



Strategies For Promoting Trade And Investment From Portugal

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ABSTRACT

This paper presents innovative strategies aimed at bolstering trade and investment between India and Portugal, particularly in the wake of the post-COVID-19 global economic landscape. It underscores the burgeoning friendly ties between the two nations across political, economic, and cultural realms, propelled notably by the leadership of Prime Minister António Costa, the first Indian-origin head of government in the Western world. The paper examines the trajectory of bilateral trade, highlighting India's emergence as a significant destination and supplier for Portugal.

It identifies disruptions caused by the COVID-19 pandemic and explores avenues for diversifying Portuguese businesses, particularly towards India. The strategies proposed encompass various sectors, including renewable energy, water and waste management, leveraging historical ties with Goa, quality-driven production, technology transfers, promotion of business clusters, financial arrangements to attract foreign investment, and advancing trade agreements. Furthermore, the paper emphasizes India's potential as an alternative supplier to China, especially in the pharmaceutical sector, amid the pandemic.

The conclusion emphasizes the need for effective implementation through robust communication and political engagement to overcome trade barriers and foster mutual economic growth. The paper provides a comprehensive framework for enhancing economic collaboration between India and Portugal, capitalizing on synergies and emerging opportunities in a dynamic global economic landscape.

Introduction

In recent years, Portugal has witnessed an acceleration of its friendly ties with India on political, economic, and cultural fronts. In particular, António Costa's office assumption as Prime Minister of Portugal in November 2015 has been the principal force behind this scene. Whose father grew up in Goa, PM Costa is the first Indian-origin head of Government in the Western world. He holds an OCI card, takes pride publicly in his Indian roots, and is keen to deepen India-Portugal engagement. In addition to PM Costa himself, two current cabinet ministers are also of Indian descent. The four high-level visits in 3 years generated momentum in bilateral relations and set the ball rolling for close cooperation in commerce, education, technology, and culture. Given the strong and growing Indian diaspora, approx. 120,000, mostly from Gujarat, Goa, and more recently from Punjab, provide further scope for leveraging their strong trade and investment connection.

On the trade front, India-Portugal bilateral trade in goods for the first time surpassed US\$ 1 billion in the 2019 calendar year, with an annual growth rate of more than 21% compared to 2018. The trade balance has always been in India's favor. In 2019, India was Portugal's 43rd largest destination of goods (up from 45th place in 2018) and its 16th-largest supplier (up from 19th place in 2018). This positive development has, however, been disrupted by the outbreak of the Covid-19 pandemic in Portugal in March 2020. The crisis has made Portuguese companies more aware of the need to diversify their business from China to other markets, including India.

STRATEGIES FOR ENHANCING TRADE AND INVESTMENT IN INDIA

1. Green Strategic Partnerships: India and Portugal may forge the Green Strategic Partnership in Renewables. With India's adoption of the COP-21 targets and its ambitious plan of generating 40% of its energy

needs from renewable sources by 2030, it may seek inspiration and learn from Portugal's vast experience in solar, wind, and hydropower. In May 2016, Portugal set the record of running entirely on renewables for a consecutive 107 hours – a feat testifying to its enduring focus on green energy. Its solar power achievements are especially notable, with improvements in terms of technology costs for solar power projects, a high insolation rate, and a political focus on renewable energy transformation having contributed to remarkably low solar tariffs. Portugal's second solar auction took place on 24-25 August 2020, for lots in the southern regions of the Alentejo and the Algarve. It closed with record-breaking low prices of €11.14/MWh (US\$13.12) or US\$0.0131/kWh. The record bid was about 25% lower than the lowest bid registered in Portugal's first solar auction in 2019, which was at €14.76/MWh and a record at the time itself. Given the complementarities between Portugal's know-how and India's objective to achieve its ambitious targets, Portugal should be encouraged to join the International Solar Alliance (ISA). This will help it promote solar technologies and investment in the solar sector, build common knowledge, and facilitate capacity-building with other participating countries. Alongside Portugal's accomplishments in renewable energy per se, India may also learn from its best practices concerning creating a Circular Economy focused on state-of-the-art technology involving smart solutions, systematic recycling, and sustainable transportation.

2. Water and Waste Management / Smart City Development: Closely allied to its achievements in renewable energy and environmental solutions, Portugal possesses both experience and niche technology in the fields of water and waste management and freshwater (river) clean-up. Portuguese PSU- Águas de Portugal (AdP) has become a successful model of water partnership with various Portuguese municipalities to provide safe drinking water and manage municipal waste efficiently. It has a wide presence throughout the Portuguese mainland and provides water supply and wastewater sanitation services to 80% of the Portuguese population. After an exchange of 3 high-level visits between the Government of Goa and Portugal, a work contract for the pilot phase of the water projects has been finalized between AdP and PWD Goa. A Work Contract was signed in Goa during the State Visit of President Rebelo de Sousa to India in February 2020. The contract's main objectives are upgrading the existing water distribution system at Salouli and OPA water treatment plants while reducing water losses and ensuring a 24/7 water supply. It may be mentioned that AdP and Indian PSU-WAPCOS joined hands together to explore commercial collaboration in third-country partnerships, especially in Africa, where both countries enjoy immense goodwill. AdP and WAPCOS made joint bids for the Lake Water Victoria project in Tanzania, funded by EIB funds, as well as Uganda, Lesotho, Bangladesh, and the Democratic Republic of Congo. That model can be replicated in India using AdP's goodwill and Portugal's connections in India's EIB for water partnership projects. Apart from technical knowledge exchange, the formal link between AdP and WAPCOS may also act as a springboard to discuss possible cooperation in the infrastructure and construction sector (e.g., bilateral investment, joint ventures, technology transfers, etc.).

Regarding Portuguese experience in water and waste management that may be relevant to India, a subcategory that may be offered particular attention is environmental depollution and requalification, specifically rivers' clean-up. Since the late 1990s, the densely populated estuary of the Tagus River and its smaller tributary Trancão, which was the most polluted river in Europe, have been thoroughly cleaned up through a series of environmental projects led by AdP. This development paved the way for converting a dump yard into Lisbon's most happening place/venue for the EXPO 1998, built upon a sustainable ecosystem model. Since then, the new EXPO area has served as a venue for countless international conferences, concerts, and public gatherings, such as the Web Summit (annually since 2016), and the EuroVision Song Contest (2018), and is nowadays an international hot-spot for tourism, business, and entertainment. For the Ministry of Water Resources, River Development, and Ganga Rejuvenation, which explicitly has the rejuvenation of the Ganges River as a core priority, AdP thus holds valuable experience.

3. INVEST GOA or Focus Goa Strategy: Portugal's historical, cultural, and people-to-people relations with Goa can be leveraged to reinforce contemporary business linkages between India and Portugal. Goa's special status can also be used as a starting point for trilateral cooperation between India, Portugal, and former Portuguese colonies (e.g., Mozambique, Angola, Brazil), akin to Macau's role for China in the last two decades. Portuguese businesspeople tend to concentrate on foreign markets where Portuguese is spoken; especially for smaller companies where even upper management is uncomfortable speaking English, Goa may offer business opportunities. Moving past its historical legacy and serving as a gateway to India, Goa should actively seek to embrace Portuguese investors by understanding and addressing their specific needs. Consequently, more interactions at various levels (business, official, political level, etc.) between Goa and Portugal should be organized, aggressively promoting Goa in Portugal and designing a tailor-made approach for Portuguese entrepreneurs and prospective investors.

4. Quality-driven Production Strategy: Export-oriented Indian manufacturers must focus on quality-focused capacity building, with particular reference to product harmonization that considers EU quality standards and certifications. Such efforts would translate into improved export prospects for a wide range of products such as handicrafts, agro-products, two-wheelers, and machinery pieces. To create more visibility of these products' quality merits, promotional events and participation in exhibitions may be considered. Sector-

specific engagements may allow Portuguese investors to better understand the Indian business market and its ease of business. This will attract more Foreign Direct Investment (FDI), further expanding India's industrial and manufacturing base. Considering the vital Portuguese footwear and textiles sectors, India has strength in terms of providing raw materials. Portuguese companies can be encouraged to establish export-oriented units in India to export their Portuguese-brand products to price-sensitive markets, such as in the CIS and Eastern European countries. Such cooperation would be a win-win situation because India's manufacturing costs would be much less compared to Portugal's. To this end, Portuguese companies can be given incentives (e.g., tax deferral measures and land acquisition concessions) to establish their overseas units in India. This will significantly benefit India regarding value addition, shifting the focus to manufacturing finished goods rather than exporting raw materials to Portugal.

5. Technology Transfers: Several technologically innovative Portuguese companies such as OGMA (aerospace), Tekever (aerospace and IT), and EID (satellite and naval telecommunications) already maintain links to India, which could be leveraged further. Other Portuguese companies possess niche technologies in areas like shipbuilding, drone manufacturing, and airport boarding screening systems. Some Portuguese companies have engaged with Indian entities such as ENP shipyard with Goa Shipyard Ltd for shipbuilding, UAVision and India's VEDA Defence in drone manufacturing, and CEiiA with HAL aeronautics but there is enormous untapped potential for more collaborations. This sector perfectly provides the right momentum as India needs technology to boost its indigenous defense sector and push Make in India. Such partnerships can be used as opportunities to do business; for example, ENP and GSL are in the process of submitting a joint bid for manufacturing 10 civilian ferries with a capacity of 500 persons under the Government of Portugal's tender bid and UAVision and India's VEDA Defence have agreed to manufacture drones in India, to be exported to third countries, etc. Furthermore, Portugal's Vision-Box has developed unique biometric technology solutions allowing seamless and paperless boarding at airports (including Delhi and Bengaluru). Such examples of promising niche technology can be adopted or acquired by Indian firms aiming to scale up the solutions and promote them in India and/or worldwide.

6. Promotion of Opportunities Related to Business Clusters: Portuguese businesspeople often lack information on Indian business clusters and ecosystems and how they typically offer mutually beneficial prospects of bringing together Indian and foreign enterprises. More promotional events (e.g., roadshows) should be organized in Portugal to highlight successful examples of cooperation, such as those of the Portuguese footwear companies Jefar and Portind, which have benefitted tremendously from their engagement with the leather cluster in Chennai-Ambur (Tamil Nadu). Other clusters that should be highlighted for Portuguese businesses include Automobiles and Auto-components in Pune (Maharashtra), Chemicals and Petrochemicals (Gujarat), Pharmaceuticals and Healthcare (Telangana/Maharashtra), Renewable Energy (Tamil Nadu), Textiles in Tirupur (Tamil Nadu), and Defence (Uttar Pradesh).

7. Financial Arrangements to Attract Foreign Investment: Small and Medium-sized Enterprises (SMEs) play an essential role in Portugal's non-financial business economy, accounting for 68.3% of value-added and 77.4% of employment. Since many Portuguese companies are family-owned businesses catering to the domestic market, they are generally not inclined to invest abroad. However, they can be encouraged by implementing various measures, such as providing credit guarantees and facilitating bank loans through Special Purpose Vehicles (SPVs) that will help them back projects under a Line of Credit (LOC). Considering Portugal's experience in the field, India may offer tax incentives targeted at SMEs, allowing them to pay off Value-Added Tax (i.e., GST) and Corporate/Personal Income Tax in interest-free installments over three or six months. In Portugal, such schemes apply to SMEs and self-employed persons with a turnover lower than €10 million in 2018. Non-SMEs can also request deferrals if they can prove an average income decrease of at least 20% in the last three months, year-on-year. Portuguese pension funds can also be encouraged to invest in equity or infrastructure-related projects through the National Investment and Infrastructure Fund (NIIF). Noting the example of how the Government Pension Fund of Norway has already invested over US\$11.7 billion in more than 275 different Indian companies and Indian bonds, Portuguese pension funds could be encouraged to diversify their investments by considering opportunities in the Indian market.

8. Early Finalisation of EU-India FTA and Bilateral Trade and Investment Agreement (BTIA): In 2012-13, the Department of Commerce, Government of India, unilaterally terminated the existing Bilateral Investment Protection Agreement (BIPA) with the EU countries and others a development that has negatively impacted India's ability to secure inward investment from EU member states. Several rounds of negotiations were held to finalize the Bilateral Trade and Investment Agreement (BTIA) and an EU-India Free Trade Agreement (FTA). Still, negotiations appeared to have reached an impasse. Breaking this stalemate and securing viable new EU-India agreements as soon as possible would tremendously impact business exchanges and commercial developments involving companies from the EU and Portugal. Many of these companies are presently somewhat reluctant to invest money in India, given the absence of a formal investment protection agreement. It should be noted that Portugal has been vocal in pushing for an early conclusion of a new EU-India FTA.

9. Covid-19 and the Health Sector: The Covid-19 pandemic may offer a unique opportunity to promote India as an alternative to China in the global supply chain, especially in the pharmaceutical sector where India is already a significant producer of generic drugs (known as the 'Pharmacy of the World'). Portuguese pharmaceutical companies currently source most of their raw materials and Active Pharmaceutical Ingredients (APIs) from Chinese suppliers. After the pandemic onset, pharmaceutical companies have become more interested in importing such goods from India to diversify their supply chains and lessen their reliance on China. Apart from APIs and raw materials, there may also be scope for sourcing medical and surgical instruments, such as masks, PPEs, ventilators, etc., from India after the pandemic. There are also ample opportunities to boost exports of ready-made pharmaceutical products to Portugal as it imports around 80% of its cheap medicine, such as painkillers, from China. For instance, since January 2017, Portuguese incentives for pharmacies have included funding of €0.35 as a commission by the government to pharmacies for every box of generic drugs sold at a price equal to or lower than the non-generic version of the same drug. Besides, India should also strive to woo European companies to use India as an export hub by providing hand-holding that will assist in relocating their subsidiaries from China to India.

Conclusion:

In sum, it is strongly recommended that the above ideas be considered and how they may be implemented in practice. A key component of practically all the suggestions is the need to communicate opportunities to Portuguese stakeholders further. Promoting initiatives and possibilities must be prioritized through roadshows, sector-focused activities in Portugal, or delegation visits by commercial and political representatives from India. Top-level political talks must also be prioritized to address legal and administrative obstacles that hinder trade and investment.

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