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German Companies in India: Barriers and Opportunities of Future Trade Relations

Indo-German trade relations

With a Gross Domestic Product (GDP) of USD 3.178 trillion in 2021, a population of 1.41 billion, and a growing middle-income class, India is becoming an increasingly attractive market for German companies to conduct business. In 2021, bilateral trade between Germany and India amounted to EUR 23.3 billion and has the potential to grow in the future.

On 17 June 2022, the EU and India relaunched negotiations for a Free Trade Agreement (FTA) as well as separate negotiations for an Investment Protection Agreement and an Agreement on Geographical Indications after approx. nine-year hiatus. The first talks were launched in 2007, lasted for six years and were suspended due to a gap in ambition. There have been five rounds of negotiations, the last one has taken place in June 2023.

German companies seek for a comprehensive FTA. The reduction of trade and investment barriers is crucial for the further expansion of economic relations between Germany and India. Therefore, SGC and its sister-chamber IGCC jointly conducted a survey with 147 German companies in India: The results reveal the most important barriers to trade and investment and highlight the need to accelerate and conclude negotiations between the EU and India.

Trade and investment barriers for German companies

Predominantly, German companies named cumbersome customs procedures, inconsistent tariff classification and customs valuation, custom duties, red tape, import/export licence requirements, technical barriers to trade, lack of intellectual property right protection, and public procurement as main barriers to trade in India. Only 12 percent of the respondents currently do not face any barriers (see Graph 1).

Regarding investment barriers, the picture is a bit brighter: 37 percent of attending companies stated that they do not face any investment barriers. Main barriers for German companies are local content requirements, licence requirements, technology transfer requirements, foreign exchange restrictions/limitations, and capital ownership restrictions (see Graph 2).

Possible effects of a Free Trade Agreement

The conclusion of the EU-India FTA negotiations is important for Germany, the EU and India because of several factors: Firstly, 71 percent of respondents stated that an FTA would make India a more attractive sourcing market. In the light of supply chain diversification, this could play a major role for companies developing their strategies. Secondly, 70 percent of attending companies responded that they would invest in India for the first time or expand their current investments if investment barriers were to be removed by an FTA. Thirdly, overall, 80 percent of the survey participants believe that the FTA would increase their competitiveness on the Indian market.

Additional information

If you are interested in more detailed information, we would like to invite you to have a look at our Trade Policy Country Report: India which can be purchased by filling out this [purchase form](#) for 250 SGD (SGC members)/390 SGD (non-members).

Benefit from free trade agreements

If you have any questions about the usage of Free Trade Agreements in the Asia-Pacific region, you can contact Mrs. Annika Huck, Divisional Head for Trade Policies (Asia/ASEAN). E-Mail: annika.huck@sgc.org.sg

Resources

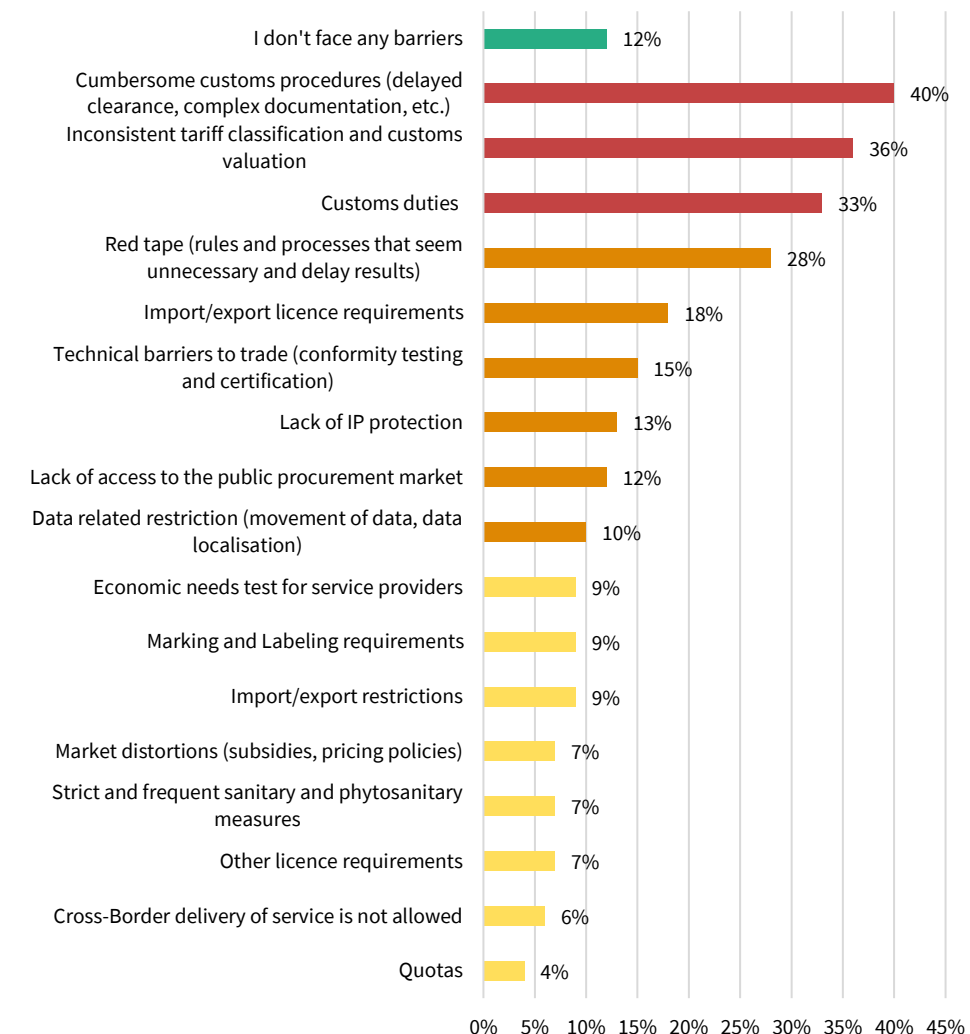
<https://data.worldbank.org/country/IN>

<https://www.gtai.de/re-source/blob/14914/cb325dfd93da2983a34ee35a9bb2a90d/mkt201611222018-159630-wirtschaftsdaten-kompakt-indien-data.pdf>

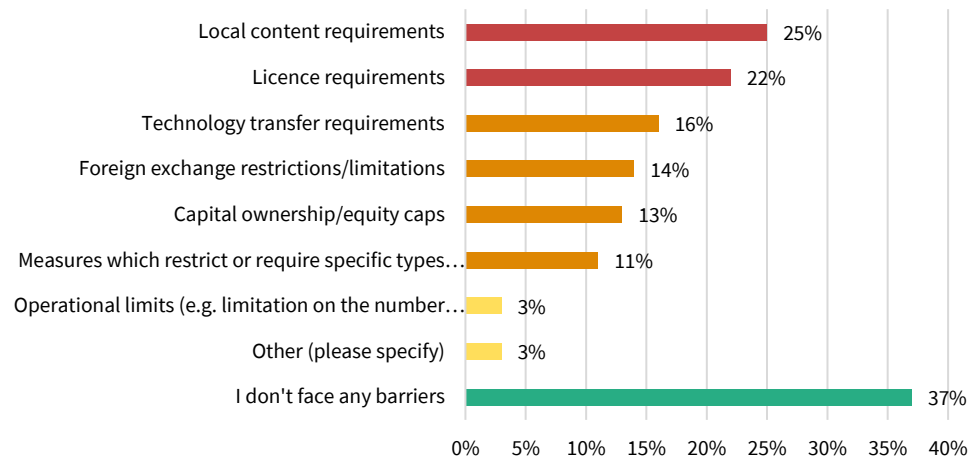
https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement_en

Appendix

Graph 1: List of trade barriers German companies face in India



Graph 2: List of investment barriers German companies face in India



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