

INDIA-EUROPEAN COMMISSION PARTNERSHIP - ECONOMY

NEWS: *Recently, a delegation led by **European Commission (EC) President Ursula von der Leyen** is **in India** for a two-day visit exploring a 'security and defence partnership'*

WHAT'S IN THE NEWS?

India-EU Relations: Key Milestones

1. Establishment of Diplomatic Relations (1962)

- In 1962, India formally established **diplomatic relations** with the **European Economic Community (EEC)**, which was an economic organization created to facilitate regional economic integration among European nations.
- The EEC later transformed into the **European Union (EU) in 1993**, expanding its scope to include broader political and economic cooperation beyond just trade.
- India's early engagement with the EEC laid the foundation for a long-term relationship, initially focused on **trade, economic cooperation, and development assistance**.

2. India-EU Cooperation Agreement (1994)

- In 1994, India and the EU signed the **Cooperation Agreement**, which aimed to enhance and structure their economic and trade relations.
- This agreement **expanded the scope of engagement** beyond a basic trade relationship to include **development cooperation, technology exchange, investment facilitation, and structured policy dialogues**.
- The Cooperation Agreement provided a **formal mechanism** for regular discussions on economic, political, and global issues of mutual interest.

3. Strategic Partnership (2004)

- In 2004, India and the EU **elevated their relationship** to a **Strategic Partnership**, recognizing their growing economic interdependence and shared global interests.
- This upgrade signified a shift from **trade-centric** engagement to a **comprehensive partnership**, covering:
 - **Security and counter-terrorism cooperation**
 - **Multilateral diplomacy and global governance**
 - **Collaborative efforts on climate change, peacekeeping, and sustainable development**
- The strategic partnership underscored India's growing influence as a **key global player** and emphasized the need for greater collaboration on international security, trade, and economic stability.

4. India-EU Strategic Partnership Roadmap to 2025 (2020)

- In 2020, India and the EU jointly adopted the **India-EU Strategic Partnership: A Roadmap to 2025**, which laid out **ambitious goals** for strengthening cooperation over the next five years.
- This roadmap set clear objectives for collaboration in various sectors, including:

- **Digital transformation and innovation** (5G, AI, cybersecurity)
- **Climate action and sustainable energy transition**
- **Strengthening multilateralism and promoting a rules-based international order**
- **Enhancing global peace and security cooperation**
- The agreement reaffirmed India and the EU's **commitment to free trade, economic resilience, and sustainable development.**



Economic Cooperation

1. Trade Relations

- The EU is **one of India's largest trading partners**, accounting for **11% of India's total global trade** as of 2023.
- The EU's share in India's trade surpasses that of **the USA (10.8%)** and **China (10.5%)**, highlighting its significance in India's economic landscape.

2. Bilateral Trade Volume (2023)

- The total value of **India-EU bilateral trade** (including goods and services) reached **approximately €120 billion** in 2023.
- Major sectors contributing to this trade include:
 - **Machinery and engineering goods**
 - **Pharmaceuticals and medical supplies**
 - **Textiles, garments, and fashion accessories**
 - **Automobiles and auto components**

3. Indian Exports to the EU

- The **EU is the second-largest destination** for Indian exports, receiving **17.5% of India's total exports** in 2023.
- The **USA remains the top export destination** with **17.6% of Indian exports**, while **China ranks fourth**, receiving only **3.7% of India's exports**.

4. Foreign Direct Investment (FDI) and Business Ties

- The **EU is among the largest foreign investors in India**, with cumulative **FDI inflows exceeding \$100 billion**.
- Key sectors receiving EU investments include:
 - **Automobile manufacturing and electric vehicles (EVs)**
 - **Renewable energy projects (solar, wind, and green hydrogen)**
 - **Information technology and software services**
 - **Financial services and fintech innovations**
- European companies continue to expand operations in India due to its **large consumer market, skilled workforce, and favorable investment policies**.

5. Supply Chain Resilience

- India and the EU are working to **diversify global supply chains**, focusing on **reducing dependency on China** in key industries.
- Strategic areas of cooperation include:
 - **Semiconductors and advanced electronics**
 - **Pharmaceuticals and medical supplies**
 - **Critical minerals and rare-earth elements**
- The objective is to **enhance economic security** by ensuring stable and reliable supply chains for essential products and technologies.

6. Free Trade Agreement (FTA) Negotiations

- Since **2007**, India and the EU have been negotiating the **India-EU Free Trade Agreement (FTA)**, officially known as the **Broad-Based Trade and Investment Agreement (BTIA)**.
- The agreement seeks to:
 - **Reduce tariffs and trade barriers** on goods and services
 - **Enhance market access** for businesses from both regions
 - **Align regulatory standards** to facilitate smoother trade
 - **Encourage greater foreign investment and economic integration**

Strategic and Security Cooperation

1. Maritime Security and Indo-Pacific Strategy

- India and the EU **coordinate maritime security efforts** under:
 - **EU's Global Gateway Strategy**
 - **India's Indo-Pacific Strategy**
- Both frameworks aim to ensure **free and open sea lanes**, particularly in the **Indian Ocean and Indo-Pacific region**, to safeguard maritime trade and counter security threats.

2. Counter-Terrorism Cooperation

- The **India-EU Counter-Terrorism Dialogue** promotes:
 - **Intelligence-sharing on terrorist networks**
 - **Joint efforts to combat radicalization and cyber threats**
 - **Strategies to prevent terror financing and cross-border threats**

3. Defense and Security Collaboration

- India and the EU are exploring deeper **defense partnerships**, focusing on:
 - **Joint military exercises and security training**
 - **Cybersecurity cooperation and defense technology sharing**
 - **Defense manufacturing collaborations under Make in India initiatives**

Climate Change and Sustainable Development

1. India-EU Clean Energy and Climate Partnership

- The partnership focuses on:
 - **Renewable energy expansion** (solar, wind, and hydropower)
 - **Energy efficiency improvements** in key sectors
 - **Green financing mechanisms** for clean energy projects

2. International Solar Alliance (ISA)

- The EU actively supports India's ISA initiative, which aims to **promote large-scale adoption of solar energy worldwide** to reduce reliance on fossil fuels.

3. EU-India Green Hydrogen Partnership

- Aims to promote the **use of green hydrogen** as a **clean fuel alternative** in industrial applications.
- Encourages investments in **hydrogen production, storage, and distribution technologies**.

Technology and Digital Transformation

1. India-EU Digital Partnership

- The partnership focuses on **emerging technologies**, including:
 - **5G infrastructure development**
 - **Artificial intelligence (AI) collaboration**
 - **Cybersecurity frameworks to protect digital assets**

2. Data Protection and Privacy

- India and the EU are working to **align data protection laws** to:
 - **Ensure secure cross-border data flows**
 - **Promote ethical use of AI and digital technologies**
 - **Strengthen consumer data privacy standards**

Geopolitical and Multilateral Engagement

- **G20 (India hosted the G20 Summit in 2023 with strong EU participation)**
 - India hosted the G20 Summit in 2023, highlighting its leadership in global economic governance.

- The EU actively participated in discussions on trade, digital economy, climate change, and sustainable development.
- Strengthened India-EU collaboration on economic resilience and global policy coordination.
- **United Nations (India supports EU's role in global governance)**
 - India recognizes the EU's influence in global governance despite its non-member status in the UN.
 - Both partners collaborate on peacekeeping, climate change, and sustainable development.
 - India seeks EU support for a permanent seat in the UN Security Council.
- **World Trade Organization (WTO) (Both advocate for fair trade practices)**
 - India and the EU support a rules-based multilateral trading system under the WTO.
 - Both advocate for fair trade, dispute resolution, and market access for developing economies.
 - Differences remain in areas such as agricultural subsidies and digital trade regulations.

Challenges in the India-EU Partnership

- **Trade Barriers**
 - India imposes high tariffs on European automotive products, wines, and dairy products.
 - EU has strict non-tariff barriers on Indian pharmaceutical and agricultural exports.
 - Differences in market access slow down Free Trade Agreement (FTA) negotiations.
- **Human Rights and Labor Standards**
 - The EU raises concerns about labor laws, fair wages, and workplace safety in India.
 - Environmental sustainability issues in industries like manufacturing and resource extraction.
 - Regulatory differences in digital governance and data privacy.
- **Geopolitical Divergences**
 - India's neutral stance on the Russia-Ukraine war causes friction with EU nations.
 - The EU imposed sanctions on Russia, while India maintained economic ties, especially in energy trade.
 - India promotes dialogue and a balanced foreign policy approach.
- **Regulatory Hurdles**
 - Differences in **data protection laws** between India's upcoming regulations and the EU's GDPR.

- Intellectual Property Rights (IPR) disputes, particularly in the pharmaceutical industry.
- Disagreements over **digital taxation policies**, especially regarding multinational tech companies.

Future Prospects

- **Expansion of India's role in EU-led global initiatives**
 - Greater Indian involvement in the **Global Gateway Initiative** for infrastructure and digital connectivity.
 - Increased cooperation in **climate financing projects**, focusing on green hydrogen and renewable energy.
- **Conclusion of the India-EU Free Trade Agreement (FTA)**
 - FTA negotiations expected to conclude soon, enhancing trade and investment.
 - Reduction of tariffs and market access improvements for both economies.
 - Stronger trade facilitation in pharmaceuticals, automobiles, and IT services.
- **Enhanced defense cooperation**
 - Collaboration in **joint military exercises, technology transfers, and cybersecurity**.
 - Interest in **joint defense production**, particularly in naval systems and cyber defense.
 - EU's Indo-Pacific security strategy aligns with India's regional defense priorities.
- **Stronger collaboration in space technology and AI-driven innovation**
 - India's participation in **Horizon Europe**, the EU's key research program.
 - Joint projects in **satellite communication, AI-driven industries, and biotechnology**.
 - Focus on **ethical AI development, cybersecurity, and digital governance**.

Conclusion

- India and the EU are **deepening their strategic partnership** in trade, security, technology, and climate action.
- Despite challenges, both sides are committed to **resolving trade and regulatory hurdles**.
- **Finalization of the FTA, stronger defense ties, and joint innovation projects** will boost cooperation.
- The India-EU partnership will play a **key role in shaping the global economic and security landscape** in the coming decades.

European Commission (EC)

1. Historical Background

- Originates from the European Economic Community (EEC) established in 1958 via the Treaty of Rome.

- The Maastricht Treaty (1993) expanded its powers, making it a central EU institution.
- The Lisbon Treaty (2009) further strengthened its governance role.

2. Structure and Composition

- Acts as the **executive arm** of the European Union (EU).
- Headquartered in **Brussels, Belgium** and operates independently of national governments.
- Composed of **27 Commissioners**, one from each EU member state, appointed for a **five-year term**.

3. Key Components

- **President of the Commission:**
 1. Nominated by the **European Council**, approved by the **European Parliament**.
 2. Sets the **overall political agenda** of the Commission.
 3. Appoints **Vice-Presidents** and assigns portfolios to Commissioners.
- **Commissioners (College of Commissioners):**
 1. Each EU member state nominates **one Commissioner**.
 2. Responsible for specific **policy areas** like trade, environment, and competition.
- **Directorates-General (DGs) and Services:**
 - Function like **ministries**, drafting policies and implementing laws.
- **High Representative for Foreign Affairs and Security Policy:**
 1. Oversees **EU diplomatic and security policies**.
 2. Also serves as **Vice-President of the Commission**.

4. Functions of the European Commission

- **Legislative Initiative:** Proposes new laws for the EU.
- **Enforcement of EU Laws:** Ensures member states comply with EU regulations.
- **Policy Implementation & Budget Management:** Administers EU policies and allocates financial resources.
- **International Representation:** Represents the EU in global trade and diplomacy.

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