



Changing dimensions of India-European Union relations: An appraisal

Dr. Jayaraj Amin

Department of Political Science, Mangalore University, Karnataka, India

Abstract

India-European Union (EU) relations have moved beyond the traditional donor-recipient relation, and witness a vibrant cooperation on a range of issues encompassing trade and economic, political and security dimensions with regular interaction at the Summit, official, civil society, business and academic levels. The democratic approaches of both based on mutual respect and equality have facilitated the adoption of major initiatives of global consequence, such as the India-Middle East-Europe Economic Corridor (IMEC), besides a large number of partnership agreements. Yet, the relationship is witnessing deadlocks on certain issues like the India-EU Free Trade Agreement (FTA) due to divergent perspectives. While the EU insists on liberalisation of areas of its interest and advancement of its preferred values like democracy, human rights, etc., India is on guard and keen on protecting its sensitive sectors, employment for the large youth population and maintaining strategic autonomy without outside dictates. Nonetheless, the common concerns have prompted both to extend the scope of the cooperation regularly. But given the challenging global developments, both need to intensify their relationship further in a mutually acceptable framework. This article analyses the context and the changes in the relationship between the two over a period of time, the nature of the partnership and perspectives and the setting that requires closer cooperation.

Keywords: European Union, India, development cooperation, strategic partnership, trade and economic relations

Introduction

India was one of the first countries to establish diplomatic relations with the six members European Economic Community (EEC), predecessor of the European Union (EU), in 1962. India was a major beneficiary of the Food Aid Convention (1967), and was the initial recipient of the first programme of financial and technical assistance to non-associated developing countries in 1976^[1]. However, from such a donor-recipient relation, today the relation between India and the EU has become one of equal partnerships and respect. This change is both because of the change in policy perspectives of the EU, largely conditioned by global developments and India's capability. Going beyond economic assistance, the relation between the two today encompasses multi-dimensional trade relations, developmental, civil society, environmental, political and strategic aspects and initiatives, and common positions on global issues. This transformation has a significant effect on the status of both the emerging power centres as well as on the global power configuration. Hence, in the fitness of things, it would be pertinent to examine the transformation of the relation between the two.

Background: Although India was a beneficiary of the EEC's Food Aid Convention of 1967, it was the Generalised System of Preferences (GSP) provisions that evolved in 1971 that became the framework of the EEC's relations with developing countries, including India. The entry of Britain into the European Communities (EC) in 1973 further brought India closer to the EC and its member states, and the relationship between the two began to strengthen. India signed its first Commercial Cooperation Agreement with the EC in December 1973, which was further supplemented by another agreement in June 1981. The 'third generation' cooperation agreement was signed in 1994 in the backdrop of increased confidence of the EU with the end of the Cold War and triumph of liberal democracy.

In the post-Cold War period, with increasing stress on globalisation and liberalisation, the EU began to take the lead in evolving the liberalised world in accordance with its preferences. In such a drive EU sought to design a world where its political values are also shared by the rest, and trade became the tool to effect such a design. This is evident in its 1992 Council Regulation on "Financial and technical assistance and economic cooperation with the developing countries in Asia and Latin America" that not only highlighted the growing importance of Asia but also that the values preferred by EU – human rights, democratisation, good governance, protection of the environment, trade liberalisation – as part of the development and priority areas in assistance^[2].

In the 1990s, countries of the Southeast, with their new technological advancement, particularly in the electronics field, became challengers to European products, including in automobiles and consumer goods, and their speedy development began to attract global attention. The EU's increased attention towards new regions and countries in Asia, coupled with India's structural reforms in the 1990s and its subsequent impressive growth now expedited the move beyond trade relations into deeper cooperation. With a large pool of technically competent human resources and an expanding middle class, coupled with impressive growth with structural reforms and a democratic path, India naturally became an attractive country to the EU for closer cooperation, but with the infusion of political values (in tune with its 1992 regulation) as a framework, as evident in the 1994 agreement.

India-EU strategic partnership: Subsequent to the 1994 agreement, regular political dialogues between the two led to annual summits from 2000 onwards. Upgrading the relationship was the conclusion of a 'Strategic Partnership' between the two during the 5th India-EU summit held in 2004, making India one of the select ten global EU partners.

This strategic partnership was a turning point in the relations between the two, as cooperation began to intensify in diverse sectors to evolve common ground and joint action for the benefit of both. As an offshoot of strategic partnership, the 2005 Joint Action Plan (JAP), revised in 2008, to implement the multi-dimensional strategic partnership committed both parties to strengthen dialogue, deepen pluralism, democracy, regional cooperation, fight against terrorism, and encourage people-to-people contact. It also called for cooperation in other areas like science and technology, transport, environment and climate change, civil aviation, energy, trade and investment, etc. and provided a blueprint for cooperation [3]. As a follow-up to the JAP, many dialogue initiatives were instituted, such as foreign policy consultations at the level of secretaries, annual security dialogues, India-EU ad-hoc dialogues on Human Rights, besides the Joint Commission dealing with economic and commercial issues, and a Joint Working Group on the environment [4].

Trade and economic relations: In trade matters, the 1994 and subsequent cooperation agreements increasingly focused on structural reforms and alignment with government (sectoral) policies. The coherence and direction of the EU development policy were visible in the EU's Country Strategy Paper for India (CSP), 2007-2013, with a budget of about € 210 million [5]. And this focus on a transformative agenda could be best seen in EU support to two of its preferred areas in India – Health and Education, where it joined hands with Indian programmes – Sarva Shiksha Abhiyan (SSA) and National Rural Health Mission (NRHM) – and sought to effect changes across the sector, rather than to provide aid for specific projects [6]. The EU's involvements in India's developmental activities were supplemented by dialogues and exchanges in several areas. In June 2017, the EU committed € 3.5 million under its Asia Investment Facility (AIF) for implementing the 'Mobilise Your City' initiative (to improve urban mobility and reduce carbon footprint, benefitting Nagpur, Kochi, and Ahmadabad) along with France [7]. The EU also supported sectoral dialogues and cooperation in trade, science and technology, health, customs cooperation, academic exchanges and research and innovations, etc.

While aligning with India's economic programmes with the hope that it will reduce poverty, aid development and help India to integrate with the global economic system, the values that EU held as important such as human rights, governance, environment, etc. are emphatically included, and in its operation/implementation the private sector, civil society, and NGOs are roped in wherever possible [8]. However, India has not been submissive to all the demands of the EU. In fact, in tune with the 2006 EU 'Global Europe- Competing in the World' strategy that sought to reorient bilateral trade agreements through a new generation of Free Trade Agreements (FTA), the EU has been negotiating a Broad-Based Trade and Investment Agreement (BTIA) since 2007 with India, which is yet to be finalised [9].

Nonetheless, bilateral relations have continued to flourish. The EU is India's second-largest trading partner, accounting for trade in goods worth €120 billion in 2024, or 11.5% of India's total trade. India is the EU's 9th largest trading partner, although accounting for only 2.4% of the EU's total trade in goods in 2024. Trade in goods between the EU and

India has increased by almost 90% in the last decade. India's exports comprise mainly machinery and appliances, chemicals, base metals, mineral products, and textiles, while imports consist of machinery and appliances, transport equipment, and chemicals. The EU's share of Foreign Direct Investment (FDI) stock in India reached €140.1 billion in 2023, up from €82.3 billion in 2019, making the EU a leading foreign investor in India. The stock of India's FDI in the EU was €10.2 billion, and some 6,000 European companies are present in India [10]. Bilateral Trade in Services in 2023 stood at US \$ 53 billion (comprising Indian exports worth US \$ 30 billion and imports worth US \$ 23 billion), registering the highest ever trade in services [11].

Scope of relations: The "India-EU Strategic Partnership: A Roadmap to 2025" adopted in July 2020 guides the bilateral relationship. At the Leaders Meeting in May 2021, besides giving a push to the FTA agreement and an agreement on Geographical Indications, both agreed to launch an ambitious and comprehensive 'Connectivity Partnership' (involving digital, energy, transport and people-to-people connectivity) [12]. Concretising the proposal in September 2023, on the sidelines of the G-20 Summit in New Delhi, a new India-Middle East-Europe Economic Corridor (IMEC) was launched [13]. An India-EU Trade and Technology Council (TTC) as a strategic coordination mechanism to tackle challenges at the nexus of trade, trusted technology, and security was also set up consequent to the Meeting of the President of the European Commission, Ursula von der Leyen, with the Indian Prime Minister in New Delhi in April 2022 [14].

Besides, the range of meetings between Indian and EU policy makers and officials on Foreign Policy and Security, Energy, Science and Technology, Maritime Security, Cyber, Counterterrorism, Non-proliferation and Disarmament, Renewable Energy, Energy Security etc. (several other dialogue mechanisms have been subsumed under the TTC mechanism) have taken place. Regular parliamentary exchanges are also an important facet of the strategic partnership. This includes, among others, a delegation of Members of the European Parliament from the Internal Market Committee (IMCO) visiting India in January 2025 [15].

Other notable joint initiatives included joint naval exercises in the Gulf of Guinea (October 2023), India-EU Clean Energy and Climate Partnership (2016), India-EU Water Partnership (2016), Agreement for R&D cooperation in peaceful uses of nuclear energy (2020), etc., apart from India-EU Common Agenda on Migration and Mobility and India-EU cooperation in space that dates back to the 1980s. In each of these areas, details of cooperation are worked out. In addition, India has also joined CERN, the European Organisation for Nuclear Research, as an associate member (2017), and the EU has become the dialogue partner of the Indian Ocean Rim Association (IORA) since October 2023 [16]. In other words, India-EU relations today encompass a range of items involving trade, economic, security, S&T, energy and political dialogues on diverse issues of common concern and interests. The shared values and views on rule-based global order, democracy, and environment, in the backdrop of the Chinese Belt and Road Initiatives (BRI), the uncertain US position on global issues and unrest in West Asia have brought the two on the same track.

Divergent interests: Notwithstanding the cooperation in diverse areas, the relations have not always been smooth. EU still views India's trade regime and regulatory environment as relatively restrictive, and holds that Technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, deviation from internationally-agreed standards, as well as discrimination based on legislative or administrative measures by India, affect a wide range of sectors, including goods, services, public procurement and investment^[17].

But India, keen on self-reliance and with its focus on its large young population and strategic autonomy, does not share fully the EU's views on global economic integration or its views on Human rights, environment etc. linked to trade relations or with EU's selective interpretation of WTO provisions to the neglect of areas of importance to India like agriculture, textiles etc. and resist attempts to align India with the EU preferences^[18]. It is also silent on the EU's views on Russia as an aggressor in the Ukraine conflict and does not endorse the double standard of the EU concerning China's human rights issues or some EU countries accepting the Chinese BRI. Aware of India's sensitivities, the EU has not been forceful in imposing its preferred values and norms on India, yet in discussions whenever issues come up, India has always guarded its position, including on India-EU FTA, where it has opposed opening up all sectors to tariff-free entry of the EU.

Concluding remarks: In 2011, the EU adopted "The Agenda for Change", in which the focus was on helping those who 'needed most' and the adoption of the principle of 'differentiation'. By this standard, India was excluded from GSP as it has witnessed substantial growth^[19]. On the other hand, India itself has demonstrated confidence in its dealings with the EU, backed by its economic progress and focus on strategic autonomy. Hence, there is no gainsaying that India-EU relations have moved beyond traditional donor-recipient relations into a new phase of multi-sectoral relations based on equality, mutual respect and broad global concerns. The relations have seen at times high and low, but with the realisation of the importance of cooperation for both in the emerging global scenario, both have stressed dialogue, partnership and consensus to carry forward the process of cooperation. The soft power approaches of both with stress on democratic norms and accommodation have brought them closer and globally acceptable. However, given the difficulties in evolving a global consensus on pressing issues, much is expected from both, and the relation between the two requires intensification for their own good and for the good of others.

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