

India EU Relations: Stranded on High Seas

***Subodh Kumar Agarwal**

Research Scholar, Galgotias University, Greater Noida

Dr Tareef Hussain

Associate Professor, Galgotias University, Greater Noida (Guide)

Dr Archana Agarwal

Associate Professor, Sri Aurobindo College (Evening), University of Delhi

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Abstract: Trade is both a cause and consequence of a strong relationship between partner countries. The interest of the partner countries, primarily, remains to look for a long-term economic advantage. However, the other, non-trade characteristics of partner countries have a profound impact in defining the trade relationships between two entities. These non-trade characteristics of partner countries, which include issues of Human Rights, Non-Tariff Barriers, Political Stability, the robustness of Rules and Regulations, etc in partner countries are often used as critical tools to negotiate favourable terms. Hence, bi-lateral relations are influenced by factors such as the political, social and governance models prevalent in the two partner countries. The India-EU trade relations continue to remain hostage to the non-tariff barriers such as issues of human rights. Further, it has been observed that both India and the EU have portrayed a stubborn and rigid approach to the much talked about India-EU FTA. Multilateral composition of the EU makes a consensus approach all the more complicated. Due to the lack of a collective and substantial benefit emanating for all the member countries of the EU, its approach to the India-EU FTA has been callous. India, on the other hand, finds the EU to be intrusive in its internal affairs and often preachy. This has not helped the India-EU-FTA much. The cold response to the India-EU FTA needs to be put on fast-track especially in the post-COVID times, where the international community cannot ignore the greater role played by India at the global stage. This paper attempts to understand the India EU relations and why it is important for both the countries to quicken the discussions on a mutually beneficial FTA and its global impact at the geo-political level.

Key Words: Multilateral Trade, Foreign Policy, BTIA, India-EU FTA, Strategic Partnership, Global Geo-Politics, India-EU Relations, COVID

Introduction:

Trade relationships are seldom to be seen in isolation. Rather, they are a by-product of a composite set of relations. To understand a lot of trade issues, one needs to look beyond the pure economics and understand the holistic relationship between the two trade partners. This remains true for India and the EU as well. It is also important to understand how each partner views the other. The paper delves into

the perceptions of the EU in India and vice-versa. Finally, the economic impact in light of these relationships and dynamics will be elaborated. The gaps, the potential and the underpinning reasons for increased economic relations will be addressed. There is a new dimension added after the COVID pandemic in the year 2020. The section discusses considerable alterations to the status-quo and how new alliances are emerging at the global level. The pandemic also forces economies to re-think their strategies of over-dependence on China. There is a special section which will deal with such changes and how it may affect the India-EU relationship in the coming years.

India and EU: Forming a closer bond over the years

The relations between India and the EU go back for almost six decades, when India decided to have formal diplomatic relations with the European Economic Community. (India EU Relations, MEA 2013). However, the relationship remained restricted to economic issues. The trade concerns continued to play a subdued role in the relations of the two giants in the beginning. While there is no doubt that intensifying trade relations between the two partners would enhance economic gains for both sides resulting in a win-win situation, the progress has been less than satisfactory. Entrenched in democratic values, both India and the EU should have been embraced in closer and richer ties with each other. However, other social and political factors and lack of trust continue to stifle economic interests between the two.

The India- EU relationship remains one of the most contradicting relationships over the years for both partners. Even though there has been a genuine interest to strengthen economic and political ties, the progress has been slow and unhurried. Surprisingly, even amidst the growing economic relations, India and the EU have not exhibited any special effort to resolve the deadlock.

India and EU signed a cooperation agreement in 1994 which signified the commitment to strengthen the India EU relations. It was meant to expand the cooperation beyond the prism of just trade and economic cooperation. Both, India and EU initiated the annual Summits to cement their relations. The first such Summit was held in Lisbon in 2000. India hosted its first India EU Annual Summit in the year 2012. Recognising the importance of India, the EU and India upgraded their relationship to a “Strategic Partnership”, in the Annual Summit in 2005 and adopted a Joint Action Plan for a stronger political and economic relationship that would eventually boost trade and investments. (Bava U.S, 2008). The Strategic Partnership would also address ways and means for a greater people-to-people dialogue and exchange of cultures between India and the EU.

There have been other initiatives at different levels and across different sectors to increase interaction between India and the EU. These initiatives aimed to resolve underlying differences towards a stronger and reinforced partnership. It is notable that the European Parliament has constituted a Delegation for Relations with India (D-IN), whereby regular briefings and updates on relations with India are taken up and visits to India are organised. (India EU Relations, MEA 2013).

India-EU 15th Annual Summit-15-16th July 2020

The 15th Annual India-EU Summit was held virtually in the wake of the pandemic, and after a two-year period. The talks were stalled due to the differences over trade and investments, which go on to define the bi-lateral relations.

The Summit held virtually between India and the EU signified the resumption of bilateral dialogue, which had been halted due to the disagreements on both sides. Some of the highlights of the Summit are mentioned here and will again feature at appropriate portions of this paper. Under the India-EU Strategic Partnership, both India and the EU recognise that they are “unions of diversity”. (India EU Virtual Summit, www.drishtiiias.com, DNA, July 2020). This acknowledgement itself has the power to change the discourse of negotiations. As will be pointed out later, the EU had been frustrated due to the diverse nature of India. An appreciation of the diversity might increase the understanding of each other. A mere admission of the fact that both partners are diverse by nature may not be enough for a successful free trade agreement. However, it needs to be seen as a starting point and one that has enhanced the understanding of each other for both the regions.

Both India and the EU share values of democracy, rule of law and human rights. India and the EU agreed to contribute towards an effective multilateralism and a rule-based international order. Security concerns were addressed and the two partners agreed to help each other in concerns of security, prosperity and sustainable development. The two sides also agreed to a common roadmap to guide and strengthen the joint action on “India-EU Strategic Partnership: A Roadmap to 2025”.

The 15th Annual Summit also discussed to launch a ministerial level trade dialogue which would address trade irritants and discuss supply chain linkages. During the Summit, a civil nuclear cooperation agreement between the European Atomic Energy Community (Euratom) and Department of Atomic Energy, India was signed to focus on R&D cooperation for peaceful uses of nuclear energy and on new ways of using nuclear energy. On the issue of Defence and Security, both sides agreed to launch a new maritime security dialogue, and launched negotiations between Central Bureau of Investigation (CBI) and Europol to combat organised crime and terrorism. The renewed commitment towards Climate Change and Environment was enhanced together with the Science and Technology Cooperation agreement.

The Summit recognised the need for a comprehensive trade agreement that brings in strong rules, removes barriers to trade in goods and services and investments and opens up free markets.

The India-EU Summits have not yet brought in any tangible desired results. The holding of Summits and some important aspects discussed in the Summits, itself is a big positive. A dialogue is always the first step towards a meaningful cooperation and dilution of prejudices.

Speaking at a webinar on Foreign Policy and Security Studies organised by Brookings India, Garima Mohan of Transatlantic Fellow at The German Marshall Fund (GMF) of the United States said that “there was now new room for compromise, as the current global economic crisis presented “an opportunity for both sides to shift their red lines a little bit” (www.drishtiiias.com, July 2020)

The European Perspective:

The EU is the biggest trading partner for India. In the year 2019, India’s goods trade with the EU amounted to Euro 80 billion and the EU continues to remain a preferred destination for Indian exports, (being second only to the US). But, for the EU, India is its 10th largest trading partner. India’s share of trade in goods in the year 2019 has been just 1.9% of the total trade in goods of the EU. This is significantly lower than its other trading partners. To give a comparison, in the year 2019, China had a share of 13.8% in the total trade in goods of the EU.

The Indian economy, over the last three decades has shown consistent growth. As a growing economy and with a lot of potential for economic growth, India has caught the global attention as a budding and promising economy. This has also brought India into the club of emerging economies and has been at the centre of the world stage. Various alliances like the BRICS initiative have propelled a world-wide interest in the Indian economy. India is seen as a coveted export destination due to its large population, a population that is not shy to spend money on goods. Indian economy continues to be in the third position in the world (behind US and China) in terms of PPP (purchasing power parity) With a growing middle-class, the hunger for consumption has made India an attractive target for international companies, big and small.

With a growing middle class and rapid economic growth, India has been growing at a steady rate with good economic prospects. Though the share of Indian goods and services in total world trade remains low, the opportunities for growth have made India a preferred destination for investors. The growth of Indian businesses have also opened up to international investments for expansion. Indian investments abroad have seen a rise in the last two decades. Indian businesses have among other destinations have also invested in Europe. Since 2000, a total of Euro 50 billion has been invested by Indian companies in Europe. A classic example of such investments is the take-over of Jaguar Range Rover by Tata Motors, which has changed the fortunes of the erstwhile loss-making company. This goes to demonstrate that Indian Management skills have the ability to transform international enterprises.

This alone has not been enough to augment a deeper trade relationship between the two trading partners. The EU has been critical of the removal of Article 370 in Jammu and Kashmir as well as the Citizenship Amendment Act. India has maintained that both these issues are its internal matters. Bringing these issues in the ambit of negotiations are not going to help the EU much. The EU has displayed conflicting principles when it comes to issues of Human Rights, Environment and Climate Change and even internal matters.

“Europe’s condemnation of capital punishment conflicts with routine praise for India’s legal system. It has been lecturing India about the executions and the death penalty that still exists in India, whereby, “there were only three execution in India (all related to New Delhi and Mumbai terror attacks), compared with the 472 executions in the US and an estimated 50,000-80,000 in China. India in the last 20 years had three executions (all related to the Mumbai terror attack). In contrast, the prominent partners of the EU have had more executions in the United States and China.” (Gedemont F., 2014). India complaints seem justified to expose the double standards the EU has been following.

Then, there is the issue of Strategic Partnership initiated by India and the EU in the year 2004. The EU has forged Strategic Partnerships with various countries. As the name suggests, it implies a close and unique relationship, which would establish cooperation in key areas for the benefit of the signatories. However, the reality is very different. The EU has little idea of how to define a Strategic Partnership. One version of the definition was put forth by Ms Catherine Ashton, the EU foreign affairs chief, when she said, "It's like love - no one can define it. You only know what it is when you experience it" (Andrew Rettman). This statement adds to the already existing confusion and still EU has not been able to clear what it means by a Strategic Partnership. The Strategic Partnerships have instigated debates, credibility, and concerns on the nature and objectives of such partnerships. The EU strategic partnerships lack political will and interest to make any credible headway.

Added to this are the other factors which have a bearing on the India-EU relations. The lack of a consensus amongst the EU members on India's inclusion to the UN Permanent Security Council has been frustrating for India. This makes the Indians realise that the EU may be more fractured than it appears, without a coherent foreign policy. Similarly, India has dismissed comments from the EU on its abrogation of article 370 in J & K and the introduction of the Citizenship Amendment Act (CAA). India considers these to be its internal matters.

In the larger context, India has more or less given up any expectations that the EU will reprimand Pakistan for engaging in terror activities. In the absence of the clear commitment on regional security on the EU's side, India does not rely on the EU for any support. It is these and such issues where the India has distanced itself from the EU's approach and has been successful in promoting bi-lateral relations amongst the EU members.

The EU seems to be fighting an internal crisis both at the financial level and its foreign policy level. The lack of perceived benefits from India coupled with a lack of trust reflect the internal issues with which Europe is dealing with. Both the internal and external interests limit the scope and potential of an India- EU partnership. The rhetoric seems to be restricted to the shared democratic values and the multicultural composition of the two big partners.

Notwithstanding that most western European members are in dire financial difficulty; many pundits have again raised the issue of a unified currency and if this was a sensible move. It appears that the Euro was more of an emotive outcome and less of a rational decision. The major powers in Europe do realise and sometimes have no answers to the mistakes committed by the in the past. With an inward-looking EU, India seems to be marching ahead in assuming a more responsible role in the global stage.

The slow decision-making processes within the EU have also irked India at times. Though, dialogues and interactions do have a positive effect, as also mentioned earlier with respect to the India-EU Summits, without outcomes, the interlocutors lose interest and find these interactions exhaustive. A natural disinclination is bound to creep in, which needs to be avoided at all costs.

The EU finds India to be fragmented, divisive, multi-cultural and complex. (Gedemont F., 2014). India's ranking on the ease of doing business also do not give the desired confidence to European businesses. At times, India has also changed the rules of the game retrospectively, which is difficult to comprehend for EU. This goes against the spirit of best practices of doing business.

Though, there are significant gains of trading between India and the EU, the new global norms are changing fast. India is a growing economy and is rapidly changing. As one of the fast-growing economies consistently over the past few years, just behind China, it provides for a big market and an attractive investment destination. With the

India has not been on the EU's agenda. Even though, Prime Minister Modi came to power in 2014 and has been globe-trotting to meet various heads of state, Brussels did not find time to meet Modi or to invite him. He was scheduled to attend the India-EU Summit in March, 2020 in Brussels, which had to be postponed due to the pandemic. Eventually, the Summit was held virtually in July 2020.

In an inter-connected world, Europe will have to recognise the growing stature of India. It also needs to understand now, more than ever that India holds key to certain strategic and global responses. It has supported governance in Afghanistan, despite its strained relationship with Pakistan. The EU should realise that this is the only way, which might reduce the influx of refugees into Europe. India is also playing a significant role in sending its troops across the globe for peacekeeping efforts in war-torn and conflict areas like South Sudan.

Most of these issues clearly highlight the need for reformed European policies. This can happen only when Europe decides to change its mindset about India. It will have to accept that over the last two decades, India has moved ahead, in its thinking, its global role and its growth. A fast-moving India with mature outlook can no longer remain on the side lines of the EU.

It appears to be that Europe is missing out on a changing India. It will have to re-look, internally and devise strategies that would help the India-EU partnership move ahead. It will also need to accept the fact that India may not settle for anything and everything that is offered by the EU. India has been gradually rising as an important player, re-writing the rules of the International game. With a potentially strong economy, a large populations base, India is no longer the India of the 1980s.

According to François Gédemont, “The North-South divide pits Europe as a giver of lessons against an India that will often not accept them - an India that can say no. Add this to India defensive and anti-interventionist international stance and Europe’s increasingly centrifugal trends, and India-Europe relations begin to look like a car crash.” (Gédemont F., 2014)

The Indian Perspective:

With 28 states and 9 Union Territories, India is a large country, having a number of languages, (though there are 22 scheduled languages, the actual number may be very high), different religions and is best understood as a patchwork of communities. It has a federal structure with Centre-State relations in order to achieve a workable balance between power and development. However, the development remains uneven. Foreign Policy issues are handled by the Centre. The state interests cannot be ignored and unless states are onboard, the centre finds itself incapacitated to handle the foreign policy issues. This is particularly true while dealing with the immediate neighbourhood of India and states have a direct bearing on the decisions taken by the centre.

Being the largest country in the South Asian region, India has remained insensitive towards the smaller countries in the neighbourhood. A lack of clear foreign policy has damaged India’s reputation in the neighbourhood. The anti-India sentiment remains high in all countries of South Asia and its neighbours have long felt bullied by a large and dominating India.

On taking over as Prime Minister in 2014, Narendra Modi invited all the heads of state of SAARC countries. A masterstroke of foreign policy, which left even the Pakistani Prime Minister in a tight spot. Not accepting the invitation would have shifted the entire blame on to him for the failure of regional cooperation and accepting would have earned him brickbats in his own constituency. This is not all. The first country to be visited after being elected to power in 2014, by an Indian Prime Minister was to Bhutan. A strong message of recognition and support in the neighbourhood as India assumed the role of a big-brother. Finally, it appeared that the winds-of-change will bring positive transformations to the landscape of the South Asian region. Nepal, Bangladesh, Sri Lanka and even Pakistan (under the

leadership of Nawaz Shariff as Prime Minister) were hopeful that now India would be more amenable to their concerns. However, these became just good diplomatic gestures without any substance following them. Unfortunately, India was not able to uphold the strong appeal and some commentators were quick to point out that “Modi was a lamb in wolf’s clothing.”

In spite of the regional failures, India’s visibility and acceptance as a leader has recently seen an upward swing. Amidst the crony capitalism, India continues to march ahead. The government’s intention is to check corruption and focus on development projects.

Its indifference to the EU has been present since long and cables accessed from Wikileaks confirm this lack of interest. The cables, sent between 2004 and 2008 (> 22519 , >40254, >82606, >130916, >171651: all confidential, confirm India’s hesitation of a strategic partnership. India would rather stick to the economic cooperation and if required deal with the member nations at a bi-lateral level. The regional approach for India has not shown to be a promising one. The Ministry officials have found that the EU approach is obvious, shabby, short sighted and full of contradictions.” They also saw it as “naive, overly pro-active” and possessing a “tendency to go overboard” on delicate issues. (Wikileaks, 2004)

Especially, when it comes to issues of Human Rights and issues of non-proliferation, India maintains that these are its internal matters and an external interference in such issues is seen as an attack on the sovereignty of India. Especially, with the case of EU, India finds EU to be unnecessary “intrusive and preachy” and using these issues for their convenience. (Wikileaks, 2008). The double standards of EU, where it continues to increase its association with countries flouting Human Rights does not go down well with India. India’s sensitivity and touchiness are well-known.

India has also taken a strong view that while the EU continues to harp about social governance in India, the EU has hardly taken a strong stand against condemning the terrorism emanating from Pakistan. It has supported India’s role in the UN. As has been mentioned earlier, this might be due to the lack of consensus amongst the EU nations and India finds it easier to deal with member countries on a bi-lateral level rather than taking the EU seriously.

With consistent growth and newfound dynamism, India has steadfastly shown consistent growth rates. The EU will have to understand that there is no one India that thinks. There are a lot of Indias that are thinking at the same time, (Lord Meghnad Desai, 2014). The nature of Indians to debate an issue and have diverse opinions is something that will have to be taken into account as per him.

India has taken steps towards development. However, development in India is not uniform (neither geographically nor in consistency). It is at best a “kangaroo-jump” development, which keeps India making strides albeit slowly and unpredictably, at times. Some initiatives by India can be seen as steps to remove bottlenecks to development. These initiatives will help India undo the ills prevailing in its society. One such initiative is the bio-metric registration of all its citizens - the national identity scheme covered by Aadhaar - which promises to deposit the financial aid directly in the account of the beneficiary, thereby reducing red-tape and corruption. Another initiative is the smart cities concept, which is a way of bringing all-round development across cities of India. And then, India’s commitment towards renewable energy by harnessing solar and wind energy.

India continues to bank on services for its growth. The manufacturing sector and its growth has not picked up in all the years and India has lagged behind China and in some cases, even Vietnam and other East Asian countries, when it comes to manufacturing. The other factor where India needs to focus is in its infrastructure. As far as manufacturing is concerned, the global experience is that manufacturing may no longer be the sector providing jobs in the economy. However, it will continue to remain important with a number of jobs coming in the field of technology. Small, hi-tech firms will eventually employ more labour than the traditional manufacturing. The manufacturing in India may not come to par with that of China and India seems to have clearly missed that bus. India will no doubt require Foreign Investment to boost both its manufacturing and Infrastructure. The pace of these two sectors will assure an added interest of the EU to intensify its partnership with India and play a key role in the economic growth.

The Atmanirbhar Abhiyan (Self-reliant India) initiated by the Prime Minister of India during the COVID days has an existential objective. It aims to reduce the dependence of India on other countries in the wake of such a crisis in future. However, the EU might see this as a move towards protectionism by India. Though, this has been the mantra of many countries especially after the COVID struck.

2020: COVID and China Factor:

The world has witnessed unprecedented times from March 2020, when Lockdowns have forced almost half the world's population to stay indoors. Such a global phenomenon has not been experienced before. Economies were shut as countries suspended flights and sealed their borders. Such has been the effects of COVID, that even after eight months of severe economic disruptions, the fear of the pandemic still looms large. The people in emerging markets, developing and at the developed world have been equally hit. The origins of the virus in China, the shopping mall of the world has received much criticism, not to mention the economic depression, which has spared very few countries.

India was quick to impose a lockdown to keep the virus under check. Steps taken by the Indian Prime Minister were appreciated and recognised internationally. Compared with the US President, Donald Trump, who refused to gauge the severity of the virus and kept calling it a flu. The lockdowns in the US were debated and discussed even when New York became the worst hit target of the Coronavirus. Indian maturity and sensibility were there for the world to see. India also came forward helping other countries in fighting the virus, in whatever way it could. It even evacuated scores of Indians and foreign nationals including students from virus hot spots. Such steps have not gone unnoticed.

This has forced many countries to re-think their strategies. The shift in strategic ties and global partnerships is clearly visible. Whereby, most countries would like to reduce their dependence on China by diversifying their strategic value chains, concerns of safety and security have also featured in the global discussions. The trade wars with China and its aggression has disrupted the normal process of international rules. Even the role of multilateral bodies such as WHO and the UN are being questioned. With the United States reducing its aid to the WHO, and blaming it for gross negligence and China-centric stand has disturbed the hitherto status-quo of the world. The re-alignment of partnerships, alliances and cooperation is being seriously discussed.

The EU has strongly criticised India for the abrogation of Article 370 and its Citizenship Amendment Act, but continues to work with China in spite of Chinese territorial claims on Tibet and Taiwan and its belligerence towards minorities within China. A divided Europe finds itself to be caught in the

wrong foot. With growing Chinese investments in Europe and European manufacturing in China, the EU has not been able to take a strong stand towards China.

Chinese objective of making money during the pandemic and sending faulty and sub-standard medical equipment to help European nations in their fight against COVID has left a bad taste within the EU. Some steps have been taken by individual members of the EU in disallowing Huawei in participating in the 5G network trials but mostly the EU has stayed away from directly confronting China.

Some members of the EU, who have remained silent on the atrocities of China are being termed as the new colonies of China and if Europe will not take a unified stand on its principles, it remains prone to becoming a polarised region.

Non-Committal approach of the EU towards India especially during the skirmishes between India and China on the LAC is an important sign. Whereas, India has gradually worked on its Look East policy and with the QUAD finally becoming more active, the EU may find itself on the wrong end of the tunnel. The fear of upsetting China and losing its supply chain management (manufacturing facilities) as well as other business interests force members of the EU to remain silent on the atrocities committed by China. China's foray into the South China Sea and its aggression vis-a-vis Taiwan, are not helping China much. The QUAD (consisting of Australia, the US, India and Japan) has finally woken up and decided to join forces together in the maritime drills across the Indian Ocean and the South China Seas.

According to Gurcharan Das, "India is a "bottom-up" success. It has risen almost despite the state, unlike China's "top-down" triumph, orchestrated by the technocratic elite of an authoritarian state. The stubborn persistence of democracy over the past 68 years is even more bizarre. Time and again, India has shown itself to be resilient and enduring – giving the lie to the old prejudice that the poor are incapable of the kind of self-discipline and sobriety that make for self-government."

A democratic India remains better than an autocratic China. With all its failings and weaknesses, India has found its friends. The government of India has been quick enough to invite foreign investors to set up manufacturing facilities in India. This has tempted countries like Japan and a few others to reduce their dependence on China and to look for manufacturing bases elsewhere. Deteriorating relations between Canberra and Beijing are also tilting the balance of equations towards India. Australia has been one of the few countries demanding an international investigation of the origins of the Coronavirus in China. This has vexed China greatly and non-tariff barriers have cropped up for some Australian goods. With China threatening to thwart trade relations with Australia, Canberra remains undeterred. Rather, Australia has joined India in conducting joint Malabar exercises and re-igniting the QUAD talks.

Even in the 15th India-EU Summit held in July 2020, while some countries were still grappling with the pandemic, both India and the EU discussed enhancing of business cooperation in order to diversify their strategic value chains and reduce economic dependency, notably on China. Further, the pandemic revealed the importance of health-saving drugs. Realising India's pharmaceutical capabilities, both India and the EU agreed to cooperate together on ideas, innovations and capabilities in the health sector. An alliance of the Indian drug manufacturing with the EU's technical expertise would not only benefit the two partners, but the whole humanity. Further, the two sides decided to cooperate over Information

and Communication Technology (ICT), which could eventually help India to build strategic autonomy in the digital sphere and bring investments in emerging and disruptive technologies.

China has been luring countries in a debt trap with providing them with loans and financial disbursements. However, this might be hitting the financial and banking sector in China badly. With ambitious goals of its BRI (Belt and Road Initiative), China is fast running out of money.

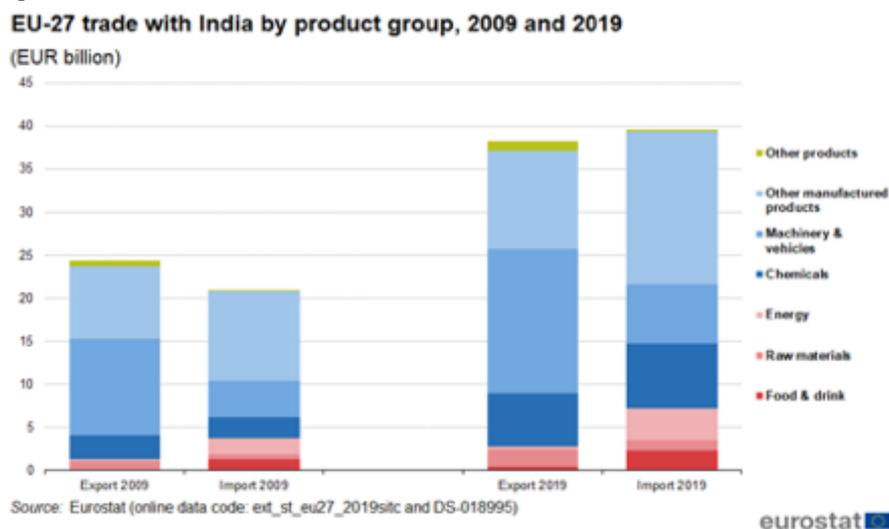
In his recent book “The India Way: Strategies for an Uncertain World”, the External Affairs Minister, S. Jaishankar has stressed the need for India to “Cultivate Europe”. India’s rise to becoming a global leader are going to be tested in the coming years. It has achieved greater relevance on the world stage and is now a prominent player in re-writing the rules of international relations. The post COVID era has shaken the status quo and new alliances are in the offing. With a sound and mature decision-making, India and the EU could gear up for a long haul, optimising on the strengths to overcome the weaknesses of each other.

India-EU: Trade and Economic Relations

For India, EU remains its largest trading partner. In the year 2019, India’s trade in goods with the EU was for an amount of Euro 80 billion. This amounts to 11.1% of total Indian trade and is at par with the US and ahead of China (which stands at 10.7%). The EU remains the second largest destination of Indian exports after the USA.

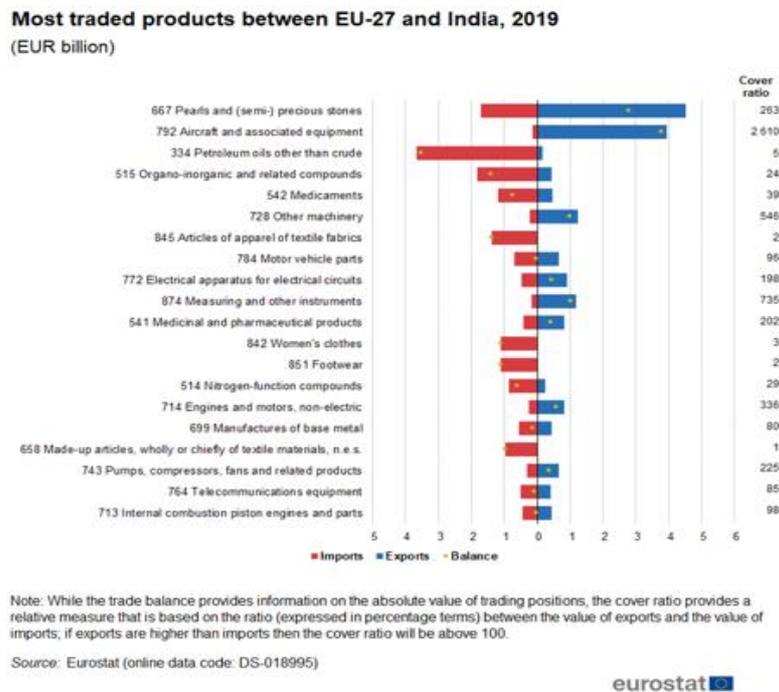
Whereby, EU’s total exports to India amounted to Euro 38.2 billion, its imports from India constituted Euro 39.6 billion, thereby having a Euro 1.4 billion trade deficit.

India is the EU’s 10th largest trading partner, accounting for 1.9% of EU total trade in goods in 2019, well behind the USA (15.2%), China (13.8%) and the UK (12.6%). Trade in goods between the EU and India increased by 72% in the last decade. Trade in services between the EU and India increased rapidly from €22.3 billion in 2015 to €29.6 billion in 2018. The EU’s share in foreign investment inflows to India more than doubled from 8% to 18% in the last decade, making the EU the first foreign investor in India. EU foreign direct investment stocks in India amounted to €68 billion in 2018, which is significant but way below EU foreign investment stocks in China (€175 billion) or Brazil (€312 billion). Some 6,000 European companies are present in India, providing directly 1.7 million jobs and indirectly 5 million jobs in a broad range of sectors. Indian companies invested over €50 billion in Europe since 2000.



“The breakdown of EU trade with India by SITC groups is shown in Figure above. The red shades denote the primary products: food & drink, raw materials and energy, while the blue shades show the manufactured goods: chemicals, machinery & vehicles and other manufactured goods. Finally, other goods are shown in green. In 2019, EU exports of manufactured goods (90 %) had a higher share than primary goods (7 %). The most exported manufactured goods were machinery & vehicles (44 %), followed by other manufactured products (30 %) and chemicals (16 %). In 2019, EU imports of manufactured goods (81 %) also had a higher share than primary goods (18 %). The most imported manufactured goods were other manufactured products (45 %), followed by chemicals (19 %) and machinery & vehicles (18 %).” (www.ec.europa.eu)

The figure below gives a clear break-up of the products that have been traded between India and the EU. Pearls and semi-precious stones are imported the most by India, closely followed by Aircraft and associated equipment. India exports Petroleum oils other than crude, Organo-inorganic and related compounds and pearls and semi-precious stones.



The two figures clearly show a greater potential for trade. The trade behaviour will be in the interest of India more than the EU. However, both sides need to find a mid-way to ensure that the FTA negotiations are restarted with a seriousness of purpose. There have been differences on both sides, however, the basis of a successful FTA would be a strategic re-look into resolving the stalemate and allowing of concessions. Securing smaller parts of the agreement, with no strings attached would be one starting point and also help to create an atmosphere of trust. The negotiations on major differences could be taken up one by one and in a phased manner.

Different aspirations and different expectations resulted in the suspension of talks for a comprehensive Free Trade Agreement (FTA) between India and the EU in 2013. Though, the talks were initiated in 2007, the progress on the FTA has remained slow. With a huge potential that exists between these two trading partners, the bilateral Trade and Investment Agreement (BTIA) would be most beneficial in meeting interests of the two countries and result in a win-win for both India and the EU. (Mazur, Grzegorz, 2016)

As the world order is changing rapidly, the EU is not isolated from these changes. Brexit adds a new dimension to the concept of a unified Europe. China's over-ambitious expansion plans with its Belt and Road Initiative and the ongoing trade war between China and the US have all contributed to a new dynamism. These are bound to have a deep impact on the geo-economics and the way ahead. "The EU-India relations should go beyond traditional government-to-government and business-to-business relationships to that of strategic economic cooperation." (Okano-Heijmans, M and Sundar, V: 2018).

The areas covered by the negotiations include "agricultural tariffs and services; access to each other's markets for goods and services, and to public procurement contracts; the framework for investment; rules on intellectual property and competition; and commitments on sustainable development issues such as environmental, social, and labour rights." (Khorana, S 2014, The FTA: A Strategic call for the EU and India)

Disagreements between India and the EU have been mostly related to tariffs on cars, wines and spirits and agricultural products including dairy products from the EU. Though, the issue of wines and spirits and pharmaceuticals is not new. Both India and the EU have had trade disputes relating to these, even at the WTO. India would like a more open visa for Indian professionals entering the EU. (Khorana S. 2014).

India levies an import duty on cars. This has been a sore point between the two. The EU has raised objections to these tariffs. This makes their cars uncompetitive in the Indian market. However, India maintains that lowering of duty would mean that Indian car manufacturers would not be able to compete their counterparts from the EU. A similar issue concerns tariffs on wines and spirits. The taxes on spirits are upto 100% and then there are state taxes. These tariffs contribute to a substantial share of revenues for India, India is reluctant to reduce these taxes. EU would also like India to liberalise its professional services sector like the accountancy and legal services. However, the Institute of Chartered Accountants of India (ICAI) and the Bar Council have been opposing this.

India would like a more open visa for Indian professionals entering the EU. However, EU maintains that visa issues are national issues and not under the purview of the EU. Another issue relates to data concerns. India wants to be recognised as a data-secure country. EU has continued to deny this status.(Khorana S. 2014).

India's FDI restrictions in allowing foreign players in the areas of insurance and trade were contested by the EU. Over a period of time, India has eased these restrictions and allowed FDI in these sectors.

Conclusion:

Trade is not a zero-sum game. The prosperity of nations is directly proportional to the trade they have with other nations. Even in unequal economies, it has been observed that the smaller economies tend to gain more by way of trade than their bigger counterparts. The bringing of trade issues in the ambit of cooperation would even bring in positive spill-over gains like employment, technology transfers, market access, innovation and even knowledge of different cultures thereby strengthening a composite relationship.

India and the EU, having shared values of democracy and secularism speak in their favour. History has shown that no two democracies have yet gone to war. This opens a flood-gate of opportunities for both partners. India's secular beliefs have also been questioned and India's constant proclamations against terrorism have fallen on deaf ears of the EU.

However, this seems to change. As recent terror attacks in their own backyard have shaken the belief of freedom-of-secularism in Europe. Now, Europe scrambles to re-write the definition of secularism, from a

European perspective. The EU is discussing introducing stringent border controls to monitor the entry and exit of people in and from the Schengen area. This is bound to make the EU less didactic in preaching India about its deficiencies of secularism. The EU criticism of the Citizenship Amendment Act, introduced by India would also become invalid as the EU contemplates to propose something similar for itself. Moreover, the EU has continued to maintain trade relations with countries having a track-record of genocide of minorities.

India's insecurity in taking measured decisions are a reflection of its colonial past. It stems from the lack of trust, especially those of Europeans and others in general, and the weaknesses of its own. The diversity of India has been an impeding factor in holding India back to forge partnerships.

Therefore, India, on its part, needs to prioritise its economic advantages. The notion in some bureaucratic circles that an FTA with the EU does not bring in the perceived tangible gains needs to be shelved. The best brains representing academia, policy-makers, administrators and decision-makers should suggest the advantages of an India-EU FTA and solutions to fast-track the process. An aspirational India must look at its economic development and growth, now, more than ever.

A considerable amount of trade between India and the EU takes place via third countries like Dubai. This is a clear indication that there are demands for products for both the EU and India. There are also wider benefits of trading between these two partners. Direct trading would bring in economic efficiency by lowering costs. It would even strengthen partnerships and open avenues for collaboration in other sectors. A joint R&D in various fields will be beneficial to both India and the EU.

The post COVID era and the 'New Normal' bring in opportunities for India. India needs to focus its energies in order to give a boost to its manufacturing. With necessary infrastructure in place and suitable policy reforms manufacturing should be a priority for India. This would also complement the "Make-in-India" and the Atmanirbhar Bharat (self-reliant India) campaigns. Manufacturing should be open to both the domestic and foreign players.

Manufacturing should also be complemented with the necessary boost to its services sector, which would play an equally important role in times to come. With a robust services sector, India needs to re-align itself to the EU requirements and policy change in the right direction will go a long way to boost the growth of the services sector in India.

Another bone-of-contention for the EU is India's procurement contracts. These contracts are not transparent and biased with Centre and State governments awarding of these contracts. EU would like India to exercise full transparency and maintain the terms of agreement after the contracts are awarded.

An EU-India FTA would open a barrage of opportunities, which will bring in economic and social benefits for both the

In a nutshell, both the EU and India need a change of mindset. With greater recognition of the problems that both India and the EU face, and a display of understanding for each other, most bottlenecks to the India-EU FTA can be resolved. Both the partners need to take smaller steps and build bridges towards a bigger goal of an India-EU FTA.

The present study concludes that there are gains to be achieved for both the partners and with dialogue, understanding and most-of-all an open mind, these can be overcome. The benefits would accrue to 1.8 billion people living in these two regions.

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