Chapter- III

*India–EU Trade Agreements: A Review*
A bilateral trade agreement is a ‘reciprocity-advantage-process’ and usually ends up in multi-lateral agreements between the countries and is a step towards free trade regime envisioned by great philosophers and statesmen of the 20th century. Against the backdrop of hundreds of FTAs (Free Trade Agreements) and RTAs (Regional Trade Agreements) entered into by almost all countries of the world, with the universal objective of bettering the well-being of its people by ensuring the availability of best goods and services at most favourable prices. India too has been eager in entering into trade agreements with other countries and has, since the dawn of independence tried to build up good trading relations within its neighborhood. However, owing to the massive exploitations at the hands of the foreign companies like East India Company and its industrial and service sectors having been in the infancy stages, India shied away from entering into trade agreements with the affluent countries of Europe and America. Though late, nevertheless, India has been on the spree of entering into trade agreements. India-Sri Lanka Free Trade Agreement and South Asian Free Trade Area signed by the member countries of SAARC in Dec., 2004 are glaring examples of India’s outward looking attitude. And, pursuant to the policy of “Look East”, India has been trying to build up trading relations with the countries of the Far East and South East Asia. Hopefully, India will have FTA with Brunei, Indonesia, Malaysia by 2011 and similarly there is possibility of having FTA with Philippines, Cambodia, Laos, Myanmar, Vietnam by 2016. Efforts are also on to put through “Comprehensive Economic Co-operation Agreement” (CECA).
with China and Singapore. While there is lot optimism with regard to the CECA with Singapore, CECA with China may take a longer time.

As Indian Industry has come of age and the proper regulatory system being in place, India has started to look beyond the frontiers of Asia and is on the look out to formulate trade agreements with the affluent countries in North America and Europe. India has already made the Preferential Trade Agreement (PTA) with MERCOSUR, a Latin American Free Trade Agreement. There is "Commercial Dialogue" going on between United States and India with a large terms of reference endorsed to it and India has already entered into Strategic Partnership with EU. In fact, EU is considered as a formidable bloc of rich nations of Western Europe and transition economies of the Eastern Europe offering potential markets for Indian produce.

India-EU relationship dates back to 1962 when India formalised relationship with the then 'EU-Six'. Over the years the relationship has christened into one based mutual trust and mutual benefit through trade and economic relations. In the following pages an attempt has been made to track down the historical perspective of India-EU trade relations and analyse various agreements that have been entered into by India and EU through the last five decades.

India and the EU, being the largest democracies in the world, share common values and beliefs that make them natural partners as well as factors of stability in the present world order. They share a common commitment to areas like democracy, pluralism, human rights, the rule of law, independent judiciary and media. India and the EU have much to contribute towards fostering a rule-based international order although be it under the auspices of the United Nations for maintaining international peace and security, promoting the economic and social advancement of peoples and meeting global threats and challenges (EU Commission, 2000)

**Indo-EU Trade Relations – A Historical Perspective**

Foreign trade relations constitute the epitome of the EU's external relations. As a corollary to its internal customs union, the EU adopted a common external customs tariff policy. Over a period of time, the EU embarked on the road of a common trade policy. In fact EU positioned itself on the world stage as a trading partner in
its own right and constituted one of the largest trading blocks in the world (PHD, CCI, 1993). For the sake better understanding, the EU-India trade relations can be traced along a phased manner through the subsequent sections.

**India and the ‘Six’**

Indo-EU economic relationship is no more than four decades old. India’s relationship with the Union has always been marked by mutual co-operation and trust. India, as a matter of fact, initiated timely steps to ensure that the mutual trust and confidence that it had built in the past with each one of the ‘six’ [Belgium, France, the then FRG, Italy, Luxembourg and the Netherlands] is not only continued but further strengthened. Towards this objective, India established formal diplomatic ties with the European Union in 1962 and posted an Ambassador at Brussels, Belgium (Mathur, 1999). In the years that followed there was a remarkable development in relations with the Union to the extent, where the EU, known earlier as EC earlier, has emerged as India’s principal trading partner and India as one of the main beneficiaries of the regulations/instruments devised by the Union to help developing countries raise the living standards of their people.

During the first phase of its relationship which lasted for almost ten years, India was primarily concerned with obtaining better access to the Union’s market for its exports. Though, historically India’s trade ties were confined with UK, but a vastly expanded import programme, aimed at accelerating the pace of economic development had, in fact, resulted in trade deficits with EU. Consequently in order to correct this imbalance, India sought tariff and other concessions from the Union. Its initial request was for the implementation of the tariff reductions, which the ‘six’ had agreed to (EU Information, 1981). As a result the Union suspended its tariff on tea in bulk, certain spices and East India Kips on an autonomous basis. Moreover, on request, the EU opened zero-duty tariff quotas for handloom fabrics and handicrafts and after negotiations suspended its tariff on jute and coir products as well. An international decision, in UNCTAD, was the basis of the Union’s decision to introduce its own Generalized System of Preferences (GSP) in 1971. Both India and EU had played an important part in the UNCTAD agreement and it was only fitting that Indian Exports should be among the main beneficiaries of the Union’s scheme.
India and the Enlarged Union

Following the entry of the UK, Ireland and Denmark into the Union in 1973, the Indo-EU relations took a new phase. During the negotiations for enlargement, the Union had accepted a Joint Declaration of Intent (JDI) on the development of trade with Sri Lanka, India, Malaysia, Pakistan and Singapore under which the enlarged union declared itself ready “to examine the problems as may arise in the field of trade with the view to seeking appropriate solution”. This Joint Declaration of Intent was annexed to the Act of Accession, which demonstrates the importance the Union attached to it. The enlarged Union redeemed another much older pledge, when it concluded a 5-year Commercial Co-operation Agreement (CCA) with India in December, 1973. At the time of the 1961/63 negotiations regarding Britain’s entry, the two sides had agreed to comprehensive trade agreement with India following enlargement. The CCA, which reflected an advance on the traditional bilateral trade agreement was to set the pattern for the agreements between the EEC and the other South Asian countries (Mathur, 1999). Under the CCA with India, the two sides undertook to “consolidate, deepen and diversify their commercial and economic relations to the extent of their growing capacity to meet each other’s requirements on the basis of comparative advantages and mutual benefit.”

New Co-operation Agreement

With the signing of the 5-year Commercial and Economic Co-operation Agreement on 23rd June, 1981, a third phase of Indo-EU relations began. The agreement was based on comparative advantage and mutual benefit and represented a considerable extension on 1973 agreement. The two sides agreed to promote trade and industrial delegations were supported to foster the organizing of fairs and exhibitions. The economic operators of two sides were asked to identify sectors and products in which each side enjoyed comparative advantage. Towards this objective, in 1982, the EU launched an important programme aimed at encouraging EU firms to initiate industrial collaboration with Indian partners. These firms were detailed about the opportunities offered by India in a series of seminars organized in four European cities. These seminars were followed by a conference in New Delhi. European commission financed major studies on the transfer of technology...
to India and organized a seminar in Berlin in 1984 to discuss their conclusions. As a part of the new programme of industrial co-operation, launched in 1987, the EU had continued with its efforts to bring together EU and Indian economic operators with the focus being on sectoral basis. In 1987, a delegation of Indian Machine Tools manufacturers visited the European Machine Tool exhibition in Milan for discussions with their European counterparts. These discussions revealed a complementarity of interests and resulted in an agreement to consider joint action programme.

Since 1987, India and the European Commission are collaborating on a different programme of Industrial co-operation. Under the agreement, the Indian companies would be assisted to produce more efficiently and in accordance with internationally agreed technical standards followed in the EU and other international markets. A new dimension was added to the Indo-EU relations when in June 1987 the Industrial Co-operation Programme was signed. The areas identified for promotion of Industrial Co-operation include establishment of data banks, up-gradation of industrial standards, co-operation in sectors like energy, human resource development, steel, electronics, telecommunications and biotechnology. The objective was to make Indian markets more attractive for European technology and other products and infuse competitiveness in India’s Exports to EU and world markets. Meanwhile, the EU had also drawn up a comprehensive plan in the area of quality control and standards of certification. It has set up a venture capital fund scheme – European Community Investment Partners (ECIP) for providing assistance in establishing joint ventures in India. However, a major development was the establishment of Indo-EU Business Forum (earlier known as Indo-EC) in 1992 to promote joint ventures and investments and provide a platform for interaction between European and Indian businessmen.

**Co-operation Agreement on Partnership and Development**

A co-operation agreement between India and the EU was signed in December, 1993. The agreement aimed at building a closer relationship between India and European Union with the stress on promoting trade and joint ventures with the unified European market. The agreement takes due cognizance of India’s commitment to economic reforms and recognizes the emergence of an economic
environment suitable for joint venture investments in a variety of industries (PHD, CCI, 1989). Under the agreement, economic co-operation is structured to particularly encourage the private sector with the expectation of resulting multiplier effect. The agreement encompasses three broad fields:

- Improving the economic environment in India by facilitating access to European know-how and technology;
- Facilitating contacts between economic operators and other players aimed to improving commercial exchanges and investment; and
- Reinforcing mutual understanding of respective economic social and cultural environment as a basis of effective co-operation.

To fructify the above broad fields of above co-operation, the objectives shall be in particular to:

- improve the economic environment and business climate;
- co-operate in the protection of environment and natural resources;
- co-operate in the field of energy and energy efficiency;
- co-operate in the field of telecommunications, information technology and related matters;
- co-operate in all aspects of industrial standards and intellectual property;
- encourage technology transfer in other sectors of mutual benefits;
- exchange information on monetary matters and the macro-economic environment;
- reinforce and diversify economic links between them;
- encourage the two way flow of EU-Indian trade and investments;
- activate industrial co-operation including agro based industry;
- promote co-operation in order to develop agriculture, fisheries, mining, transport and communication, health, banking and insurance, tourism and other services.
- encourage close co-operation between the private sectors of both regions;
- promote scientific and technological development; and
- Co-operate in the fields of information and culture.
The new agreement is in essence of an entirely different character from the earlier ones, as it vastly expands the scope of co-operation. There are thirty articles in the agreement and detailed outline is given in respect of each of the above seventeen action areas. Some of the important provisions of the agreement are as follows:

**Development Co-operation**

In the area of development co-operation, the Union has indicated its preparedness to strengthen the existing co-operation and assured that enhance its efficiency programme would, in particular, be directed to rural development and public health. The most important Union funded development assistance programme so far in India has been “Operation Flood” -- India’s Co-operative Dairy Development Programme. This programme is widely regarded as one of the Union’s most important and successfully aided programme in the world. The Union has decided to give sectoral assistance to India for the national programme of primary education.

**Trade:** In the matter of trade, India and the Union have agreed to improve market access to the highest possible extent that would enable them to further strengthen their relations in a dynamic and complementary way. To fulfill this objective, both are committed in granting each other the highest degree of liberalization of imports and exports. Under the agreement, both India and the Union would give consideration to exempting, from duties and taxes, goods imported temporarily into their territories for subsequent re-export or goods that re-enter their territories after processing in the other country. This would enable them to get involved in onward processing arrangements for third country markets. The agreement also underlines the need for a bilateral consultative mechanism for setting disputes without prejudice to their obligations under GATT.

**Standards:** In the wake of creation of the single market in the Union, it has become imperative for India to maintain new standards. In order to increase its exports to the Union countries, maintenance of new standards is a real challenge for India. As such India has to keep pace with the changes through constant technological up-gradation of its industry. The new agreement establishes co-
operation in the area of standards. Under the erstwhile 1981 'New Co-operation Agreement' India had benefited a lot out of Union's co-operation in bringing about globally accepted standardization and certification of Indian industrial products.

**Textile and Clothing Agreement:** An agreement was reached between India and EU in December 1994 wherein India was required to bind its tariff rates in case of textile and clothing items. As per the agreement the bound tariff rates were required to be gradually slashed in the subsequent years so that such products become completely tariff free from the year 2003 onwards. Initially there was a reduction of 25 percentage points from the earlier 65 percent and a further reduction of 10 percentage points in the year 2002. Presently there is no tariff on the entry of such products into India. The quantitative restrictions were also removed in the year 2002 in case of all these products. As such import of any quantity of these products is free in India. It has also been agreed that Government of India would not apply dual pricing policy for export of raw cotton from India. Moreover, in 1995 European Union removed all restrictions on India's exports of handloom and cottage industry products. India considers it as a substantial concession.

**GSP Scheme of EU**

On July 1971, the EU has come up with Generalized Tariff Preference Scheme wherein preferences are given to the imports of finished and semi-finished products from developing countries. The scheme was to be revised after every ten years. Due to postponement the revision of the scheme was not done in 1991 but was finally taken up in 1994. EU has now notified the new GSP scheme which has came into force w.e.f. 1.1.1995.

**Salient Features of New GSP Scheme**

**Use of principle of Tariff Modulation in place of Quotas and Ceilings**

Under the scheme, the quota or ceiling system has been abolished and replaced by tariff modulation, reflecting the sensitivity of different products or groups of thereof. The scheme encompasses into four lists of products, the criterion being the sensitivity level. Each list would be subject to different rates of preferential duty, the most sensitive ones enjoying lower concession in duty than others.
Categorization of Products for Tariff Modulation Purposes

<table>
<thead>
<tr>
<th>Nature of products</th>
<th>Preferential duty (expressed as percentage)</th>
<th>Extent of concession enjoyed (expression as percentage of MFN duty)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most sensitive products (essentially Textiles and Ferro-alloys)</td>
<td>85% of MFN duty</td>
<td>15% of MFN Duty</td>
</tr>
<tr>
<td>Sensitive products (ranging from basic chemicals to electronics &amp; automobiles)</td>
<td>70% of MFN Duty</td>
<td>30% of MFN Duty</td>
</tr>
<tr>
<td>Semi-sensitive products</td>
<td>35% of MFN Duty</td>
<td>65% of MFN Duty</td>
</tr>
<tr>
<td>Non-sensitive products</td>
<td>Fully Exempt Duty</td>
<td>100% of MFN Duty</td>
</tr>
</tbody>
</table>

However, the following countries enjoy complete duty free access and the above four fold classification not is applicable to them:

a) Least developed countries as per UN Classification

b) Five Andean Group countries (Columbia, Venezuela, Ecuador, Peru and Bolivia)

c) Central American Common Market (CACM) countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) provided they continue to combat drug abuse.

Graduation Mechanism: This scheme seeks to benefit those countries who have not gained enough through the GSP scheme. The graduation mechanism is both country and product specific. Its criteria of applicability are related to (a) the level of development of the beneficiary countries and (b) their respective specialization. The graduation scheme is based on Specialization Index and Development Index.

Specialization Index is based on the ratio of a beneficiary country’s share of total EU imports in a given sector. The larger the sectoral proportion, the greater the specialization.

Development Index represents each country’s overall level of industrial development compared with that of EU. An index of zero means the beneficiary’s level of industrial development is equal to that of EU.
Methodology of Application of Development Index

| Countries with per capita GNP of over US $ 6000 in 1991 (Hong Kong, Singapore, Brunei, Qatar, UAE, Kuwait, Bahrain | w.e.f 1st of April 1995, got only 50 per cent of GSP benefits. And was excluded from GSP benefits w.e.f. 1.1.1996 |
| Countries with per capita GNP of less than $ 6000 | Concession available However, only 50% concession would be given in sectors where they have achieved high degree of specialisation - GSP was withdrawn completely from 1998 |

Solidarity Mechanism

The sector/country graduation system is supplemented by a ‘Solidarity mechanism’ which applies to beneficiary countries whose exports of products covered by GSP, in a given sector, exceed 25% of all beneficiaries’ exports of all those products in that sector. For the concerned countries and sector, thus identified, preferential access has ended from 1st Jan. 1996

Withdrawal of GSP Concession

The EU has decided that preferential access for individual beneficiary countries will be curtailed with immediate effect, if it is proved that the operation of the graduation mechanism has resulted in providing certain beneficiary countries much greater access for specific products than available to them under GSP Scheme.

Withdrawal (Total or Partial)

The withdrawal (Total or Partial) of preferences under GSP Scheme is possible in the following circumstances:

1. fraud or failure to provide administrative co-operation as required for the verification of certificates etc.;
2. unfair trading practices adopted by a beneficiary country, including discrimination against the Union
3. failure of any form of forced labour;
4. export of goods made by prison labour;
5. inadequate controls on export or transit of drugs or money laundering
6. failure to comply with obligations, under the Uruguay Round, to meet agreed market access objectives; and

7. the temporary withdrawal shall last for one year and shall not be renewed unless it is proved that the facts which led to the adoption of the measure no longer prevail.

Special Incentive Scheme: A 'special incentive scheme' in the form of additional preferences was started by the Union from January, 1990. The scheme was granted to those beneficiary countries that made a written request and provided evidence that they had adopted and actually implemented the provisions of ILO conventions concerning the freedom of associations, protection of the right to organize and to bargain collectively and minimum age of admission to employment. Similar provisions are available for environment related standards i.e. special incentives would be available to beneficiary country/countries if they undertake effective environmental protection policies consistent with the objectives set out in international conventions on the environment.

Safeguard clause: Analogous to the provision of the old scheme, has a 'safeguard clause' to guard against the unaffected imports of a product which causes or threatens to cause serious injury to a Union producer of the like or directly competing product. In such a case common customs tariff duties of the Union may be re-introduced on that product at any time at the request of a member state or on the commission’s own initiative.

Anti-dumping and Anti-subsidy: Under the new GSP scheme, preferences would not be granted in respect of products subjected to anti-dumping or anti-subsidy measures, unless it could be proved that the said duties were based on a price reflecting the preferential tariff as arrangements granted to the country concerned.

Union’s joint collaborations and Foreign Investments in India: The member countries of EU are playing a significant role as collaborators and investors in India. The joint ventures with EU in India have been in widely diversified fields. These include, chemicals, textiles, ceramics, activated carbon, plastic molded goods, diamonds and Jewellery, multi-wall paper sacks, leather goods, tuna fishing, dredging activity, frozen marine products, cosmetics and toiletries, woolen knitwear, lubricants, construction and consultancy services and various engineering products.
India too has developed a wide range of joint ventures in the EU member countries. However, Indian joint ventures business has been particularly in the service sectors such as restaurants, erection services, financial consultancy, marketing of pumps, electronic products, garments, automobiles and industrial rubber products, book publishing and assembly of diesel engines.

**The India –EU Strategic Partnership**

**Joint Action plan**

The 1993 Co-operation Agreement signed between India and EU focussed on bilateral relations beyond trade and economic cooperation. Together with the Joint Political Statement signed in 1993 the agreement paved the way for annual ministerial meetings and a broad political dialogue. The first India–EU Summit in Lisbon in June 2000 marked a watershed in the evolution of this relationship. Since then there have been seven summit level interactions, the last being the Seventh Summit in Helsinki Oct 2006. The Summit in the Hague was a landmark Summit, as it endorsed the proposal to upgrade the India-EU relationship to the level of ‘Strategic Partnership’. This partnership is now seen as more than the sum of its parts and this is fifth phase of the Indo-EU relationship programme which has by far been the broad based one. Since, India-EU relations have grown exponentially from what used to be a purely trade and economic driven relationship to the one covering all areas of interactions. The India-EU Strategic Partnership, also known as Joint Action Plan covers the following five broad areas.

1. Strengthening dialogue and consultation mechanisms;
2. Deepening political dialogue and cooperation;
3. Bringing together people and cultures
4. Enhancing Economic Policy Dialogue and Cooperation
5. Developing Trade and Investment.

Given the scope of the present study, we shall, however, be discussing the last two areas i.e., 1) Enhancing Economic Policy Dialogue and Co-operation 2) Developing trade and Investment.
Economic Policy Dialogue and Co-operation

For the purpose of improving business environment leading to strengthened economic relations, it is imperative that the two sides agree to exchange views and information on matters of economic interest. As such economic policy dialogue and co-operation has been included in the Joint Action Plan. Moreover, in the long term, it will help to reduce obstacles to bilateral trade and investment.

Industrial policy

Co-operation between India and the EU on industrial issues and the regulatory framework has been growing in the recent years. Under the 'Joint Initiative to Enhance Trade and Investment', the two sides jointly carried out general as well as eight sector specific studies on trade and investment matters. Based on the results of the studies, the Indian and the European business associations brought out a set of recommendations, which were placed before the 2001 and 2002 Summits.

Realising the potential for an enhanced dialogue, both sides agreed to:

- Establish a platform for the exchanging information and views on industrial policy and to enhancing mutual understanding of regulatory frameworks;
- Continue and reinforce dialogue in existing Working Groups and encourage discussion in various sectors;
- Exchange information on competition policy in areas of mutual interest, with a view to increasing co-operation;
- Develop a dialogue on best practices in the field of corporate governance;
- Establish a Working Group on Food Processing Industries.

Following the useful Joint Initiative studies, both sides also agreed that a new initiative on enhancing bilateral Trade and Investment would be taken up.

Science and Technology

Development of science and technology has been at the center stage of the policy-making process between India and the EU. Early efforts towards developing co-operation in this area go back to mid-1980s, which has now culminated into more than a hundred joint research projects. Research and Development has mainly
focussed on sustainable development (health, agriculture, natural resources management). The India-EC Science and Technology Cooperation Agreement brought into force on 14th October 2002. It has certainly been a major milestone in attempting to synergize the capabilities of both the regions.

In order to build upon the well-established policy dialogue and partnership in S&T, India and the EU propose to:

- Organise joint workshops on research fields of mutual interest among EU’s thematic research priorities;
- Promote participation by Indian researchers in the Research and Technological Development (RTD) Framework Programme;
- Explore with India other scientific and technical collaboration possibilities, such as joint research in the areas of frontier technology/cutting edge technology;
- Seek to increase mobility, exchanges and access of researchers between India and EU

As agreed at the 2nd India-EC Science and Technology Steering Committee meeting held at New Delhi on 29th of April 2005, there was stress on making pro-active use of the India-EU Science and Technology Agreement to co-sponsor collaborative activities and research projects in areas, such as:

- Information Science and Technology;
  - Genomics and Biotechnology for Health;
  - Nanotechnology and Functional Materials;
  - Road Transport Research and development
  - High Energy Physics (Accelerator Science and Technology)

**Finance and Monetary Affairs**

With the introduction of Euro, the monetary dominance of US dollar has lessened quite a bit and the role and responsibilities of EU in the international monetary arena of the world has assumed new dimensions. In an increasingly interdependent
and global economy, where the financial and monetary policies of one country affect radically the macroeconomic features of another economy, India and the EU are all set to assume significant role. Role of India can not be underestimated in view of the fact that Indian Financial System is well established and highly organised. As such India and the EU should promote exchange of views and information between relevant institutions and policy makers in the economic and financial domains. This would help to resolve certain common macroeconomic issues facing both the sides.

For achieving success both sides agreed to:

- Hold senior level regular consultations on matters of common interest;
- Establish a regular macroeconomic dialogue on matters of common interest;
- Identify academic institutions on both sides for increasing academic interactions to promote academic interactions between the institutions of the two regions.
- Exchange information on financial services regulatory policies, banking systems and accounting standards;
- Encourage and strengthen the investment of the European Investment Bank in India.

Environment

India and the EU have committed themselves to create conditions for a sustainable economic development. Each side has recognised the interdependencies in the field of environment and transnational character of environmental problems. As major global actors, both partners are conscious of their capacity to play a central role in international efforts towards better environmental global governance. In fact, India and EU are signatories to the main instruments including the Kyoto Protocol, and the UN Convention on Biodiversity

To realise our shared vision of making sustainable development a reality, India and the EU will seek to:

- Strengthen the dialogue on global environmental issues with a view to building mutual understanding in particular on the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol,
the Montreal Protocol on Substances that Deplete the Ozone Layer, the UN Convention to Combat Desertification and the Convention on Biological Diversity;

- Hold meetings of the Joint Working Group (JWG) on Environment on a yearly basis and ensure develop high level visits;

- Organise the India-EU environment forum in 2005 with stakeholders from business, academia and civil society to exchange views and information;

- Hold the experts’ meeting to exchange views on voluntary eco-labeling schemes;

- Identify key environmental issues and approaches to sustainable development where exchange of experiences and cooperation could be mutually beneficial.

**Energy**

Both sides recognized the work to be done towards safe, secure, affordable and sustainable energy supplies. Joint efforts in the development of more efficient, cleaner and alternative energy chains will be paramount.

In this context, an India-EU Energy panel has been set up to co-ordinate joint efforts and discusses energy related matters of mutual interest. The Energy Panel has decided to set up Working Groups in the areas of:

- Energy efficiency and renewable energies;
- Coal and clean coal conversion technologies; and
- Fusion energy including India’s membership in ITER

**Information and Communication Technologies**

Information and Communication technologies (ICT) influence all areas of society, business and government. The development and widespread adoption of new ICT services and networks have powerful effects on economic and social development. India has developed a strong capacity in ICT, capturing a large and growing share
of the world market for IT and software services. With its large pool of talented IT professionals and world class facilities for IT research and development, India is considered an important partner for Europe.

In 2001, India and the EU took further concrete steps to promote mutual co-operation in the development of ICT and creation of a modern information society. This was expressed in the Joint EU-India Vision Statement on IT adopted at the second Summit in New Delhi.

Customs

The EU is India’s largest trading partner and India-EU bilateral trade has been showing great dynamism. Both sides agreed that trade volumes can be further enlarged. The EU and India are committed to understanding the problems faced by the EU and Indian companies in relation to customs controls. To help overcome various obstacles to trade and improve supply chain security, India and the EU propose to:

- Ensure full exploitation of the agreement between EC and India on cooperation and mutual assistance on customs matters through development of a cooperation programme by Joint Customs Cooperation Committee;
- Strengthen the dialogue on customs issues including areas such as valuation and classification, rules of origin etc.;
- Discuss the role of customs in the implementation of relevant trade and commercial policy issues.

Besides the above, both sides also agreed to:

- Deliberate on harmonization, implementation and enforcement of customs laws, procedures and working methods;
- Cooperate on security and facilitation in the international trade supply chain and in tackling commercial fraud;
- Discuss and cooperate in modernization and capacity building;
- Explore exchange of information within the framework of the customs agreement and discuss the establishment of formal channels of communication
**Business Cooperation:**

Business Co-operation is an important segment of the Joint Action Plan under the Strategic Partnership. Both India and the EU have resolved to a close cooperation as well as dialogue between businesses from both sides to achieve common goals of enhanced trade. It has been stressed that Industry and business of India and EU are not only competitors but also partners.

Regular business summits have been held since 2001. These summits have helped to create better understanding of the opportunities and obstacles in a broad variety of sectors and it is hoped that the summits will continue to patronize business community of either sides to usher in programmes of mutual interest in the area of trade and commerce.

**Development Cooperation**

Within the backdrop of thirty years of engagement between the EU and India both sides have committed themselves with the Millennium Development Goals and related international agendas.

Since 1976, the EC has committed around €2 billion of development cooperation to India. The allocation for the 2002-2006 programming period is €225 million. The emphasis has been on health, education, water and environment. And rightly so because giving impetus to Development Cooperation, it is necessary give stress to areas like education and health sectors. During 11th Plan period the Govt. of India necessarily seek cooperation in effective implementation of its national level projects like Sarva Shiksha Abhiyan( SSA) and National Rural Health Mission(NRHM).

**Developing Trade and Investment**

In the Joint Action Plan both India and the EU agreed to take steps to further strengthen the bilateral trade relations. Further, it was agreed that the private contact has to be developed as well. While trade and investment flows continue to increase, it is being felt that they are below the potential. So as to enhance economic cooperation, trade and investment the following steps have to be taken up:
World Trade Organisation (WTO)/ Doha Development Agenda (DDA)

According to the Joint Action Plan, the EU and India had earlier agreed to work in cohesion with each and they had further agreed that they would see the outcome of the Hong Kong Ministerial Conference as successful. But when the conference actually took place at Hong Kong in December 2005, they actually worked against each other on at least two important issues. One is that of Agriculture and the other is Non-Agriculture Market Access (NAMA). The EU along with the US were adamant on non-removal of agriculture subsidies which they make available to their farmers whereas developing countries like India, Brazil, Mexico and several others stressed that the subsidies on the agriculture should end. There were other issues of contention that include Services, Trade Facilitation, Antidumping, Geographical Indications, Special and Differential Treatment etc. However, this does not mean the end of the road between them. In fact they would continue to work together to ensure that the multilateral trade facilitator i.e., WTO works as per the objectives with which it was created (i.e., to bring in a new era of world order which is characterised by free trade and where every citizen enjoys the best of the goods and services at the fairest possible price).

Intellectual Property Rights (IPRs)

Both India and the EU attach importance to achieving effective and comprehensive protection of geographical indications (GIs). Both the parties have agreed to initiate an appropriate dialogue to discuss IPR policy, regulatory issues, implementation and enforcement.

Technical Barriers to Trade (TBT) / Sanitary and Phyto-Sanitary (SPS) Issues

The EU-India Strategic Partnership among various other things includes a very significant clause of creating a Working Group to come up with the modalities regarding the removal of Technical Barriers to Trade. The first meeting of the working Group took place in 2005. Progress on the removal of TBT/SPS would give a fillip to the bilateral trade.

Summary

Trade agreements between or amongst countries have always resulted to the ultimate advantage of the consumers of each contracting country. As we are
aware of the fact that one of the primary objectives of WTO is to create free trade regime throughout the globe and bilateral or multi-lateral trade agreements are a means to achieving this objective.

While analysing the Indo-EU trade relationship we have observed that this relationship spanning over a period of more than five decades is time tested. The relationship has strengthened with every passing year and cemented with every new agreement. In fact the relationship has undergone through five distinct phases of evolution, each phase being embedded with an agreement based on mutual trust and understanding. The five phases of this relationship are:

**Phase-I**: India and the EU-Six formalised their relationship in 1962 with India sending its first ambassador to the EU headquarters in Brussels, Belgium. During this phase there has been a commitment by the EU to help India to raise the standard of living of its people.

**Phase-II**: In 1973 with the accession of the Great Britain into the EU, the EU started a serious dialogue with India on trade. Presumably, this was on the insistence of Great Britain that her erstwhile major trading partners like India, Pakistan, Sri Lanka should receive trade favourtism. There was a 5-year Commercial Co-operation Agreement between India and the EU during this phase.

**Phase-III**: With the signing of the New 5-Year Commercial and Economic Co-operation Agreement, a third phase of India-EU trade relations began in 1981. The thrust areas in this phase were the standardisation and certification norms in the Indian industries to bring them in tune with global standards.

**Phase-IV**: This phase started in 1993 with the signing of Co-operation Agreement on Partnership and Development. This phase is more known for the Joint Ventures between EU and India. The agreement took due regard to the macroeconomic changes that were initiated in India in 1991.

**Phase-V**: The present phase is a remarkable one in the sense that the relationship between the two sides has christened to a Summit level. In fact, right from the year 2000 when the first Summit was held at Lisbon, Portugal which in fact laid the foundation for a broad based relationship between the EU and India, each
year is marked with the furtherance in the relations between the two parties. Till now seven annual summits have been held and each summit, as the record goes, has helped the relationship go stronger. In fact, the relationship has transcended beyond the trade relations and epitomized into ‘Strategic Partnership’. Moreover, both sides of late, both sides have been seeking to analyse the modalities of affecting a Free Trade Agreement between the two sides. However, owing to sorting out of various difficulties, the having of an FTA looks blurred presently but may be possible in the coming years. Each year there is enrichment in the relations between the two sides. Till now seven annual summits have been held and each summit, as the record goes, has helped the relationship go stronger.

As has been pointed out earlier that the trade relations with Europe are there from the eons of times and with such a broad based network of agreements in place, the trade volumes are destined to raise. However, in order to gauge this relationship under the umbrella of the trade agreements entered into India and EU from time to time, we need to empirically test as to how far have various agreements helped in increasing trade between the two sides. Has the trade really increased, what are the growth figures depicting? With which country in the EU, is India’s trade increasing, with which is it decreasing? What is the impact on India of the countries that have recently joined the EU? Have India trade figures gone up or down with the EU larger? All these conundrums and many more are discussed in the next chapter on “India-EU Trade Relations- Analysis and Interpretations”.