sector and hoped it would be able to show increasing figures in the near future despite difficulties in the global market. ■

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