

## **Preliminary Visit to India - Report**

**15-19 March 2011**

### **Main issues**

- To introduce TÜSİAD and present TÜSİAD International's activities.
- To meet the key business institutions and international organizations.
- To enhance the cooperation with the counterpart organizations and plan the next steps to advance further bilateral economic relations.
- To introduce Turkey's trade and investment environment and encourage these institutions to invest in Turkey and cooperate with TÜSİAD.
- To re-assess bilateral relations in the context of the membership of G20/B20.

### **Meetings**

#### **New Delhi**

- Confederation of Indian Industry (CII)
- The World Bank
- International Finance Corporation (IFC)
- Commercial Counsel of the Republic of Turkey to New Delhi

#### **Mumbai**

- Indian Merchants' Chamber (IMC)
- Consulate General of the Republic of Turkey to Mumbai
- CII Maharashtra Annual Meeting
- HDFC Bank
- Reserve Bank of India (RBI)
- Government of Maharashtra
- Mahindra & Mahindra Limited / CII Western Region
- Tata International

### **NEW DELHI**

#### **1-Confederation of Indian Industry – CII (Director of Int. Division, Mr. Sreekumar Nair and Deputy Director, Mr. Haridas Pantheeradi)**

Founded over 115 years ago, it is India's premier business association, with a direct membership of over 8100 organizations from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 90,000 companies from around 400 national and regional sectoral associations. With 64 offices and 7 Centers of Excellence in India, and 7 overseas in Australia, China, France, Singapore, South Africa, UK, and USA, and institutional partnerships with 223 counterpart organizations in 90 countries, CII serves as a reference point for Indian industry and the international business community.

- TÜSiAD emphasized mainly 3 points of the relations between Turkey and India: Bilateral, European and global dimensions.
  - a) The importance of increasing bilateral trade which is about 4 billion USD and far from the real potential of the two emerging economies.
  - b) The implication on Turkey-India relations of the Free Trade Agreement (FTA) between EU-India which is expected to be finalized in May 2011.
  - c) The importance of joint/parallel activities as India and Turkey which are both G-20 members/ and as CII and TÜSiAD which are both B-20 members.
- It was emphasized that Indian companies can easily access to the European market through Turkish companies due to the Custom Union membership of Turkey since 1996.
- CII underlined that in the second half of 2011, a sectoral business delegation (ICT, pharma) from the member companies of CII will visit Turkey.
- CII informed about the **“Strategic Dialogues with countries”** such as US, China, Israel, Singapore, Japan which were organized by CII and the mentioned countries’ counterpart organizations. Political leaders are also present in these events.
- CII organizes trade fairs.
- CII organizes **“Partnership Summits”** in the months of January every year.CII proposed to organize such an event with TÜSiAD to advance the economic relations with Turkey. Presidents of the institutions could come together in this kind of event.

**Note:** In May, Mr. Sreekumar Nair will be in Turkey to participate in LDC conference.

## **2-The World Bank (Country Director, Mr. Roberto Zagha)**

- To properly do business in India, it’s necessary to have developed contacts within the bureaucracy and politicians (Department of Trade, chief secretaries of ministers).
- Corruption rates are very high at all levels in India. *(Note: “Well Done Abba!” is a funny movie which tells the story of the business conditions in India)*
- India has a vivid and strong domestic market which offers many investment opportunities. It is expected to be a big power in the future.
- There are many rooms in the areas of infrastructure and education which are the important sectors to do business.
- Market conditions push foreign companies to work together with a domestic partner, since it’s hard to directly run a business in India.
- Having a strong influence on the government, CII is a respected organization which represents top Indian business people. By the way, FICCI is also extremely powerful.

## **3-International Finance Corporation – IFC (Infrastructure and Natural Resources Manager of IFC South Asia, Mr. Sumeet Thakur)**

- Since 1956, IFC has invested in 264 companies in India, providing over \$7 billion in financing for its own account and \$2.1 billion in mobilization from external resources. The portfolio of \$3.6 billion (as of January 2011) makes India IFC's largest country of operations. In recent years, IFC has grown its business substantially in India, with largest commitments of \$1.8 billion in FY10.The most acute needs for energy, water, roads, phone connections, healthcare, education, sanitation, waste management, access to financial services, are among those who live in low-income, rural and semi-urban parts of the country.

- He gave a brief description about IFC's activities in India. It was underlined that infrastructure (airports, roads, sea transportation), telecommunication are attractive areas in India.
- It was briefed about the seminar of TINT entitled "India in the World Economy & Trade and investment opportunities in India for Turkish companies "which is organized in cooperation with IFC/Turkey in May 2010.
- He emphasized that they can support in organizing such an event in India by providing market information, promoting partnership, using the network of IFC within and abroad India for Turkish companies.
- Importance of partnerships with the local companies was emphasized.

#### **4-Commercial Counselor of the Republic of Turkey (Mr. Ziya Demirdüzen)**

- It's time to invest in Indian market. Food sector could be very attractive for Turkish companies. (Eti and Ülker could be interested in this market.)
- However, there is no permission yet to do business in retail store chain.
- Indian companies' interest in the Turkish market is higher than the Turkish companies' interest in India.
  - Around 70 Indian companies operate in automotive, telecommunication, energy, transportation, iron and steel, cosmetics, chemicals, mining sectors in Turkey. The leading ones are Tata Motors, Jindal, Polypex, Dhanus Technologies, Archelor-Mittal, Dabur India, GMR.
  - Around 40 Turkish companies operate in India: Söktaş, Çelebi, Fernas, Hidromas, Eczacıbaşı-Vitra are the leading ones.
- Turkish government has newly appointed a commercial counsel to Mumbai.
- State Minister of Turkey in charge of Foreign Trade Mr. Zafer Çağlayan will visit India with a business delegation between 18-22 April.
- The importance of setting a "**TÜSIAD-India Business Network**" was raised by TÜSIAD.

### **MUMBAI**

#### **5- Indian Merchants' Chamber (IMC)**

Set up in 1907, IMC is a premier Chamber of trade, commerce and industry in India, with headquarters in Mumbai. It has around 3200 direct members, comprising a cross section of the business community, including public and private limited companies and over 225 affiliated member associations.

- It was stated that IMC will organize "**India - Turkey Business Partnership Summit**" (IMC India Calling) from 12 to 15 April in Istanbul, in partnership with Istanbul Chamber of Commerce. The event will be focused on max. 5 sectors such as infrastructure, energy, financial services, telecommunication and education with the participation of managing directors of the companies.
- IMC requested TÜSIAD to provide participation in this event and suggest the top business people. It was stated that an announcement will be made by TÜSIAD.
- IMC also requested a private meeting on 28<sup>th</sup>/29<sup>th</sup> of March in Istanbul. It was decided that the agenda of Osman F. Boyner will be checked.

- IMC President promised to suggest setting up a “Turkey-India Business Council” during the summit under the umbrella of IMC.

#### **6 - Consulate General of the Republic Turkey to Mumbai (Consul General, Mr. Murat Ahmet Yörük)**

- He gave a brief description of the recent developments in Indian political and economic environment and opportunities for Turkish investors in Indian market. The importance of forming a “business network between Turkey and India” was emphasized.
- He informed us about the new Consulates of the Republic of Turkey to be opened in Hyderabad, Chennai, Kolkata in the near future.
- He underlined that in the political platform, Ms. Sonia Gandhi is a very powerful personality for India. Her son Mr. Rahul Gandhi is expected to be the Prime Minister of India in 5-10 years. On the other hand, her daughter Ms. Priyanka Gandhi could be also an alternative in the political platform.
- He informed about the project of the World Bank entitled “Delhi-Mumbai Industrial Corridor Project” which covers building of new ports, roads, highways. The project aims at developing an Industrial Zone spanning across six states in India and will see major expansion of Infrastructure and Industry – including industrial clusters and rail, road, port, air connectivity – in the states along the route of the Corridor.
- India is the land of opportunities. The workforce is very cheap and much. There is a huge potential for Turkish contracting companies. There are many projects in infrastructure area. For the moment; USA, China and the Netherlands are the leading countries in infrastructure sector.
- Access to the Indian market with a domestic partner is a necessity. On the other hand, Indian companies need also partners to have knowledge in specific areas.
- There are two main handicaps:
  - 1- Corruption is very high.
  - 2- There is need for liberalization and regulation in financial system.

However, many multinational companies run business in India such as Siemens, Unilever, etc. despite these conditions.
- India is the land of paradoxes. Around 70% of the population (~800 million) lives below the starvation line (below \$2 per day).
- Transportation is a serious problem in Mumbai. Every day 6 million people displace on the North and South line. There is a crucial need for sea transportation in Mumbai. In this sense, IDO could be a very good model.
- In the global platform, India is expected to balance China in 5-6 years.

#### **CII Maharashtra Annual Day (17 March)**

- Turkish delegation was kindly welcomed by CII during the opening remarks.
- Mr. Arun Nanda, Chairman of CII Western Region addressed to the audience.
- The theme of the session was “Envisaging a high growth decade through innovation”.
- The panel focused on how imperative it is for Indian industry to keep innovating, learn and implement new ideas and create new sustainable technologies, services and products which are beneficial to build a progressive nation.

**HDFC Bank (Vice Chairman&CEO, Mr. Keki Mistry and Senior General Manager, Mr. Conrad D'Souza)**

- Incorporated in 1977 as the first specialized mortgage company in India. Now, it's a financial conglomerate with interests beyond mortgage: Life insurance, asset management, property ventures, venture capital etc.
- The potential of Turkey was emphasized: Huge population, increasing economic growth, Turkish construction companies' success all over the world and Turkish banks' interest in India.
- They were invited to Turkey to meet TUSIAD.

**Reserve Bank of India- RBI (Deputy Governor, Mr. Subir Gokarn)**

- He stated that CII, FICCI and ASSOCHAM are the main national associations that could be cooperated in India.
- He advised the below areas to be invested in India:
  - **Infrastructure:** Turkey could be a realistic and accessible model for India.
  - **Agriculture and food processing** could be attractive sectors for Turkish companies to invest in Indian market. To eliminate "food inflation" which is a serious problem in India, "chick pea" and "lentil" could be imported from Turkey. Because of the high population, there is very significant danger of shortage. **Dairy products'** prices increase seriously.
  - **Wine industry:** Turkey could share her knowledge and experience in this area.
  - **Textile:** Joint production could be done in India.
- The government is open to PPP in principle. It's reasonable to access to the Indian market through joint ventures.
- Concerning the economic growth of India, GDP growth rate is expected to be annually increased by 8.5% according to the realistic scenario. The figures of domestic consumption are high. However, India needs to accelerate the investments of infrastructure.
- India has so much bureaucracy which is a negative side of doing business in India.
- Political aspect: It is not expected to be happened any change in the Indian political direction.

**Government of Maharashtra (Chief Secretary, Mr. Ratnakar Gaikwad)**

- Urban transformation projects (65 billion USD), infrastructure (highways, roads, tube tunnel) and sea transportation projects were mainly discussed.
- It was emphasized by Turkish side that Istanbul is one of the best practices in the world in terms of sea public transportation and Turkey could cooperate with the Government of Maharashtra in this area.
- It was stated that PPP and G2G collaboration could be alternatives between Turkey and Government of Maharashtra.
- State Minister of Turkey in charge of Foreign Trade Zafer Çağlayan's visit to India in April 2011 was underlined by the Consul General.
- It was stated that Turkish companies could invest in infrastructure and manufacturing sectors in the Maharashtra State and Turkish entrepreneurs would be supported by the Government of Maharashtra.

*(Note: Mumbai Consul General and CII representatives also participated in the meeting.)*

**Mahindra & Mahindra Limited (Director Mr. Arun Nanda / Chairman of CII Western Region)**

- With a reference to the tractor assembling activities of Indian “TAFE” in Manisa; he expressed that as Mahindra, they are also seriously thinking of starting operations in this area in Turkey.
- He suggested that Turkish companies could seriously think of investing in Maharashtra State, especially in food processing and packaging sectors.
- He instructed CII representatives to organize a special industrial tour which will cover Bursa, Gaziantep, İzmir and Adana in order to better understand the industrial potential of Turkey other than İstanbul.

*(Note: Mumbai Consul General and CII representatives also participated in the meeting.)*

**Tata International / (Mr. Shyamal Gupta , Special Adviser)**

- He stated that Tata Group is mainly active in IT and automotive sectors in Turkey; however, they are also planning to increase the business volume apart from these areas and invest in the sectors of tourism and hotel business in Turkey.
- He stated that TATA Group is ready to make an agreement within the framework of “management contract” with a hotel/hotel chain which is in financial difficulty. He requested information on this issue.
- He requested to have a meeting about the business climate and investment opportunities in Turkey by Mr. Ravi Chaudry, ISPAT- India representative and Mr. Murat Ahmet Yörük, Consul General of Turkey in Mumbai.

*(Note: Mumbai Consul General and CII representatives also participated in the meeting.)*

**Assessment & Recommendations**

-All the meetings/contacts were very positive and constructive. They showed positive approaches for the cooperation possibilities in the near future.

-It was observed the conditions to open a TÜSİAD Office in India are not yet mature.

-The Consul General of the Rep. of Turkey to Mumbai, Mr. Murat Ahmet Yörük could be the central actor for an eventual “Turkey-India Business Network”.

-This preliminary visit promoted a possible CII visit to Turkey in 2011. It is expected to have Indian business delegations from CII Northern and Western Regions in the second half of this year.

-Partnership Summit could be organized together with CII in the coming period with the participation of presidents of the two institutions.

-Attractive Sectors:

→Food / food processing (Turkish companies such as Sütaş, Eti and Ülker are mentioned)

→Construction& Infrastructure

→Education

→Automotive components

→Financial services

-Working with a domestic partner is a necessity to do business in India. (joint ventures)

- The new consulates of Turkey to be opened (Hyderabad, Chennai, Kalkuta) will present new opportunity and interest areas for Turkish companies to have better contacts in these regions of India.
- TATA Turkey and other Indian investors in Turkey may be invited to TÜSİAD membership.
- A TÜSİAD International delegation is highly expected by both the political and economic world.
- A specific approach is needed for Turkish companies' access to public procurement contracts in India.
- India is about to finalize a free-trade agreement with the EU. The parallel agreement with Turkey is likely. This process needs to be monitored by TUSIAD International.