Chapter no II
Review of Literature

2.1 Introduction

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REVIEW OF LITERATURE

2.1 Introduction:

The present study is an extension to the existing studies and makes an attempt to review the important studies on India’s trade relations with European Union. The recent and relevant studies conducted from different regions of India and out of the world are reviewed in this chapter. Many economists, philosophers, researchers, scholars, thinkers, authors have made substantial contribution to the various aspects of the subjects. The study material is available in the form of books, surveys, case studies and especially on the various websites on internet. Many authors have made valuable thoughts about international trade of India with European Union.

Steplen George’s (1996)\(^1\) study on ‘Politics and policy in the European Union’ one of such an early attempts to evaluate the history of the European Union. Steplen George notes that in 1951 six European states signed the Treaty of Paris forming the European Coal and Steel Community (ECSC), which began operating in 1952. Two further communities were subsequently set up: the European Atomic Energy Community (Euratom) and the European Economic Community (EEC), which were created by the Treaties of Rome in 1957 and started operations in 1958.

Another study is done by G. A. Desmond (2007)\(^2\) in ‘International Business’ about the ‘Origins and Development’ of the EU. Under this topic he described about fundamentals, the Treaty of Paris and the Treaty of Rome, the single European Act, the Maastricht Treaty 1992.

Gautam Murthy (2008)\(^3\) study on “International Economic Relations”, an important attempt to describe that the EEC, originally comprised six nations- Belgium, France, Federal Republic of Germany and the Netherlands, came into being on January 1 1958 by the virtue of the Treaty of Rome of 1957.

D. M. Mithani (1998)\(^4\) study on ‘International Economics’ is most valuable things are said by him, that is “Inner Six” Europe’s most comprehensive attempt at economic integration was marked by the formation of the European Economic Community. Six nations agreed to merge their separate economies into one single market area, also known as the “Inner Six”.

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A study by **Paul D. Zook** (1959) on ‘Economic Development and International Trade’ finds that six Western European countries on January 1, 1958 inaugurated a change in commercial policy which is dramatic even in a world characterised by revolutionary changes in social forms. The countries have undertaken to abolish tariff and other restrictions on trade between themselves and to establish a common commercial policy with the outside world during neither a transition period which will be not less than twelve nor more than fifteen years. Quantitative trade restrictions, export duties and subsidies, and exchange controls on current payments are to be abolished along with the tariffs on intermember trade during the transition.

Another study done by **Alan Griffiths and Stuart Wall** (1995) on, ‘Applied Economics’ argued that the historical background to the EU has been covered in some depth elsewhere, since its foundation the EU has absorbed the two communities ECSC and EURATOM. By promoting free trade in Coal and Steel between members and by protecting against non-members, the ECSC revitalized the two war-stricken industries. It was this success which prompted the establishment of the much more ambitious European Economic Community (EEC), subsequently known as the European Community.

**Francis Cherunilam** (2003) had studied ‘International Trade and Export Management’. The study noticed that the Treaty of Rome required every member country to, eliminate tariffs, quotas and other barriers on intra-community trade; device a common internal tariff on imports from the rest of the world; allow the free movement of factors of production within the community; harmonies their taxation and monetary policies and social security policies; adopt a common policy on agriculture, transport and competition.

**Mordechai E. Kreini’s** (2002) had studied ‘International Economics, a policy approach’. He noted that the EU is first of all a customs union the member countries abolished all tariffs and other trade restrictions among themselves and set up a common and uniform tariff against outsiders. A special fund was set up with the contributions of member countries to help accelerate developments in the less-developed areas of the EU. This aspect of the organisation is known as regional policy.
Another study is done by Reeta Mathur (2002) on ‘International Economics’ that is Regional Economic Cooperation is of recent development particularly after Second World War. The international as well as regional cooperations have been reported by the member countries to avoid the obstacles and problems of international marketing. They decided to join hands to hands to eliminate and avoid these problems. A common anti trust law was passed. It was decided for removal of internal agricultural duties. External customs duties were suspended and replaced by variable import Levis. The movement of capital alignment of taxes, developing a community policy on competition and restrictive practices were adopted by the member countries.

Syed Shamshad Hussain’s (2002) study on, ‘International Institutions’ is most important to know short information about European Union like, the Union is a regional organisation. It has been established on the existing European Communities set up by the Treaty of Paris (1951) and Rome (1957). Further it is supplemented by amendments, the single European Act (1986) the Maastricht Treaty on European Union (1991) and the draft Treaty of Amsterdam (1997).

W. Raymond Duncan, Barbara Juncar Webster and Bob Switky (2001) on ‘World Politics in 21st Century’ argued that the evolution of the EU and the subsequent advances over the years to greater integration is reflected in the name given to the EU itself. Originally, the EU was referred to as the ‘Common Market’, ‘European Economic Community’ or simply, ‘European Community’. These names reflected the overwhelming economic focus of the EU. After the Maastricht Treaty took effect in 1993, people began using the term ‘European Union’ because of the progress the Europeans had made in advancing economic cooperations.

A study is done by David Coombes (1970) on, “Politics and Bureacracy in the European Community” in this study he described the objectives of European Union, regional development, encourage industrial integration with the union, encourage growth of small and medium size enterprise, implement a common foreign and security policy regulation of competition an agricultural common market, common social and economic policies development towards a political Union.

George C. Bitros and George M. Korres (2000) on, ‘Economic Integration Limits and Prospects’ about Economic Changes, social changes, different form of social protection in EU, structural changes in EU, Technological change, productivity and Economic integration of the, European Union.
Gernold M. Meier’s (1998) have studied, ‘The International Environment of Business’. One of such an important attempt of benefits of market integration, challenges to and from European Union, effects of market integration on non-European firms, monetary integration and the EMU, Europe’s road to a single currency.

A. I. Macbean and P. N. Snowden (1981) had studied ‘International Institutions in trade and Finance’. The primary aim of this study is to examine the impact of the European Economic Community on international trade. Indeed the political process in the EEC has a distinct impact on the economic sphere and this must be considered in the community, and the relevant constraints, are to be understood. The same study was also described about politics and policy making in the community, the trade impact of the customs union of the six, the common agricultural policy and the community budget, dynamics gains from the formation of the EEC.

Jim Sherlock and Johnathan Reuvid (2008) on, ‘The handbook of International Trade’ about ‘EU Competition law’, an important development came in 1986 with the signing by the then 12 of the Single European Act (SEA). The aim of the SEA was to eliminate the remaining barriers to the single internal market before the deadline of 31 December 1992. The establishment of the ‘four Freedoms’ i.e. a free movement of: Goods, Persons, Services and Capital.

S. S. M. Desai’s (1990) study on ‘International Economics’ an early attempt to describe the types of Economic Cooperation, Customs Union, Economic Union, Free trade area, Partial or sectoral integration and long term trade agreements. This study also described the common features in the European Union, Institutional development and the harmonisation of technological policy in the European Union, the credibility and inflation expectations in the European Monetary System.

According the “World Economic Outlook” (October 1998) is published by International Monetary Fund, Washington. It has been described about Economic Policy Challenges facing the Euro area and the External Implications of EMU, Economic policies in the Euro area, general policy considerations, monetary policy, Fiscal policy, Structural policies. The overall policy mix, the Euro area and the World economy, the current Global environment and the transition to EMU, policy for advanced economies outside the euro area.
According the ‘World Economic Situation and Prospectus’(2006)\(^{19}\) is published by the United Nations Publications Academic Foundation, New Delhi. It has been described about Western Europe: a Weak recovery in 2005. The recovery in Western Europe was weaker than expected in 2005. Economic growth was dampened by high oil prices cautions spending behavior by private households and moderate investment by the business sector. Exports were the most dynamic component of demand. This study also described the new EU member’s dynamic but uneven growth and South Eastern Europe: dynamic growth continues but at a slower pace. The EU accession candidates continued to benefit from rising investor and consumer confidence, reflected in a solid inflow of FDI, continued restructuring and expansion of export-oriented production capacity and improved financial intermediation. Economic consolidation gained momentum in the remaining part of South-Eastern Europe, combining successful post conflict reconstruction and further macroeconomic stabilisation.

According to the “World Investment report-2006”\(^{20}\) is published by United Nations publications, New York. This report described that, many new EU member countries continued the process of privatisation and liberalisation, for example, in Czech Republic, the Government sold its 51% stake in Cesky Telecom and 99% stake in Vitkovic Steel to foreign investors. In Hungary, Latvia and Malta formerly state owned enterprises in such different industries as airport operation state and municipal property, oil terminals and electricity were privatised and partially sold to foreign investors. In Poland, the Government sold state owned firms in oil, gas and chemicals. In Austria, the Government sold its 15% stake in VA Tech, a metallurgy, power generation and infrastructure conglomerate, to Siemens (Germany). EU member states continue to attract international car manufacturers.

A study is done by Brent F. Nelson and Alexander C. G. Stubb (1998)\(^{21}\) on ‘The European Union’ this study is based on ‘readings on the theory, and practice of European integration’ in this study ECSC, EEC and EURATOM, each Community had its own preambles to the treaties establishing European Communities. For example, EEC’s preambles are as follows, determined to lay the foundations of an ever closer union; resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe. Affirming as the essential objective of their efforts the constant improvement of the living and
working conditions of their peoples, recognising that the removal of existing obstacles calls for concerned action in order to guarantee steady expansion, balanced trade and fair competition. Anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions, desiring to contribute, by means of a common commercial policy to the progressive abolition of restrictions on international trade. Intending to confirm the solidarity which binds Europe and the overseas countries and desiring to ensure the development of their prosperity in accordance with the principles of the character of the United Kingdom have designed to create a European Economic Community.

G. N. Minshull (1980) had studied ‘The New Europe, An economic geography of the EEC’. The study noticed that the European Community is seen as a sustainable economic block in Europe which is a force for stability in a rapidly changing world. Its institution have become more democratic; it is about to be enlarged further by the addition of three Southern European member states; its external relationship, particularly with the Third World have become more significant. In this study statistics have been revised, production figures brought up to date and important changes in the geography of energy, industry, agriculture and the regions have been recorded. The European Community is presented as a dynamic grouping of countries whose operations are never static but which change in response to a changing world environment. The theme of this book is the change in the economic fortunes of Western Europe from the nineteenth century to the present day and the internal and external pressures which are altering its whole economic and political structure. Essentially it relates to the growth and enlargement of the European Economic Community often known as ‘The Common Market’.

G. R. Denton (1969) had studied ‘Economic Integration in Europe’. This study divides in two parts. Part one consists of four papers on the theory and practice of the impact of customs unions and free trade areas on the trade of the members and of third countries. Lundgren, in the first paper on customs union of industrialised west European countries, gives a critical account of the traditional theory, revealing its limitations as an approach to the economics of integration, but also some of the errors of those who have been too impatient to dispense with it. In addition he accesses the attempts that have been made to test this theory by empirical investigation of the
various customs union and free trade areas that have been established in Western Europe since the Second World War. Robertson, in second paper on ‘Trade Liberalisation and the Influence of the European Trade Blocks’, examines the development of the European Economic Community (EEC) and the European Free Trade Association (EFTA) within the context of the General Agreement on Tariffs and Trade (GATT) and with special reference to the relationship between these regional blocks and the rest of the industrialised countries. Part two devoted seven papers to various aspects of harmonisation or integration beyond the removal of tariff barriers and quantitative restrictions.

B. K. Choudhari and O. P. Agarwal (2006) on ‘A Textbook of Foreign Trade and Foreign Exchange’ described about ‘International Trade Agreements or Institutions’ under this topic they were also described about EEC. It has been noted that there was much speculation about the future of India’s trade with the United Kingdom should the latter prefer to join the common market, since Indian exports entered the U.K. without any tariff or quota restriction by virtue of the Indo-British Trade Agreement of 1939. However, the U.K. joined the community in January 1973, thus terminating the trade agreement with India. It is also described the conditions for the Euro Money agreement, the countries have to keep their Budget deficit below 3% of Gross Domestic Product; countries should have government debts below 60% of GDP, inflation should not exceed 1.5%, rate of interest should not be more than 2%. Advantages to India: India’s 80% export business is in US Dollars and European is having 20% in exports of India, the cost of transaction to Indian exporters.

K. V. G. Gowda (1962) on ‘The European Common Market and India’ the study described that the Indian Governments critical reaction to Britain’s decision to negotiate for entry into the EEC. Seems to have surprised not only the British government but many Indians, Britain’s membership of the Common Market will not be ultimately to our (India) disadvantage although there may be some upsets in our trade pattern in the initial stages. Britain’s entry will undoubtedly step up the rate of development there. India can partake in this prosperity and push up her exports in the long run. The same study described that India’s major items of exports to the U.K. and the EEC countries are coffee, tea, tobacco, pepper, oil seeds. Iron ore, manganese ore, raw wool, raw cotton textiles, jute manufactures etc. The majority of India’s exports to Britain and the EEC are either raw materials or tea and coffee. As far as the
raw materials are concerned they are most likely to continue to enter duty-fees as they do at present, because the levy of imports duties on raw materials by the EEC would increase their costs of manufacture and thus adversely affect their competitive strength.

**G. Sundaram (1983)** had studied ‘Commercial Policy of the European Economic Community and the Association Agreements’. He found that the trade trends of the past in order to have an idea of its behaviour. Throughout the post-war period, India’s exports to the six have been much less important, relatively to the total than they were in the inter war period. The trends in India’s trade with the community since its formation are more important and significant. The community has become the largest trader in the world. It could be stated with the figures available that the exports remained more or less at the same level since the formation of the community till 1968-69. India’s foreign trade over the period was quite erratic while EEC trade was steadily increasing.

A study was done by **Vibha Mathur (1990)** on, ‘India-European Union Trade Prospects and Impact of Euro’. This study noticed that the European Union (EU) is the concrete expression of the common desire of the sovereign nations of Europe to work and live together. As an advanced form of multi-sectoral integration, its competence extends to the economy, industry, politics and citizens rights of the Member States. The EU is India’s largest trading partner, accounting for about one-third both India’s exports and imports. However, India’s share in the EU’s imports and exports is less than 1 per cent. This book provides a detailed description of the evolution and the present working, of EU with a view to understand its impact on India’s foreign trade. More precisely, the book focuses on the impact of developments in the EU on India’s exports to it. The present study is an attempt to understand the working of the EEC now known as the European Union.

**Flavio Mondello, Fondazione Collegio europeo, Parma** has been discussed on ‘The Fifteenth Anniversary of the signing of the Treaty of Rome’. It was a notable anniversary for the six countries of Western Europe, which fifty years ago took the first resolute steps towards future unity. It is time to take stock of what has been achieved within Europe in half a century Europe was then a continent worn out by the Second World War; now peace and a democratic way of tackling and settling differences and of pursuing common aims have been achieved whereby a higher
standard of living has been assured. It is time not only to reflect on how to overcome weakness and to correct errors in the relationship between member states, but also to define new goals for a Europe which has changed internally and to outline new common aims for the future in its relations with the rest of the world which are also undergoing rapid and profound changes. This article also focuses on the evolution of ECSC, EURATOM, EEC, EC, and finally the birth of the European Union.

A study was done by Swapan K. Bhattacharya (2005) on, “India and the European Union, Trade and Non-Tariff Barriers”. An enlarged European Union appears with plenty of opportunities for India. As we know, the EU is India’s single largest trading partner in both exports and imports and this trend has been growing over the years. Recently, India has a favourable balance of trade with the EU. An enlarged union means more demand for Indian goods in the European market. EU in now a single market with a single European act and single port of entry, also a 450 million population is going to generate huge demand for goods and services, once their per capita income increases due to several measures related to economic and industrial development. The EU’s regional policy is based on financial solidarity because much of the budgeted amount will go to less prosperous states and social groups. For the 2000-2006 periods, these transfers will account for one-third of the community budget or 213 billion Euros. As much as 70 per cent of the funding goes to regions whose development is lagging behind. They are home to 22 per cent of the population of the Union. A percentage of 11.5 of the funding assist economic and social conversion in areas experiencing structural difficulties. This book basically analysis the effects of the reduction of EU’s tariff and non-tariff barriers on India’s exports. Indo-EU trade has many dimensions and the spectrum of trade includes not only different composition but also new areas of services including software, IT, health, education, accounting, legal tourism, insurance etc.

According to the India-EU Strategic Partnership, Joint action plan, India-EU relations go back to the early 1960’s; India was among the first countries to establish diplomatic relations with the EEC. The 1994 cooperation agreement signed between EU and India took bilateral relations beyond merely trade and economic cooperation. Together with the Joint Political Statement signed in 1993 it opened the way for annual ministerial meetings and a broad political dialogue. Cooperation between India and the EU on industrial issues, and understanding of the regulatory
framework has been growing in recent years. Under the ‘Joint Initiative to Enhance Trade and Investment’ India and EU agree to take positive steps to further increase bilateral trade and economic cooperation and to tackling barriers to trade and investment. Private sector contracts would also be further developed. While trade and investment flows between India and the EU have been increasing, they remain below potential. Therefore, to enhance economic cooperation the following steps are proposed, High Level Trade Group, World Trade Organisation/Doha development Agenda, Public Private Partnership (PPP), Intellectual Property Rights (IPR), Development Cooperation, Technical Barriers to Trade/Sanitary and Phytosanitary Issues (TBT/SPS), Trade Defence Instruments, Services.

According the A. B. Vajpayee (India’s Former Prime Minister) at India-EU Business summit at Copenhagen (Oct 9, 2002), “the EU is of great importance to us as India’s largest trading partner accounting for about quarter of our external trade. It is the largest overseas investor in India. Much of its investment is in high technology areas.”

According the EU’s Trade Commissioner Pascal Lamy at Luncheon meeting at CII (March 14, 2003), “The cornerstone of the EU-India relationship lies in trade and investment. The EU is India’s largest trading and investment partner. The EU is also India’s biggest partner in development cooperation and the second largest source of foreign direct investment.”

According the Manmohan Singh (India’s Former Prime Minister), at eight India-EU summits were held in Delhi. He noted that bilateral trade and investment between India and EU has been growing steadily and reflects the strengthening of bilateral economic ties. The sides also took note of the further work of the High Level Trade Group since the last summit when it was decided to work towards concluding a Broad Based Trade and Investment Agreement. India and the EU welcomed the progress achieved in the first few rounds of negotiations on the India-EU Trade and Investment Agreement and reaffirmed commitment to further intensify negotiations.

Subhash Kapila (2008) had discussed on “European Union-India Strategic Partnership”. The European Union- India strategic partnership has been in formal existence since 2004 and has been evolving substantially thereafter. However, the EU-India Strategic Partnership has not received the public prominence as it seems to get over shadowed by India’s pre-occupations with managing its long-standing and
time tested strategic partnership with the United States. Yet a more significant reason is that while India’s engagement with Russia and the United States commenced meaningfully in 1947 onwards, after its independence, India’s engagement with the major countries of the European Union, namely United Kingdom, France, Germany has been long standing and pre-dates 1947. Britain ruled India for nearly two hundred years, France had colonial settlements in India for about the same time and Germany though without any colonial linkages to India was strong in the cultural fields with eminent German scholars steeped deeply in Ancient Indian history, Sanskrit epics and literature. Each of these three major countries of the European Union had therefore deep and positive imprints in India. This is a strong contributory factor to the evolution of a substantial EU-India strategic partnership and imports a promising future.

According the Gareth R. Thomas MP\textsuperscript{34}, (Parliamentary Under-secretary of state for trade and consumer affairs, Deutsche Bank, Great Winchester Street, London), (24\textsuperscript{th} April 2008). At the start of 2008, Gordon Brown led a Business delegation to New Delhi. Together with Prime Minister Singh, he underlined the need for “a confident 21\textsuperscript{st} century India, working with a confident 21\textsuperscript{st} century Britain”. UK-India bilateral trade, already $ 10 billion per year, the UK is India’s fourth largest trading partner, India’s number one partner in Europe. In India services is the fastest growing sector and continues to grow at 10\% every year. The UK and our EU partners stands to benefit from Indian services, “off shore” skilled Indian customer service professionals drive business success, “on shore” the EU must continue to attract high quality Indian talent, the million graduates India produces every year. The UK service sector has much to offer India, Retail accountancy, advice on European law and obviously in financial services. India is now the fastest growing aviation market in the world. Delhi Airport has plans to handle 100 million passengers a year, more than any airport in the world.

He also noted that India is an important trade partner for the EU and a growing global economic power. It combines a sizeable and growing market of more than 1 billion people with a growth rate of between 8 and 10\%, one of the fastest growing economies in the world\textsuperscript{35}. Although it is far from the closed market that it was twenty years ago, India still also maintains substantial tariff and non-tariff barriers that hinder trade with the EU. The EU and India hope to increase their trade in both, goods and
services through the Free Trade Agreement (FTA) negotiations that they launched in 2007, early 1990s India has embarked on a process of economic reform and progressive integration with the global economy that aims to put it on a path of rapid and sustained growth. Per capita incomes more than doubled during the period 1990-2005. In parallel, EU-India trade has grown impressively and doubled from €28.6 billion in 2003 to over €55 billion in 2007. EU investment to India has more than tripled since 2003 from €759 million to €2.4 billion in 2006 and trade in commercial services has more than doubled from €5.2 billion in 2002 to €12.2 billion in 2006. However, India’s trade regime and regulatory environment still remains comparatively restrictive and in 2008 the World Bank ranked India’s 120 (out of 178 economies) in terms of the ‘ease of doing businesses’. In addition to tariff barriers to imports, India also impose a number of non-tariff barriers in the form of quantitative restrictions, import licensing, mandatory testing and certification for a large number of products, as well as complicated and lengthy customs procedures.

According to Manhohan Singh36 (India’s Former Prime Minister) at after 10th India and European Union summit in the Indian capital, “We have expressed the hope the negotiations can be completed in one year”. The EU and India set an ambitious target of more than doubling their bilateral trade to 2000 billion dollars in the next four years if a free-trade deal is concluded. Swedish Trade Minister Ewa Bjorling, who attended the summit said, “a lot of work needs to be done” to finalize a free-trade accord. EU trade commissioner Catherine Ashton said, EU negotiators wanted to give people “greater opportunities for jobs greater opportunities for business and to make sure everything we do supports our ambitions on the environment.

According to Mannmohan Singh37 (6th, November, 2009) at India –EU free trade agreement - 2010, this news given by Naveen Kapoor on (Thaindian News Portal), “We would conclude free trade agreement within a year”. Seven rounds of discussions between the representatives of both sides have already taken place but so far no agreement has been hammered out; European Union is India’s largest trading partner and India exports 23 per cent of its manufactured goods to countries of the group. Duly cuts, market access on service sector, IPR as well as toning down non-tariff barriers have remained the main sticking points during the discussions and have remained main obstacles in conclusion of the agreement. Experts believe that adoption of Lisbon Treaty by the EU will make the negotiations even tougher as
according the new agreement each and every bilateral agreement will be discussed in the European Parliament.

Amir Ullah Khan had studied, “Exports grow Imports shoot up: All well with India’s external trade”. he noted that India’s export target of $ 123 billion for 2006-07 has been met and the government hopes to achieve $ 160 billion in the current financial year. In addition to goods, services worth $ 76 billion have been exported. This growth in exports is remarkable but not surprising given the fact that India holds clear comparative advantages in a large number of goods and in the new area of services trade. Exports bring in valuable foreign exchange, create employment and faster competitiveness. What is also interesting is diversify of India’s exports. Unlike most countries that depend on trade with the US alone. India’s exports go to a large number of countries. In fact, in the export basket, India’s most important trading partner is the European Union. A diversification in the export-import basket is important for countries that must reduce their dependence only on one or two markets. And the Indian trade sector is clearly diversified, both in terms of the large number of products it exports and imports and in the number of countries it trades with. India’s exports are now reaching a larger number of countries and more items of export are being traded. The same study repeats in terms in imports. Trade with European Union and the Gulf has been increasing rapidly.

He also noted that the India-EU trade has grown impressively over the years from € 4.4 billion in 1980 to over € 46 billion in 2006. Trade with the EU represents almost 20% of India’s exports and imports and the EU thus as a block in India’s largest trading partner. The EU is also India’s largest source of foreign direct investment. However, India attracts only 1.3% of the EU’s World-Wide investment. The EU accounted for 18.9% of India’s exports and imports in 2005. India ranks as EU’s 9th trading partner accounting for 1.8% of EU exports and Imports. In 2006, EU imports from India amounted to € 22.4 billion (covering mainly textiles/clothing, agricultural products and chemicals) while EU exports to India amounted to € 24 billion (covering mostly machinery and chemical products). During 2006 EU-India trade increased by almost 16% and has increased with an annual average of 13.6% between 2002 and 2006. Bilateral trade in services has grown substantially in recent years and in 2004 India’s exports of commercial services to the EU amounted to € 3.8
billion in 2004 (up from € 3.0 billion in 2003) while the EU’s exports to India amounted to € 3.3 billion in 2004 (up from € 2.7 billion in 2003).

Christa Wichterich and Rajput Pam\textsuperscript{40} had studied “Economic growth without social justice: EU-India trade negotiations and their implications for social development and gender justice”. The negotiations on a bilateral trade and investment agreement between the, “two largest democracies in the world” have to be seen in the context of fast changing global economic relations and the growing significance of the emerging markets in Asia. Both sides consider an export-led and free trade oriented strategy a powerful driver of economic growth, development and employment. India is in the process of adopting in a “grand lead forward” the liberalisation model enhancing its export industries in manufacturing and information technologies and its access to foreign markets.

According the WTO Director, Pascal Lamy, “We want to make our development aid efficient and trade enhancing which is possible if we address one by one the number of bottle necks. It is not a question of conditionality”. He also said that, “Trade and trade policies have today become fundamentally important tools in the fight against poverty”. Bilateral EU-India FTA key interest of India, prioritising services, investment related movement of natural persons, national treatment for investors operating in the EU. Increase in the export of textiles and clothing to the EU by 46 per cent (worth 3.6 billion euro).

The complete information of India’s foreign relations, the European Union and India agreed on September 29, 2008 at, France’s largest commercial port to expand their cooperation in the field of nuclear energy and environment protection and deepen their strategic partnership.

According the Nicolas Sarcozy\textsuperscript{41} (French President), at the EU-India summit in Marseille. The EU’s rotating President, said at a joint press conference at the summit, “EU welcomes India as a large country to engage in developing nuclear energy adding that this clean energy will be helpful for the world to deal with the global climate change”. He also said the EU and Indian Prime Minister Manmohan Singh pledged to accelerate talks on a free trade deal and expected to finish the deal by 2009. The Indian prime Minister was also cautiously optimistic about cooperation on nuclear energy. “Tomorrow we have a bilateral summit with France. This matter will come up and I hope some good results will emerge out of that meeting, “Singh
said that he was “very satisfied” with the result of the summit. He added that EU and India have “common values” and the two economies are complementary to each other. Trade between India and the 27 nations of EU has more than doubled from 25.6 billion euro in 2000 to 55.6 billion euro in 2008, with further expansion to be seen. Singh told to reporters that we have agreed to achieve an annual bilateral trade turnover of 100 billion euro within the next five years.

**Europe India Chamber of Commerce (EICC), commonwealth Business council and the Global organisation has discuss, “Charting a new course in India-EU Relations”** 42 (8 and 9 November 2005). India stature as a vibrant democracy has always been admired by the rest of the world. Today India is not considered to be such a laggard after all. The positive aspect of India’s economic growth in the context of its democratic set-up is seen to be a huge plus in its favour when compared to China. It is not surprising then the European Union has begun to pay much more attention to India in the past couple of years. The signing of the strategic partnership between India and Europe is evidence of this growing engagement. And therein lies a huge opportunity for India to engage with the European Union and enhance trade, investment and business partnership with a region that boast of some of the most developed countries in the world, is home to 450 million people and witnessing astonishing growth rates among its new member states such as Lithuania. There is a need to initiate dialogue between legislators and business in both entities to harness mutual potential. The rise of India is a phenomenon that has never been seen in the annals of the new global economic order. The economic reform is delivering prosperity to its people, creating an environment for greater interaction between economic and political forces. Big chances are on the horizon in the world of foreign direct investment as India is overwhelmingly considered to be the corporate investor’s primary location for offshore activities. The positive aspect of EU-India trade is that India’s share of total EU imports and exports is growing significantly. In 2004, according to Eurostat, EU imports from India grew by 16 per cent against 2.8 per cent the previous year. Similarly, EU exports to India grew by 17.2 per cent in 2004, compared to just 1.7 per cent the previous year. Analysing the situation, **Haleh Brid**, Director World Bank, Europe said, “India is almost there among the G-8 countries. A lot of growth has been because of the service sector. Exports of services are a large component of the growth, while in the EU, this growth in 4.5 per cent in India’s case
it is 17 per cent. However, due to problems such as a large fiscal deficit, rigid labour laws a complicated regulatory system, India is not benefiting to the fullest from trade and investment.

According the **Federation of Indian Chambers of Commerce and Industry**\(^3\) report shows the “12\(^{th}\) EU-India Round Table on India-EU Trade Investment current status and Issues”, India’s engagement with EU in trade in goods has increased by 2.7 times between 2000 and 2007. Currently, India’s annual trade with EU is to the tune of $ 56.6 billion. Already, in the first nine months of 2007-08, the trade has touched $ 50 billion and is expected to touch $68 billion for 2007-08. Although, growth rate of trade was negative in 2001-02, but it grew to 18.8% in 2002-03. Growth rate has been increasing and it reached 31.1% in 2005-06. But it has fallen again to 15.1% in the year 2006-07. Average growth rate for this period was 18% for the overall trade in goods with EU. At the existing average growth rate, bilateral trade was expected to cross $ 110 billion by 2010 and $ 250 billion by 2015, after implementation of FTA in goods. India’s exports to EU were $ 26.8 billion in 2006-07 and it has already reached $ 24.4 billion for 2007-08 (April-December). Exports have grown by 2.64 times in 2006-07 over 2000-1. In 2000-01 India’s exports to EU were $ 10.6 billion. EU accounts for 21% share in India’s total exports followed by US (15%), UAE (9.5%) and China (6.5%). Average growth rate of India’s exports to EU was 16% for the period 2000-01 to 2006-07. India’s exports to EU increased at a high rate of over 20% for three consecutive years, i.e.between 2003-2005. The share of EU in India’s total exports has fallen down to 21.2% in the year 2006-07, while it was 23.9% in the year 2000-01. However, the share has increased by 0.3% and has reached to 21.5% for 2007-08 (April-December).

**Yvan Decreax** and **Cristina Mitaritonna**,\(^4\) has studied “Free Trade Agreement between the European Union and India”. It reflects the views of its authors and not necessary the views of the commission. This report proposes an assessment of the outcome of a free trade agreement between India and the European Union, limited to the impact of a FTA in goods and services. Other impacts, such as potential gains in productivity, that should be expected, are not taken into account given the lack of appropriate empirical estimates of such impacts. It is also important to acknowledge that liberalisation of trade in services, the overall impact in terms of Indian real income is sensitive to the inclusion of relevant sectors for India in the negotiations,
and in particular the services sector will be important for India to reap the full welfare benefits of a FTA with the EU.

The information of **fifth EU-India Summit**, Council of the European Union, The Hague, and 8 November 2004, Fifth India-EU summit, joint press statement; the Netherlands, on 8 November 2004.

According the **Kamal Nath** at fifth EU-India Summit (8 November 2004), India and the EU representing the largest democracies in the world reiterate that their partnership is based on the sound foundation of shared values and beliefs. Our common commitment to democracy, pluralism and rule of law and to multilateralism in international relations is a factor for global stability and peace. We recognise that our partnership has evolved over the years from economic and development cooperation, to acquire higher political and strategic dimensions, and that this should be further strengthened through more intensive dialogue. Both the EU and India played pivotal role in the formation and adoption of the text and worked closely and constructively together on key parts thereof. We reaffirm that the development dimension remains at the heart of the on-going negotiations. We will continue our working relationship throughout the remainder of the Round and thereby contribute to a successful conclusion of the Round.

**Summary:**

Most of the above cited studies have explored the India’s trade relations with European Union. Above referred literatures also indicates the comparatively trade relations of EU with India and other countries in the world. This study also imparts the EU’s competition law and also referred some Economists view to trade relations between India and European Union.

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