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## Bilateral relationship of Indo-German trade in present contexts

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### Abstract

Bilateral trade is the exchange of goods between two nations promoting trade and investment. The two countries will reduce or eliminate tariffs, import quotas, export restraints, and other trade barriers to encourage trade and investment.

Due to globalization, International trade between different countries is an important factor in raising living standards, providing employment and enabling consumers to enjoy a greater variety of goods.

Bilateral relations between India and Germany are founded on common democratic principles and are marked by a high degree of trust and mutual respect. India was amongst the first countries to establish diplomatic ties with the Federal Republic of Germany after the Second World War. Relations grew significantly following the end of the Cold War and the reunification of Germany. In the last decade, both economic and political interaction between India and Germany has increased significantly. Today, Germany is amongst India's most important partners both bilaterally and in the global context.

India is amongst a select group of countries with which Germany has such a high-level Consultations. The 4th IGC was held in Berlin on May 30, 2017 wherein 12 Cooperation documents in various sectors were signed. The 5th IGC, was held in Delhi on Nov. 1, 2019 during which 21 MoUs/Agreements were signed in diverse areas of engagement including some of the new and emerging areas such as Artificial Intelligence, Space, Smart Cities, Urban Green Mobility etc.

**Keywords:** Foreign Trade, Diplomatic, Globalizations, Investment, RBI.

### Introduction

India was amongst the first countries to establish diplomatic ties with the Federal Republic of Germany after the Second World War. Today, Germany is amongst India's most important partners both bilaterally and in the global context. India and Germany have a 'Strategic Partnership' since 2001, which has been further strengthened with the launch of Intergovernmental Consultations (IGC) in 2011 at the level of Heads of Governments which allows for a comprehensive review of cooperation and identification of fresh areas of engagement. India is amongst a select group of countries with which Germany has such a dialogue mechanism.

The 4<sup>th</sup> IGC was held in Berlin on May 30, 2017 during which 12 bilateral cooperation documents in various sectors were signed. The 5<sup>th</sup> IGC was held in New Delhi on 1 November, 2019, during which 22 bilateral cooperation documents in various sectors were signed. Such as Artificial Intelligence and Digital Transformation, International Solar Alliance (ISA), the Joint Working Group on Agriculture, Food Industry and Consumer Protection, Bilateral Trade and Investment Agreement. A Fast-Track System, in the field of research in traditional medicines, an MoU was signed between the Frankfurter Innovationszentrum Biotechnologie GmbH (FIZ) and the All India Institute of Ayurveda etc.

### Review of literature

Today, Germany is amongst India's most important partners both bilaterally and in the global context. Indo-German Strategic Partnership is based on the common values and principles of democracy, free and fair trade, and rules-based international order, as well as on mutual trust and respect.

India's Economic Relations with Germany with special reference to Trade, Investment and Technology came to the conclusion that prospects of increasing the volume of trade between India and Germany are extremely good and suggested that multi-directional and approves should be made for reduction of the trade gap between the two countries.

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### Research methodology

The analysis is based on secondary data obtained from the Ministry of Commerce, Indian Institute of Foreign Trade, Delhi, Economic Survey, (different issues) and other government publications. Data and materials are also collected from books, periodicals, journals, serial publications, newspapers and Indo-German Chamber of Commerce, Mumbai. Statistical tools/ techniques have been used wherever necessary.

### Strategic partnership for sustainable growth

At the invitation of Prime Minister Shri Narendra Modi, German Federal Chancellor Dr. Angela Merkel visited India from 31 October - 1 November 2019 for the fifth round of Inter-Governmental Consultations (IGC). Chancellor Merkel was accompanied by Ministers of Foreign Affairs, Science and Education, Food and Agriculture, and an Official Delegation. A business delegation comprising leaders of German companies also accompanied Chancellor Merkel. During the visit, Chancellor Merkel held meetings with President Ram Nath Kovind and Prime Minister Modi. Chancellor Merkel and Prime Minister Modi reiterated that the Indo-German Strategic Partnership is based on the common values and principles of democracy, free and fair trade, and rules-based international order, as well as on mutual trust and respect. Key issues in the discussions included jointly driving the digital transformation through innovation and frontier technologies, especially artificial intelligence, making economic growth sustainable by cooperating on climate change, creating space for people to people contacts through legal mobility for skilled labour, and contributing to a reliable international order by strengthening and updating multilateral institutions.

### Artificial intelligence and digital transformation

Recognising that AI will fundamentally impact the way the world lives and works in the coming years both sides intend to work together to foster, encourage and develop cooperation on AI technologies and thereby promote innovation and sustainable development.

Both sides reaffirmed the importance of building Digital Partnership to intensify regular interaction and coordination towards collaboration on the next generation technologies.

The potential synergies in focus areas such as Health, Mobility, Environment and Agriculture offer immense opportunities for enhancing cooperation and building on our comparative advantages. Germany and India intend to engage in further cooperation especially by fostering multidisciplinary research and development in AI by sharing expertise and best practices.

Both leaders welcomed AI collaborations in Agriculture such as precision farming with the aim to increase efficiency and to save resources as well as reduction of food losses and waste. Additionally, both Ministries of Agriculture aim to establish open training data sets for AI applications that also address legal issues.

Germany and India want to foster business cooperation in the digital sector. Therefore German and Indian digital companies will jointly work towards further enhancing the scope of market opportunity and bilateral investments in each other's countries and creating greater bonds between their thriving tech ecosystems.

Both sides reaffirmed the importance of building an international forum to ensure the responsible and human

centric development and use of artificial intelligence in accordance with international law. As such, Germany and India welcomed the opportunity to participate in the Global Partnership on AI (GPAI).

### Trade and investment through innovation and knowledge

The leaders underlined their determination to enhance bilateral trade and investment. Both sides confirmed the importance of a balanced Free Trade Agreement between India and the EU and agreed to deepen efforts to restart negotiations between the EU and India on the Bilateral Trade and Investment Agreement.

Both leaders appreciated the sustained growth in bilateral investments. They welcomed the success of the 'Make in India Mittelstand' (MIIM) Programme which has helped facilitate over 135 German Mittelstand and family-owned companies with a declared investment of more than 1.2 billion Euros. They also agreed to intensify efforts for an early conclusion of an investment protection agreement between the EU, the EU Member States and India. India welcomed Germany's decision to reinstate its policy to grant investment guarantees for eligible direct investments by German companies in India as a means to deepen bilateral economic ties. The leaders appreciated the work of the Fast Track mechanisms which have resulted in a stronger business confidence.

Both leaders acknowledged the successful work under the German Indian Startup Exchange Program (GINSEP) in promoting the exchange between both startup ecosystems. They welcomed the continuation and strengthening of this important initiative via the new GINSEP programme as well as the introduction of a new German Accelerator (GA) programme "Next Step India", which could lead to a full GA programme for German Startups in India.

Both sides agreed on a further exchange of the experts and experiences especially regarding the establishment and implementation of the National Action Plans of India and Germany.

They welcomed the signing of the Implementing Arrangement for exchange of personnel between Indian Space Research Organization (ISRO) and German Aerospace Center (DLR).

### Climate and sustainable development

They underlined that for a successful energy and transport transition in India and in Germany both countries need to closely cooperate, to learn from each other and to capitalize on the economic potential of climate protection.

India and Germany have over 60 years of long-standing and successful development cooperation. The leaders appreciated the mutual benefit that has accrued to both countries over this period of time by working together in the areas such as energy, sustainable and climate friendly urban development and transport, environment and sustainable management of natural resources and the protection of biodiversity.

India welcomed Germany's keenness to join the International Solar Alliance (ISA), with a view to promote sustainable climate friendly and efficient energy solutions internationally.

Prime Minister Modi and Chancellor Merkel reaffirmed the importance of the Indo-German Environment Forum (IGEnvF), which held its last meeting in February 2019 in

Delhi. Taking into account the federal structure of both countries, participation of state and municipal authorities should be encouraged

Both sides highlighted the constructive role of the Joint Working Group on Agriculture, Food Industry and Consumer Protection which held its last meeting in March 2019 in Delhi. They expressed satisfaction about the concrete projects emanating from the existing MoUs in the fields of food safety, agricultural training and skilling, post-harvest management and agricultural logistics

In furthering cooperation in the field of research in traditional medicines, an MoU was signed between the Frankfurter Innovationszentrum Biotechnologie GmbH (FIZ) and the All India Institute of Ayurveda (AIIA), an autonomous organization under the Ministry of AYUSH, Government of India, that will promote collaboration in research and developing guidelines for integrating Ayurvedic principles with modern medicine.

### Sharing global responsibility

Desirous of further developing and strengthening their Strategic Partnership, which will be entering its 20th year in 2020, both sides decided to institutionalize the mechanism of the Foreign Office Consultations to be held every calendar year between the Foreign Secretary of India and the State Secretary of the German Federal Foreign Office.

Both leaders welcomed the "Implementing Arrangement

concerning Bilateral Defence Co-operation" signed earlier this year and expressed the hope that this will provide impetus to cooperation in security policy in existing and new defence and security dialogue formats. Besides the focus on global, regional, Maritime and Cyber Security, an extended and deepened cooperation in the domain of UN-Peacekeeping training will be mutually beneficial subject of the regular high-level and experts consultations.

Both leaders agreed that India and Germany must continue their cooperation within the framework of the Joint Working Group on Counter-Terrorism, including on information and intelligence sharing on terror networks and work together to share experiences on dealing with the growing phenomenon of radicalisation. They asked officials on both sides to schedule the next meeting of the Joint Working Group on Counter-Terrorism at the earliest.

### Economic & commercial relations

Germany is the 7th largest foreign direct investor in India since April 2000. Germany's total FDI in India from April 2000 until March 2020 amounted to US\$ 12.19 billion. Germany is India's largest trading partner in Europe. India ranked 24th in Germany's global trade during 2019. India's exports were Euro 9.38 bn and imports were Euro 11.93 bn. Bilateral trade declined from Euro 21.41 billion in 2018 to Euro 21.31 bn in 2019. Year: 2020-2021 (Apr-Aug (P)). The Rank of top 10 Countries are given below in Table no.1.

**Table 1:** Top 10 Countries Values in US\$ Million

| Rank | Country                         | Export           | Import            | Total Trade       | Trade Balance     |
|------|---------------------------------|------------------|-------------------|-------------------|-------------------|
| 1.   | CHINA P RP                      | 8,957.18         | 21,585.10         | 30,542.28         | -12,627.92        |
| 2.   | U S A                           | 16,786.26        | 9,764.68          | 26,550.94         | 7,021.58          |
| 3.   | U ARAB EMTS                     | 5,151.47         | 6,262.49          | 11,413.95         | -1,111.02         |
| 4.   | HONG KONG                       | 3,409.06         | 5,171.45          | 8,580.51          | -1,762.40         |
| 5.   | SAUDI ARAB                      | 1,982.62         | 5,209.74          | 7,192.35          | -3,227.12         |
| 6.   | SINGAPORE                       | 3,601.58         | 3,554.01          | 7,155.59          | 47.57             |
| 7.   | GERMANY                         | 2,758.62         | 3,980.13          | 6,738.75          | -1,221.50         |
| 8.   | INDONESIA                       | 1,694.95         | 4,254.83          | 5,949.78          | -2,559.89         |
| 9.   | KOREA RP                        | 1,743.55         | 3,943.02          | 5,686.57          | -2,199.47         |
| 10.  | IRAQ                            | 550.40           | 4,628.76          | 5,179.16          | -4,078.36         |
|      | <i>Total of Top countries</i>   | <i>46,635.67</i> | <i>68,354.21</i>  | <i>114,989.89</i> | <i>-21,718.54</i> |
|      | <i>India's Total</i>            | <i>97,530.55</i> | <i>119,129.87</i> | <i>216,376.88</i> | <i>-21,599.32</i> |
|      | <i>% Share of Top countries</i> | <i>47.82</i>     | <i>57.38</i>      | <i>53.14</i>      | <i>100.55</i>     |

Sources: Depart of Commerce, Ministry of finance.

A Fast-Track System for German companies has been operating in Department for Promotion of Industry and Internal Trade (DPIIT) since March 2016. India and Germany have set up a Fast-Track system in April 2019 for Indian Companies in Germany. To facilitate the entry of German Mittelstand (Medium Sized Companies) in India,

the Embassy of India, Berlin runs the Make in India Mittelstand (MIIM) Programme since September 2015. Currently, 142 German Mittelstand (MSMEs) companies are being facilitated through MIIM Programme for market entry and investment in India.

**Table 2:** Bilateral Trade (Exports and Imports) Values in US \$ billions

| S.N. | YEARS       | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|------|-------------|---------|---------|---------|---------|---------|
| 1.   | Exports     | 7.092   | 7.181   | 8.687   | 8.902   | 8.290   |
| 2.   | % Growth    | -       | 1.25    | 20.97   | 2.47    | -6.87   |
| 3.   | Imports     | 12.088  | 11.583  | 13.295  | 15.161  | 13.691  |
| 4.   | % Growth    | -       | -4.18   | 14.78   | 14.03   | -9.70   |
| 5.   | Total Trade | 19.180  | 18.764  | 21.982  | 24.063  | 21.981  |
| 6.   | % Growth    | -       | -2.17   | 17.15   | 9.46    | -8.65   |

Sources: Department of Commerce, Export Import Data Bank

Bilateral Trade has been healthy in the recent years, From USD 19.18 billion in 2015-16, it almost highest to USD24.06 billion in 2018-19 .Trade of USD21.98 billion

was registered in financial year 2019-20 decreasing by more than 8% as compared to 2018-19.

Major Indian Exports to Germany are Cotton and Textiles,

Metal & Metal Products, Electro Technology, Leather & Leather Goods, Food & Beverages, Machinery, Pharmaceuticals, Automobile, Mobile Components, Chemicals, Gems & Jewellery and Rubber Products. While the key imports of India from Germany include Machinery, Electro Technology, Metal & Metal Products, Chemicals, Auto Components, Measurement & Control Equipment, Plastics, Medical Technology, Pharmaceuticals, and Paper & Printing Materials etc.

(Source: Federal Statistical Office, Wiesbaden)

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