

Record of Discussion

The Fourth Session of the Joint Economic Commission Portugal-India was held in Lisbon, on May 30, 2017. The Portuguese delegation was headed by Ms. Virgínia Pina, Deputy Political Director of the Ministry of Foreign Affairs of Portugal, and the Indian Delegation was headed by Ms. Anita Praveen, Joint Secretary of the Department of Commerce of the Ministry of Commerce and Industry of India.

The compositions of the two delegations and the Agenda for the Joint Economic Commission are attached to these minutes.

The meeting was held in a cordial atmosphere, reflecting the friendly relations between the two countries and their desire to strengthen and further develop their economic relations for mutual benefit.

1. Bilateral Economic Relations

a) Economic Situation Outlook

Both sides exchanged their views on their respective economic policies.

The Portuguese side informed about the country's deep structural economic reforms that resulted in better conditions for foreign investment and challenged the Portuguese companies to diversify their partnerships. The Portuguese private sector has shown an impressive ability to operate in new foreign markets.

India shared Government's agenda of "Reform to transform" and mentioned that India has taken number of initiatives recently, e.g. Make in India, Skill India, Digital India, Smart Cities, Swachh Bharat, Start-Up India, besides the number of steps taken to make it easier to do business in India. The Constitution Amendment Bill for Goods and Services Tax (GST) had been passed by the Parliament. GST is expected to be adopted by Indian States and probably be implemented by July this year. Tough decisions like Demonetization have been taken even after expected adverse impact on the growth. India has grown by 7.1% in 2016-17 and is looking forward to a higher growth for 2017.18. All these initiatives will have long-term benefits for the Indian economy.

b) Bilateral Trade & Investment overview

Both sides noted that bilateral trade and investment relations between the two countries are well below their potential and agreed to pursue concrete efforts in order to upgrade them.

Both sides welcomed the present session of the Joint Economic Commission as a follow-up of the visit of Prime Minister of Portugal to India and as an important step for enhancing trade and investment cooperation.

The Portuguese side suggested that trade fluxes could possibly increase by reducing custom barriers still delaying new commercial strategies. Furthermore, in order to promote partnerships for local manufacturing, businessmen must be assured of clear

favourable conditions in terms of taxes, administrative procedures and other advantages granted by the Central and Local Governments.

India conveyed that rationalisation and liberalisation of FDI Policy is the constant endeavour of Government of India which has put in place an investor-friendly policy on FDI, under which FDI up to 100% is permitted in most sectors.

'Make in India' initiative has been launched to make India a global manufacturing hub. This is a major drive to foster innovation, enhance skill development, protect intellectual property and build Best-in-Class manufacturing infrastructure. Under Make in India initiative, an effort has been made to facilitate, assist and hand-hold investors and ensure that they are able to establish and operationalize their industry and business in India without facing hurdles and systemic delays.

Ease of doing business is a fundamental priority of Government of India's 'Make in India' initiative. The Centre, along with State Governments, has undertaken a strategic and comprehensive reform package over the last two and a half years which has greatly contributed to strengthening investor confidence. The emphasis has been on simplification and rationalization of the existing rules and introduction of information technology to make governance more efficient, effective, simple and user-friendly.

Both sides expressed satisfaction with the conclusion of negotiations of the protocol for the revision of the Convention to Avoid Double Taxation, which will allow for a reinforced conformity of the document with the international standards of transparency and exchange of information for tax purposes, hoping that it might be signed soon and contribute to promote trade and investment flows between Portugal and India.

Market Access Issues

India expressed concerns over EU related non-tariff barriers (NTB) such as sanitary and phytosanitary measures (SPS), and technical barriers to trade (TBT), particularly ever upgrading MRL levels and sought recent example of **Tricyclazole (TCA)**. India mentioned that TCA is widely used for blast disease in rice and there is no economical substitute of it. MRL levels, if not relaxed, would have huge repercussions on the rice produce in India and its export. Though data for higher import tolerance is being developed by the M/s Dow Agency meanwhile at least, India should be allowed the 5 years transition period. The EU has allowed transition time till mid 2017 and end 2017 for Non-basmati and Basmati rice, respectively but considering size and diversity in rice farming, transition period of less than 5 years will not be adequate. Portuguese side was requested to continue its support to India for getting transit period extended for 5 years.

c) Remarks on the outcomes of the January 2017 PM visit to India

Both sides noted with deep satisfaction the visit of Prime Minister of Portugal to India, which constituted an immense opportunity to translate the historic and friendly ties into concrete actions that are mutually beneficial to both countries and peoples.

The Portuguese side pointed out that the visit aimed at fostering political and economic relationships with India and considered it a success, covering up a broad range of areas of mutual interest. The extent and scope of the India-Portugal Joint Statement distinctively illustrate the mutual will to relaunch the relations between the two countries.

Both sides recalled that, in the context of expanding trade and investment, the two Prime Ministers identified several focus sectors based on shared priorities such as defence industries, agriculture, renewable energies, marine resources, water and waste management, infrastructures, start-ups, tourism, cinema industry or food safety.

The signature of several Memoranda during the visit was also highlighted, as a valuable foundation for future cooperation in the areas of Renewable Energy, ICTs and Electronics, Agriculture, Marine Research and Resources, Start-ups, Defence and Touristic Training.

d) Prospects for sectorial economic and commercial cooperation on:

i. Defence Industries

Both sides welcomed the signature, last January, in Delhi, of the Memorandum of Understanding regarding Defence Cooperation, which stands as the foundation for future cooperation in Defence, including commercial relations, joint ventures and technology transfer. India mentioned that it is appreciable that Portugal has state of the art technology in defence sector and Indian side looks forward to fruitful cooperation in this area.

The Portuguese side noted that the Minister of Defence invited his Indian counterpart for an official visit to Portugal, next June, in order to develop our common understanding in the field of Defence Cooperation".

The Portuguese side also informed that a draft text for an Agreement concerning the exchange and the mutual protection of classified information has been forwarded to the competent Indian authorities, in order to protect envisaged exchange of information in specific projects of Defence Industries, namely concerning naval and aeronautical maintenance, as well as communication and military training. India confirmed receipt of the draft agreement and would revert after internal approvals .

ii. Agriculture

Both sides welcomed the signature of the Memorandum of Understanding on cooperation in agriculture and related sectors.

The Portuguese side pointed out the importance of implementing the Working Group mentioned in clause 3 of the aforementioned MoU and indicated the focal points for the thematic areas associated with research, winemaking and food security, expecting that the corresponding Indian partners will also be soon designated.

The Portuguese side expressed the will to introduce animal health as an additional area of cooperation, proposing to identify focal points by the parties and suggested holding a videoconference meeting to introduce this new topic in the agenda of the Working Group.

The Portuguese side brought up the interest to further develop cooperation on animal and plant health.

Portuguese side conveyed that there is no need or justification to issue a veterinary certificate to export finished leathers subject to a complete taxidermy treatment from Portugal to India. The Indian side should agree to accept the presentation, by the importer, of a Commercial Declaration from the manufacturer, describing the treatment that the leathers have been subject to. India replied that it understands the difficulty being faced by Portuguese exporters and conveyed that it would refer the issue to Department concerned.

Regarding phyto-sanitary certificates for export of pork and poultry meat into India from Portugal, it may be conveyed that the request was examined by DHDF and it was found that the proposed sanitary health certificates are in line with India's health requirements. The comments of the department has already been sent to Portugal side vide letter No 109-22/2015-Trade dated 09/01/2017.

It was clarified that the import of Livestock products including meat and meat products are allowed as per the Exim policy and subject to the fulfillment of Indian sanitary conditions. As on date there is no issue pending with trade division regarding import of meat into India.

iii. Renewable Energies

Both sides welcomed the signature of the Memorandum of Understanding on Renewable Energy and underlined the importance of strengthening and developing programmes and activities between the two countries in that sector, as established.

The Portuguese side recalled that it has already designated its representatives in the Working Group established by the aforementioned MoU and underlined its will to organize a first meeting any time soon, during the first half of this year. A videoconference meeting could be envisaged for this purpose. India informed that

Indian composition for JWG has already been finalised and the nodal Ministry (MNRE) has proposed to hold this meeting through DVC on 21st or 28th June, 2017. We are looking forward to first meeting of JWG once dates were confirmed

iv. Marine Resources

Both sides welcomed the signing of the Memorandum of Understanding in the field of marine research and resources.

Taking in view the operationalization of the MoU in the various thematic areas associated with oceanography, biogeochemistry, safety and food quality of fish and marine geology, the Portuguese side considered important to designate the respective contact points.

India conveyed that both sides have huge marine sources as well as traffic volume to support partnership in the area of shipping and requested for operational details as required by the DG Shipping of India. India also stated that while recognising the high volume trade with Portugal, there is a concern about the increase in inspections from 10% to 50% of consignments while there is no increase in alerts.

v. Water and waste management

Both sides recalled the Joint Statement of the State Visit of Prime Minister of Portugal to India, in January 2017, and noticed the invitation made by Prime Minister Modi to Portuguese public and private sector entities to set up partnerships with Indian entities, especially in water and waste management.

In this context, both parties congratulate the initial contacts already established between the Public Works Department of the State of Goa and the Portuguese public Company ADP, and strongly encouraged the reinforcement of such partnership, through the signature, in the next months, of a Protocol of Cooperation between these entities with specific pilot projects. Both Parties agreed that capacity-building, strategic planning and water systems management must be areas covered by that Protocol.

India mentioned that Portugal has an advanced solid waste management ecosystem, which measures up to EU standards. India has a high degree of focus on encouraging composting and incineration of biodegradable MSW and enhancing conversion of waste to energy. India has framed new rules namely "GOI Solid Waste Management Rules announced on 5th April, 2016" which makes it mandatory for all local bodies having one million or more population to set up waste processing facilities by 2018. India sought Portugal's cooperation to control waste generation and means to achieve maximum rates of recycling by using latest waste treatment technology and infrastructure. Considering the expertise of Portugal in the field, there seem huge opportunities for Portuguese companies of water & waste management sector in GOI's flagship schemes. The Portuguese side expressed its willingness to contribute to foster

the cooperation between European Union and India in the field of water, through the participation in the EU-India Partnership on water.

vi. Infrastructures

Both Parties recognized that growing attention must be paid to urban areas, and stated their will to reinforce cooperation in the field of Smart Cities.

India conveyed that the Government has set a target of Rs 25 trillion (US\$ 376.53 billion) for investment in infrastructure over a period of three years, for road, railway and port connectivity projects by Ministry of Road Transport and Highways, and Ministry of Shipping, in which 100% FDI under automatic route in the construction development sector has also been allowed. India sought cooperation from Portugal keeping in view of the latter's expertise in port, road and railway infrastructure.

vii. Start-ups

Noting the priority granted to boosting startups and the impressive strides being made by both countries to create favourable ecosystems for entrepreneurship, both sides called for expanding two-way cooperation in technological firms and startups, namely in ICT and in biotech and medical sectors. The Portuguese side enhanced the 2016 Lisbon Web Summit event, which brought high attention of investors and entrepreneurs, and hoped that Indian participation in this year's edition would be at least as impressive as in 2016.

In the follow up of the Memorandum of Understanding on Startups, the Portuguese side referred to the designing of a program addressed to Indian startups keen to set up operations in Portugal, within the framework of applicable law.

India informed that it has the 3rd largest number of Start-Ups. Startup India is a flagship initiative of Indian Government, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The efforts of the government are aimed at empowering Startups to grow through innovation and design. It is intended to provide the much needed impetus for the Startups to launch and to scale greater heights. India suggested to launching a virtual hub for information exchange, ideation, networking, mentorship and matchmaking between Startups, Angel Investors, Venture Capital Funds; Establishing partnerships between research and academic institutions like IITs in India and the Universities in Braga and Coimbra in Portugal- Portuguese Science and Technology Foundation (FCT) in exploring possibilities for tie-ups with IIT Roorki, Gandhinagar and Madras.

viii. Tourism

Both sides reviewed bilateral cooperation in the field of Tourism between the two countries and expressed their will to increase institutional cooperation, exchange of information and data related to tourism, hotel industry, tourism infrastructure sector, professional training between institutions, exchange of experience in the areas of promotion, marketing, destination development and management and cooperation in the framework of international organizations.

Following the suggestion by the Indian authorities, the Portuguese side has recently notified India of the completion of internal procedures for the entry into force of the Tourism Agreement signed in 1991 and it expected to receive soon the required Indian response in order for this instrument to become fully operational. India looked forward to receiving the proposal of renewal from Portugal.

Both sides stressed the importance of cooperation in the field of professional training and welcomed the signature of the Protocol between V.M. Salgaocar Institute of International Hospitality Education in Goa, and Turismo de Portugal.

The Portuguese side expressed its interest in having the support from the Indian side for an Indian Airline to start operating flights between the two countries and pointed out its availability to promote a high-level meeting between interested companies. India noted the suggestion and conveyed that it will revert on this after consulting M/o Civil Aviation.

ix. Cinema Industry

Both sides looked forward to the signing of the Audiovisual Co-production Agreement between the Republic of India and the Portuguese Republic, currently being negotiated, as a way to encourage joint film production and cooperation between the two countries, thus recognizing the cultural and economic importance of India's film industry and its growing interest in Portugal as a foreign locale shooting films.

The Portuguese side showed also great interest in attracting one major blockbuster Bollywood production that features Portugal as the setting of the story and gives the opportunity to showcase the country.

India conveyed that Portugal has become one of the preferred destinations of many international film production houses. India welcomes offer of Portugal to facilitate enhanced collaboration to make Portugal a preferred filming destination for the Indian film industry, and recognizing the cultural and commercial significance of India's film industry and its growing interest in Portugal as a foreign location for shooting films.

x. Food Processing

The Portuguese side reaffirmed its interest to establish partnerships with counterparts in India, namely with the Food Safety and Standards Authority from Delhi and with

similar counterparts in other states. Indian side welcomed this proposal as this will help India in reducing wastage of agricultural produce which is a recognized problem affecting farming community.

e) Visa Liberalisation

The Indian side shared the details of liberalized visa policy of India and some of its recently announced visa schemes for different categories under E-Visa and requested for status of Visa Waiver Agreement for Diplomatic Passports.

The Portuguese side congratulated the Government of India for the finalization of the internal procedures leading to the approval of the Visa Waiver Agreement for Diplomatic Passports. Portuguese side expects to finalize its procedures soon, so that the agreement can come into force in the short term.

The Portuguese side also recalled the strong commitment stated by H.E. Prime Minister António Costa to an expeditious processing of visas to Indian startups and businesses keen to set up operations in Portugal, within the framework of applicable law.

f) International protection of reciprocal investment flows

Both sides reiterated their support to all efforts towards a more ambitious trade and investment relationship with India, favoring the expedite conclusion of an ambitious and comprehensive EU-India Free Trade Agreement, which would be a key driver for growth and jobs, both for India and Europe.

The Portuguese side reaffirmed the importance of maintaining the Bilateral Investment Treaties (BITs) between India and EU Member States, namely the BIT with Portugal, until they can be replaced by an EU Agreement or another mutually satisfactory approach.

Confirming above development India conveyed that investment track of BTIA is an integral part of it and its segregation would not be ideal. India emphasized that EU side has to respond quickly on resumption and early conclusion of the India-EU BTIA negotiations.

The Portuguese side recalled the commitment expressed by PM Modi, set out in the India-Portugal Joint Statement, in ensuring that Invest India would provide special hand-holding and facilitation for Portuguese investors. In this context, the Portuguese side requested to be informed on the concrete measures foreseen by the Indian Government, in order to guarantee the protection of Portuguese investments, with a particular attention to future ones.

g) International cooperation:

i. Prospects for joint economic cooperation in third countries

Both sides recalled the "India-Portugal Joint Declaration on Cooperation in Third Countries", agreed during the visit of the Portuguese Prime-Minister to India, last January, and expressed their commitment to its implementation in order to strengthen the bilateral economic and commercial cooperation in third countries.

In this sense, the Portuguese side handed a letter addressed by the Portuguese Secretary of State for Internationalization to the Indian Minister of State for External Affairs, designating a focal point and asking for a swift implementation of projects in this frame of entrepreneurship cooperation.

ii. European Union – India relations

The Portuguese side stated its strong commitment to the partnership between the EU and India and supported its expansion into new areas, based on the spirit of cooperation, reciprocity and mutual benefit, and taking into account the growing prominence of India in the international scene and multilateral organisations.

Beyond the deepening of the political dimension of the relationship through enhanced cooperation on foreign policy, security and human rights, the Portuguese side also pointed out positive challenges in enhancing cooperation on other issues of key mutual interest such as energy, climate change, water, mobility and migration, science and technology, environment, skills development, sustainable urban development and education and cultural exchanges.

In economic terms, both the EU and India would continue to benefit from the existing institutional mechanism which would help both sides identify the most significant areas of common interest. The strong presence of the European Investment Bank (EIB) in India, as well as initiatives sponsored by the European Partnership Instrument in the country, are relevant indicators of the European engagement. The Portuguese side also noted that Brexit could present an opportunity for India to renew and deepen its ties with the EU.

India mentioned that India has been very keenly involved with India-EU Broad-based Bilateral Trade and Investment Agreement (BTIA) Negotiations with the EU and 16 Rounds having been completed. The Agreement will lead to an increase in the opportunities for market access in both goods and services for both sides. However, since 2013 there has been a stand-still. Since January, 2016, four stocktaking meetings have been held between India and EU on India-EU BTIA, (the latest one was held on 9th November, 2016) without any progress.

India is willing to resume negotiations and has been awaiting confirmation from the EU side to proceed with the negotiations. The next stock taking meeting at CN level is

scheduled to be held on 13th July, 17 in Brussels. It was hoped the forthcoming meeting would be fruitful and pave the way to resume negotiation and its early conclusion.

h) Results of the 5th Science & Technology Commission

Both sides expressed satisfaction at the positive collaboration in Science and Technology since the first agreement signed in 1998 and affirmed their strong commitment to further strengthen this partnership. The visit of the Prime-Minister and the Minister of Science, Technology and Higher Education to India in January 2017 had a positive effect on the implementation of flagships initiatives on Science, Technology and Higher Education in a near future.

Both sides took note of the conclusions of the 5th session of the Joint Scientific and Technological Committee (JSTC) India-Portugal, held in Lisbon, on 13-14 March 2017, for the selection of joint projects from the latest call and recognized the importance of encouraging the JSTC to explore the possibility of widening the existing bilateral cooperation to all knowledge areas, handling I&D projects' routines. All the R&D areas identified also offer a potential for future economic developments in the implementation and commercialization of joint success stories.

The Portuguese side recalled that it already has nominated its representatives to the Joint Working Group in charge of the implementation of the Memorandum of Understanding signed in the area of Information Technology, Electronics and Communications, and expected that their Indian counterparts would soon be known.

Recognizing the importance of networking and knowledge exchange between Portuguese and Indian researchers to foster cooperation between both S&T communities, both sides welcomed the invitation addressed by the Portuguese Minister for Science, Technology and Higher Education to Indian institutions and researchers to participate at Ciência 2017, a regular yearly scientific event that will take place in July.