

CHAPTER-2

The ties between India and European Nations can be trace back from ancient times when Indian traders find the trade route towards Europe through ancient Silk Road. It was in the 15th century when the main European power's such as the Dutch, the French, the Portuguese and Britain start taking interest in India. Their main purpose was to expand their trade and market in India. However the dynamics of relations among the European power ultimately opportune Britisher's, who remains here for three centuries. When India was on the verge of getting its independence from British rule, European leaders were busy for a European Economic Unification. After getting independence from British rule, India raised the voice of developing countries on multilateral forum. During Cold War period Europe became the part of U.S. led camp and India adopted the policy of Non-alignment. So the relation could not get better. It was only after 1990's when relation took momentum due to some important phenomenon such as globalization, liberalization of India economy, unification of two Germany. But before we took an analysis of India-European Union relation, it would be pertinent to take a look at European Union.

2.1 Theoretical Framework of the European Union

The integration of Europe was proposed as early as in the 14th century, but serious and comprehensive attempts were made only after the Second World War. Formation of European Coal and Steel Community was the first attempts in this regard.¹ Further, different institutions were established from time to time and at present European Community accessed many European countries. Today, it is one of the largest organizations of 28 member countries which constitutes world's largest economic, political bloc.

Treaties have been the base of European integration. However, the process of integration can be analyzed in different theoretical context. The aim of theories of integration is to elaborate the depth and dynamics of European integration. However, theories of

1. Zervoyianni, Athina, Argiros, George and Agiomirgianakis, George (eds. 2006) "*European Integration*". Palgrave Macmillan. P. 1

integration does not consist of a homogenous research agenda but includes a wide range of theoretical approaches. There are different integration theories that explain European integration such as Neo-functionalism, Inter-governmentalism, confederalism etc.

2.2 Neo-Functionalism:

Neo-functionalism can be considered as one of the pioneering theories which explain European integration. It was developed in the second half of the 1950's by **Ernst B Haas** with his publication *'The Uniting of Europe: Political, Social and Economic Forces'*. The book explains how six western European countries came closer to form a new supranational cooperation body.

There are three core concepts of Neo-functionalism that are.

- (A) Spillover
- (B) Elite Socialization
- (C) Supranational interest groups

The essence of Neo-functionalism is "**Spillover**". It is based on the assumption that cooperation in one policy area would create pressure in a neighboring policy area. This pressure creates integration. In that way spillover refers to a situation in which cooperation in one field/area leads to cooperation in another area. It means that European integration "Spillover" triggered the economic and political dynamics that drove further cooperation.² The second core concept is "**Elite socialization**" which emphasizes the role of officials and politicians in the decision-making process. Over time the persons who are involved on a regular basis in supra-national policy processes will develop European loyalties and preferences. For example, commission officials are anticipated to hold a European perspective on problem solving in order that their loyalty may no longer be to any national polity, but to the supranational level of governance. The Neo-functionalism prediction is that the process of European integration would establish elite groups that would be loyal to the supranational structure.

² Jensen, Carsten Stronby (2013) "Neo-functionalism" in Cini, Michelle and Borrigan, Solorzano, Nieves Perez, (eds) *"European Union Politics"*, Oxford University Press, p. 62.

These elites would try to convince national elite of the advantages of supranational cooperation. Neo-functionalists also imagined that international negotiations would become more technocratic and less politicized.³ Third hypothesis is the supranational interest groups, according to which interest groups can also develop supranational orientation. Wherever there is an economic and political integration comes into being, interest groups will match this development reorganizing at the supranational level. It is the interest groups who would pressurize the government to speed up the integration process. It is possible that these interest groups at a time develop their own supranational interest in political and economic integration, which leads an institution such as European Commission. Interest groups can also be formulated in areas such as climate policies. Different types of environmental groups influence the policy making while being supranational. They acted as transnational interest group as predicted by Neo-functionalists.

2.3 Inter-Governmentalism:

It provides the basic framework of European integration in which states play vital role. Actually, Inter-governmentalism is state centricism gets its insight from Realism and Neo-realism. Both the theories of international relation emphasized on state.

Realists argue that “*desire for more power is rooted in the flawed nature of humanity; states are continuously engaged in a struggle to increase their capabilities*”.⁴ Neo-realists like Kenneth Waltz, argue that system consist of structure and interacting units. An ordering principle, distribution of capabilities and character of the units are the three main elements of political structure. Two elements of the structure of international system are constant the lack of an overarching authority means that its ordering principle is anarchy, and the principle of self- help means that all of the units remain functionally alike. Regimes are the arenas for the negotiations of zero sum agreements.⁵

³ Ibid. p. 64.

⁴ Elman, Colin (2007) 'Realism' in Griffiths, Martin (ed) “*International Relations Theory for the Twenty First Century*”, Routledge, New York. p. 12.

⁵ Ibid. p. 13.

Intergovernmentalism is a theory propounded by **Stanley Hoffmann and Andrew Moravcsik**. Stanley Hoffman is regarded as classical inter governmentalist. Most of the integration theories of 1970's drew on his work. Hoffman rejects the Neo-functionalist theory of European integration Neo-functionalist is of the view that model of the European integration is driven by a sort of snowball effect called 'spillover'. But Hoffman rejected this argument. Neo- functionalist ignore the fact in which European integration was occurring.

In the post-World war-II period states approach in dealing with regional issues is different. The notion of sovereignty had become obsolete. Boundaries between the national state and international organizations gradually diminishing. Doing all that did not mean that there was not any significance of nation states and national governments. They were important actors. Hoffman said that nation state was to be 'obstinate' not 'obsolete'. Nation states are being challenged by societal changes but state governments remained powerful. Hoffman explains the European integration into two categories, high politics and low politics. However, intergovernmentalist approach based on mostly on the assumptions of realism but on some aspect differ from it. Hoffman sees states more than an institution. States belongs to communities. *"They are constructs in which ideas and ideals, precedents and political experience and domestic forces and rulers all play a role"*.⁶

Moravcsik defines liberal intergovernmentalism in 1990's with the assumption that behavior of states is rational. The supply side and demand side are the two different dimensions of liberal intergovernmentalism. Both are important to understand European integration. The theory consist three steps in order to explain link between demand and supply.

The first is national preferences formation. National preferences formation can be achieved by domestic pressure of interactions, which are often conditioned by the constraint and opportunities that derive from economic interdependence. In society national economic groups are so strong that they influence the government policies.

⁶ Cini, Michelle (2013) *"Intergovernmentalism"* in Cini, Michelle and Borragan, Nivez-Perez Solórzano (eds) European Union Politics. Oxford University Press. pp. 74-75.

However, national governments represent these interests in international level. Second, it draws another general theory of negotiation and bargaining which argue that relative power positioning among states is determined above all by asymmetrical interdependence, which dictates the relative value of agreements to different governments.

It involves a two-stage process of negotiations. First, the problem which confronts the government should resolve by the government on priority level and this can be done by taking decisions. Second is bargaining, which can be done in different forms such as amalgamation of interests.⁷

The third element of liberal intergovernmentalism is institutional delegation. Why the European institutions are set up, the answer is simply that to improve the efficacy of inter-state bargaining. Through these institutions government secure substantive bargains. European institutions, in this regard, are important which can create linkages within which decision has been made. It can be said that institutional delegation visualise the desire for '*Credible Commitments*'.⁸

2.4 Confederalism

Is another model to theorize European integration. A confederation is system in which sovereign states voluntarily took participation and establish a supranational authority which holds the power and the power rests in sovereign states. In such a system citizen have no role to play. In the current scenario in European Union no decisions are being taken by its citizen, or parliamentarians. A supranational body took all decision related to states.

Confederalist seek to recover, the glory grandeur which European states once had or aspired to have which were lost in the course of events. European states must join together in a league or confederation in order to keep their old position.⁹ As the European

⁷ Ibid. 78-80.

⁸ Moravesick, Andrew (1998) "*The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*", VLL press, London, pp. 3-4.

⁹ Spinelli, Altiero (1966) "*The Eurocrates: Conflict and crisis in the European community*", The John Hopking Press. London, p. 13.

Union is a large entity or a number of states have joined the European Union, so the nature has become extensive, and confederalism can be applied where an extensive level. Confederalist claims that through confederal approach nation-state can be strengthen. The idea of confederalism is very much close to intergovernmentalism but it has its own independent sphere in European integration.

2.5 Social Constructivism and European Union

Constructivism has become a very prominent school of thought in a very short span Constructivism emerged as a discipline of international relations. The origin of constructivism can be trace in 1980's when neo-realism and neo-liberal institutionalism were dominant disciplines in international relation.

Constructivist focus an agent-structure problem. One of the prominent scholar Alexander Wendt argues that very nature of the political structure whether anarchy or a particular distribution of material capabilities, is the least explanatory of the state behavior. The main theme of constructivist approach is neither individual, state, nor international community interests are fixed. But through persistently interaction they are socially constructed. Social norms, identities and elite belief changes the state behavior. It is the identities which defines whether a state is anarchic or not.¹⁰

*The absence of a world government does not determine that relation between sovereign states will necessarily be war prone and dominated by security concern.*¹¹ For constructivists power is important but not in a way as realist define it e.g. military power but they define it in another way as power of culture, ideas. It limit the ability of actors to control their fate.

The notion of constructivism on European Union studies pays attention to norms, ideas of discourses that make European Union a different entity that follows the ideas and norms. Actually constructivist see European integration as process.

¹⁰ Mingst, Karen A., and Arreguin-Toft, Ivan M. (Eds, 2011) *“Essentials of International Relations”* Norton and company. Newyork. pp. 84-85.

¹¹ Blair, Alasdair & Curtis, Steven, (eds, 2013) *“International Politics, Introductory Guide”*, Edinburgh University Press, London, p. 146.

Besides the above mentioned theories on European integration, New institutionalism and Critical theories have also their importance. The above brought broader perspective of European Union. Many new theories present very different theoretical debate that reside in any empirical discussion of European Union. European Union is a multidimensional entity with different decision making channels. The theories are worth important to understand the dynamic composition of European Union.

2.6 Formation of the European Union

Although the integration was proposed long ago in 14th century, it was only after the Second World War rigorous attempt were made to unite the Europe. The process of European integration has been multilayered and multidimensional.

The idea furthered for the unification of Europe was for three or more reasons. The first can be considered, creation of European institutions, second is international cooperation. United Nations Relief and Rehabilitation Organization was the first organization that was set up to deal with in post war reconstruction. The second institution was set up as United Nations. After the Second World War it was hoped that countries of the world would cooperate in order to reconstruct the world economics after the heavy devastation left out by the Second World War. But the task was not easy in the Cold War scenario.

In 1930 **M. Briand** gave the idea of “European Federal Union”. Subsequently, the idea of United Europe was propounded by **M. Herriot** in his book. ‘*The United States of Europe*’. The idea of united Europe moved further as the United European movement propagated these ideas in Britain. 1947, 1948 and 1949 were the years which can be called formative period for European institution started with the treaty of Dunkirk which was on alliance and mutual assistance. Towards a unified Europe, European leaders signed many treaties which gave shape to European community. In this direction, in 1948, convention on European Economic co-operation was signed.¹²

European leaders were of the view that time was ripe for a consolidation of Western Europe and they announced the opening of negotiation with BENELUX. A proposal was received from BENELUX countries in this regard. On March 17, 1948 Brussels Treaty

¹² Robertson, A. H. (1959) “*European Institutions: Cooperation, Integration: Unification*”, Stevens & Sons limited. London, p. 4.

was signed. The treaty was a collective self defence, in which it was observed that anyone of them was the object of an armed attack in Europe, the others would afford it¹³ the signing of Brussels Treaty was announced by **Mr. Attlee** in the House of Commons on March 17, 1948.¹⁴ The Hague congress was held in 1948 in which it had been declared that the nations of Europe must create an economic and political union and for this purpose they must agree to merge certain of their sovereign rights.

M. Robert Schuman proposed a plan in which he describes that entire German and French coal and steel production is under one high authority. In the year 1952, making Schuman's plan a reality, European Coal and Steel Community (ECSC) was formed. All six¹⁵ member signed the treaty.

The idea of European Defense Community (EDC) were also on the table but when the EDC treaty came before the French Parliament for ratification, the treaty was rejected by a vote of 319 against 264.¹⁶ Rejection to European Defense Treaty was a big blow to European security. However, some of the European countries were the part of U.S. led military alliance called NATO. After the creation European Coal and Steel Community, a new phase of unification began. In 1954-55, Eden government succeeded in replacing the European Defense Community with Western European Union (European Union) consisting not only six but Britain also.¹⁷

2.7 The EEC and the Euratom

The Messina conference was held in 1955 where all member states of ECSC took part and moved toward the further integration. It was agreed to establishment of a common market and an atomic energy for peaceful purposes. A treaty was signed in Rome for this purpose. In 1957 European Economic Community (EEC) and European Atomic Energy Community (Euratom) were established. The establishment of European Economic

¹³ Ibid. p. 9.

¹⁴ Ibid.

¹⁵ The Six Member States who signed the Treaty were France, Federal Republic of Germany, Belgium, the Netherlands, Luxembourg and Italy. All the Six Countries were also the founding members of European Community.

¹⁶ Robertson, A. H. (1959). *“European Institution co-operation: Integration; Unification”*, Stevens & Sons. London, Limited p. 23.

¹⁷ Spinelli, Altiero (1966) *“The Eurocrats. Conflict and Crisis in the European Community”*, The John Hopking press. London, p. 20.

Community was a very significant development in European integration. The aim of the EEC was to create a common market. Article 3 of the EEC contains the elimination of tariff among member states, abolition of obstacles to freedom of movement for persons, service and capital. Smooth functioning of the common market, member countries would have to harmonize their laws. With the creation of EEC and Euratom some supranational institution like, the Commission, the Council and the Court of Justice were also setup. All the three institutions were the result of Rome treaty. In the year 1965, a treaty called Merger Treaty, was signed in which all three institutions i.e. the ECSC, Euratom and EEC were merged and a new institution came into existence the European Community (EC)

2.8 Single European Act

In 1973, Denmark, the United Kingdom and Ireland joined the community. Greece joined in 1981 and Spain and Portugal in 1986. Now the community has become an enlarged Union. European leaders were planning for more economic integration in the EC. For this purpose. The Single European Act (SEA) which was signed in 1986 became the reality in 1987. The Single European Act brings about changes and reforms to European Community.

Article 8(a) of the SEA inserted into the Rome Treaty a commitment to adopt measures with the aim of progressively establishing the internal market by 1992. Some of the important provisions of the act were.¹⁸

- Introduction of qualified majority voting (QMV)
- A new legislative procedure, the so called cooperation procedure, was set up and introduced into various decision making area.¹⁹

2.9 European Monetary Union (EMU)

The 1986's Single European Act (SEA) which also created single market plan in 1992 which include economic and monetary union as a formal objective expected the members to work together to achieve the goal of single and unified market.

¹⁸ Argiros, George and Zervoyianni, Athina (2006) "*The European Union : Evolution, Institutional and Legislative Structure and Enlargement*" In Zervoyianni, Athina,- Argiros, George and Agiomirgianakis (eds.) European Integration. Palgrave Macmillan. London, p. 7.

¹⁹ Ibid.

For this purpose, a committee under **Jacques Delors** was formed in 1988. The committee also comprises the members including governors of Central Bank of the member of the community. The prime task of the committee was to study the steps needed to achieve a monetary union. UK Prime Minister **Margaret Thatcher** also insisted for an Economic and Momentary Union (EMU). Delors committee presented its report in June 1989.

The Delors committee proposed a single process, set out in three stage. The adoption of single currency became formally an objective to achieve by January 1999. The UK, Denmark and Sweden were allowed to adopt the single currency whenever they wished.²⁰The European monetary Union contain European System of Central Banks (ESCB) and European Central Bank. The composition of ESCB will be that all the European Central Banks and the banks of member state would be merged into ESCB. ECB would be the sole authority which could take the decision regarding the monetary policy of the member states. At the third stage, Delors committee proposed a single currency. During the meeting of council of minister in 1995 name of the new currency was decided. The new currency was called 'the Euro'. The member states who were following the new currency put under a specific area called the 'Eurozone' Currently the area consists of 19 member states.

The Maastricht Treaty which is also known as the Treaty on European Union (TEU) signed in 1992 and came into force on 1 November 1993. By signing the Maastricht Treaty now the European Community (EC) became the European Union (European Union). Before signing the treaty an intergovernmental conference was held in 1991. The Maastricht marked a new stage to bring ever closer union. The Treaty bring a new act in which Europe citizenship was created. Now citizen can move and reside in any member state. There were some other significant provision in the treaty. The treaty also establishes Common Foreign and Security Policy, Justice and Home Affairs.

²⁰ Zervoyianni, Athina (2006) *EMU : Benefits, costs and real convergence* in Zervoyianni, Athina. Argiros, George and Agiomirginakis, George (eds) *European Integration*, Palgrave Macmillan. London, p. 218-219)

2.10 From Amsterdam to Lisbon

An intergovernmental conference was held in Turin on March 29, 1996 to consider, the amendment of Common Foreign and Security Policy, some amendment regarding TEU etc. A draft was adopted that led to the signing at Amsterdam Treaty which came into force in May, 1999.

To coordinate member states policies, a mechanism was proposed, regarding policies on employment. The number of members of European Parliament were raised to 700. Some other provisions regarding immigration, crossing external borders, asylum were also amended.²¹

An intergovernmental conference was held in December 2000. The representatives of the government signed the Treaty of Nice in 2001. Amsterdam Treaty was failed in its basic agenda to bring fundamental and institutional changes to the European Union. The treaty of Nice make decision making process more democratic and extended the qualified majority voting. The Nice treaty also downsize the commission. Breaching the human rights norms could bring penalty for member states. With the completion of nice treaty, it had been agreed that the more member would be accessed. The biggest ever enlargement took place on 1 may 2004 when 10 Central and East European countries²² joined the European Union. However, on some particular issues the treaty of Nice was also criticized. It had been accused not to reform sufficiently.

2.11 Lisbon Treaty

The provision of Nice treaty had already mentioned of bringing the union closer to citizens. The terrorist attack on twin towers in the United States made heavy impact of European Union and brought security as a topic in its own right to the European agenda.²³

²¹ The Maastricht and Amsterdam Treaties. www.europarl.europa.eu/factsheets/en/sheet/3/the-maastricht-and-amsterdam-treaties.

²² The Ten Central and East European Countries who joined the European Union were, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia.

²³ Dosenrode, Soren (2012) *The Road to Lisbon* Dosenrode, Soren (ed) *The European Union after Lisbon: Polity, Politics, Policy* Ashgate. London, p. 15.

The meeting of European Council was held in 2004 and adopted a resolution establishing a constitution treaty. The treaty was signed on October 29, 2007. However, a treaty can be fully came into force only if all member states ratified it. When the Constitutional Treaty came before member states for ratification, France and Dutch says 'no' to the treaty. Thus a constitutional crisis emerged. In that juncture, Treaty of Lisbon was signed that came into force on November 1, 2009. The Lisbon Treaty made significant changes in the Treaty of European Union and treaty on European Community. The treaty contain the 7 articles. Space, humanitarian aid, and administrative operation were introduce first time. Rules regarding justice and home affairs were brought into the mainstream. The European Parliament (EP) have become more powerful. Now European Parliament can amend and make changes regarding budget and treaty changes. EP got virtual veto over the appointment of the President of the commission. A post of High Representative has been created for the European Foreign and Security Policy. The treaty of Lisbon made European Union more democratic.²⁴To expand the union further, Croatia became in 28th member of the union in 2013.

2.12 Main European Institutions

The European Union have five significant institutions, the Commission, The European Parliament, the European Court of Auditors, the Council, the European Court of Justice.

2.13 The Commission

Currently, there are 28 member in the commission. It proposes policy and legislation which is submitted to a variety of channels of consideration, preferably via the council of the European Parliament. The Commission executes the council's decision and supervise the daily running of the union. Article 214 of the European Commission emphasizes the greater role played by European Parliament regarding the appointment of the commissions.²⁵

²⁴ Church, Clive and Phinnermore David, (2013) *From the Constitutional Treaty to the Treaty of Lisbon and Beyond* in Cini, Michelle and Borrigan, Nieves Perez Solrzano (eds) European Union Politics. Oxford University Press. p. 50.

²⁵ Goodman, S.F. (1996) *"The European Union"* Macmillan. London, p. 9.

2.14 The Council

The Council consists of member states representative who are authorized to commit national government to decision, Council members must be persons who are holding political office not civil servants. The presidency of the council is held in term by member states for a period of six month.²⁶

Committee of Permanent Representative of the Member (COREPER) which is also a term used for council. It consists senior national official. Council is a central authority which create law. Heads of the Governments meet twice in a year that is called the European council. The council also plays a coordinating role. The council also plays an important role in the European Union's external relations.

The European Parliament: European Parliament is the most powerful organ among different European institutions. European Parliament has gone through different transformation period since its inception. Member of the European Parliament elected directly. The Parliament has control over budget of the community. The EP has the power to appoint and dismiss President of the commission and the commissioners. The European Parliament works with European Council and acts as co-legislator.

2.15 The European Court of Justice

The European court of Justice was came into existence with European Coal and Steel Community in 1951. ECJ played a very limited role in comparison of the national courts. Treaty of Amsterdam and Treaty of Nice gave different powers to court regarding asylum and immigration. There are 28 judges and advocate- generals in European Court of justice. The Judges are appointment for the term of 6 years and they can be re-elected. The court has jurisdiction over European Union activities. The ECJ interpret the laws so that it can be implemented in all European Union countries. ECJ also played a role of mediator if any dispute occurs between European institutions and national governments.

²⁶ Argiros, George and Zervoyianni, Athina (2006) *"The European Union: Evolution, Institutional and Legislative Structure and Enlargement in Zervoyianni, Athina, Argiros, George and Agiomirgianakis"* (eds). European Integration. Palgrave Macmillan. London, p. 12.

2.16 The European Court of Auditors

Established in 1975, the Court of Auditors has its office in Luxembourg. The composition of court include the representatives of member states. It is not a judicial body. Treaty on the European Union give more powers to court fight against fraud cases. It scrutinizes whether all the revenues has been spent legally. The European Council and the European Parliament are assisted by the court of auditors in the smooth implementation of the budget.

2.17 India and the European Union

France, Germany, Italy, Belgium, Luxembourg and the Netherlands form the European Economic Community. The treaty of Maastricht which came in force in 1993 formerly established the European Union (European Union). Since, the relations between India and European Union can be trace back to ancient times but it got momentum only after signing the treaty of Maastricht in 1993. European foreign policy has been driven by its economic goals. India has always supported the interests of colonized and third world countries.

In part IV, Directive Principal of State policy, in the Constitution of India, article 51 said that the state shall endeavor to- *“Promote international peace and security, maintain just and honorable relations between nation, foster respect for international law and treaty obligations in the dealings of organized people with one another, and Encourage settlement of international disputes by arbitration”*²⁷

In the light of above context the India-European Union relations could be assessed.

During the period of independence, India took little interest in the EEC. As the Prime Minister put in March 1949, it was the natural response to problems peculiar to Europe and to its legacy of conflict. But legacy was different. The main problems which Asia was facing at time were, clothing, food, health and education. At that time India promote co-operation and joint action by developing countries.

²⁷ Pandey, J. N.(2011) *“Constitutional Law of India”* Central Law Agency, Allahabad. p. 421.

In this direction, first Afro-Asian official meeting was held in New Delhi in 1949. At the meeting India raised the voice of developing nations.²⁸

The government of United Kingdom decided to join the community in 1961. Because, UK was the member of Commonwealth and India had significant trade with UK, more the European Community, so it was a worrisome question for India. However, UK ambition to join the community broken away.

By the 1963, Indian interests in the community has grown due to several reasons, the growing economic strength of EC, and the importance of individual member states in world affairs. By the passage of time India also achieve reliable and dominant status in world affairs. The year 1963 proved to be very important in European Union-India relation as in the same year India established diplomatic relation with the then European Economic Community. In the year of 1968, Konard Adenauer Foundation started its operation in India and India was the only country in South Asia with which the foundation started its functions.

To further explore the relations, a Commercial Cooperation Agreement (CCA) came into being in 1974. The CCA aimed at improve the trade relations and to contribute to their economic and social progress.²⁹ The CCA was not according to Indian expectations. But was nevertheless much more than a classical bilateral trade agreement. The other South Asian countries seek similar pact with the EEC. During 1975-1980 relations was not as warmer as for numerous reasons. Drought problem in India that led to food grain crisis, soaring oil prices, Arab- Israel war etc.

By the end of May 1974 the India mission to the EEC asked the community to provide food grain help under its food and aid programme. But India just had test its nuclear test. EC was in fear that the nuclear test might have worsen the condition in South Asia. EC

²⁸ Kumar, Dharma (1966) "*India and the European Economic Community*", Asia Publishing House, Bombay. p.53

²⁹ Sundaram, G (1997), "*India and the European Union*" Allied Publisher Limited. New Delhi, p. 104.

was willing to give India highest amount of the aid. However council gave a significance amount to India.³⁰

During the Cold War period, India's relation with the European Economic community was mainly reflected the bipolar nature of the world order.³¹ The end of the Cold War brought drastic changes on world stage. India welcomed the unification of Germany after collapse the Berlin Wall. The Government of India too adopted structural changes for economic development. Growth of India's own economy and of its economic engagement with the rest of the world is also important for the European Union. Bilateral Agreement signed between India and European Union in 1973, 1981 and 1994 took the relations to a new height. The first European Union-India summit was held in Lisbon in 2000. Since then, number of summits have been held which strengthen the relation between both.

2.18 India-European Union Trade and Economic Relations

Trade and economic relations is the cornerstone of the relations between both. Today European Union is India's largest and reliable trade partner despite some hiccups. Post-independence period India followed the path of mixed economic model. It was of the view of the then Prime Minister Jawahar Lal Nehru that by adopting mixed economic model, it would be in favour of India. For this purpose, Planning Commission was set up and Five Yearly Plan were introduced with the first five year plan came into force from 1951-1956. The emphasis was on state control in finance, import substitution and a strong public sector. However, with the passage of time, the economy got stronger especially of the 1990 with the adoption of the policy of Liberalization, Privatization and globalization (LPG). But the response of European Union was not swift. India started its diplomatic relations with EEC in 1963 but it was in 1993 first cooperation agreement was signed. In comparison with India, European Union has strong trade relations with China.

Diplomatic relations between China and European Union were started 1975 and in 1978 they inked a trade agreement. Comparing the trade agreements it may concluded that the

³⁰ Winand, Pascaline (2015) "*The Arrival of Indian Pragmatism*" in Winand, Pascaline, Vicziany Marika and Datar, Poonam (eds) *The European Union and India*. Edward Elgar UK p. 112.

³¹ Brunatti, Andrew D. and Malone, David M (2010) "*Fading Glories? India Relations with Western Europe and Russia*" *International Relations*. Volume 24, Number 3, September 2010, p. 334.

response of European Union to India's growing influence was 15 year slower than that of China.³²

Peter Mandelson, mentioned that “*reinforcing strong Indian*” economic growth was now an integral part of maintaining global economic demand and a healthy global economy and a mark of India’s growing weight in the world, India is now an indispensable part of the global economic architecture”.³³ In the light of above discussion, it would be worthwhile for us to discuss and assess the trade and economic relations between India and European Union.

During the 1920-21, India's total trade with the ‘Six’ were above 15 percent of the value of total exports. From 1922-23 to 1933-34, it was above 20 percent of the total. Throughout the interwar period, India’s export to the Six were higher than her imports from them. During the Great Depression, both exports and imports fell sharply, but India’s trade with the Six revived far more slowly than her trade with the rest of the world. In the post-independence of India, imports from the six were only Rs. 360 million but they rose of nearly Rs. 2160 million by the 1957-58. Left the year 1950-51, in every year since independence, India has had unfavorable balance of trade with the Six.³⁴

The commodity pattern from the six to India present a different picture. Machinery and transport equipment accounted 40 percent of total import. Fertilizes and base metals are another importing items during 1956-65. Textile, yarn and fabrics are also important. Another picture of imports from the Six shows that over the years, the import had been falling. During 1956-1965 it is steadily falling. The fall is seen particularly in two commodities known as machinery and equipment. The table 1.1 shows the clear picture.

³² Wulbers, Shazia Aziz (2011) “*The Paradox of European Union-India Relations: Missed Opportunities in Politics, Economic, Development Cooperation, and culture*”, Lexington Book. UK. p. 50

³³ Part of Speech Delivered By European Union trade Commissioner, Peter Mandelson at the European Union-India Business Summit held at New Delhi on November 28, 2001.

³⁴ Kumar, Dharma (1966) “*India and the European Economic Community*”, Asia Publishing House. Bombay. pp. 135-139. (Six Countries were Germany, France, Italy, the Netherlands, Luxembourg and Belgium.)

Table 1.1**Imports from the Six as a Percentage of Total Indian Imports**

Sr. No.	Item	1956-57	1963-64	1964-65	(1964-65)
		(% of total imports)	(% of total imports)	Percentage of Total Imports	Imports from the six (Rs. Lakhs)
1.	Machinery and transport, equipment	30.0	19.2	21.4	10104.5
2.	Chemicals	33.0	27.3	27.9	2536.3
3.	Manufactured goods	28.0	11.2	15.1	3340.7
4.	Mineral fuels, lubricants and related material	0.8	0.8	2.0	139.4
5.	Crude material, inedible except fuels	2.8	1.9	1.7	216.8
6.	Scientific instrument	27.0	20.6	25.6	378.0
	Total imports	14.2	12.0	13.4	16936.4

Source: Kumar, Dharma (1966) India and the European Economic Community Asia Publishing House. Bombay, p. 143.

On export front India's share to the Six has decline sharply in comparison of 1913-14. The post war export to the Six has been low. The composition of Indian export to the Six has gone down while it rose in the U.S. The six took 24 percent of India's export in the year 1929-30 and over 16 percent in 1937-38. But by the 1964-65 it came down 7 percent. The main exporting commodities from India are, leather, iron ore coir yarn, jute cloth, cotton fabrics etc.

The European Economic Community came into existence in 1958. It can be considered the first trading bloc on a transnational level. The aim of EEC was to promote trade among European countries and to eliminate maximum barriers to trade. On July 1, 1968 Custom Union became operational. In 1962, India established its diplomatic mission in Brussels. India had been in trade with the Six from pre-independence period. India had not face much hurdles to continue its trade with the EEC though direction might have been different. 1967, Merger Treaty came into force and ECSC, EEC and Euratom were merged in one authority called European Community (EC).

2.19 EC's GSP Scheme and India

In its meeting, the UNCTAD recommended that developed countries should grant access to developing nations, to their market for preferential trade. In this regard UNCTAD

passed a resolution in favour of least developed nations. The scheme is also based on WTO's enabling clause to give preference to developing countries in terms of trade.

EC launched its GSP scheme in 1971 and India was the biggest beneficiary of this scheme along with other developing countries. The EC's GSP scheme was working in agriculture, textile and industrial goods in India. Most of the item of India into EC's market were enjoying duty free entry. The GSP scheme was revised in 1981. A new GSP scheme came into force in 1995. The new scheme covers only industrial products and was valid for 4 years.

In revised GSP scheme, a 'Graduation Clause' has been introduced. It simply meant that more advance developing countries would be excluded from GSP so that another least developing countries could be benefited. In the new GSP scheme India was not as benefitted as it was before the launch of new GSP. According to the revised GSP scheme, India ceased to enjoy GSP facilities from January 1, 1997. The GSP scheme came into force from 1 January 2002 to 31 December 2004. In the new scheme "*Everything But Arm (EBA)*" initiative in favour of least developed countries has been adopted. The EBA provides for duty and quota- free access to 49 LDC's.³⁵

From 1970 onwards, the European Community adopted a more global approach as the commission's memorandum on cooperation on Development Policy was already the beginning of a policy on a world wide scale. In 1972, the European Community and the UK concluded a Joint Declaration of Intent (JDI) to enhance the trade cooperation with former Asian colonies. Before the JDI, the Asian countries were excluded due to their size. Now the JDI could be used by India to press for the conclusion of a trade agreement with the EEC. By the annexation of the JDI, it was the first time when the EC gave much importance to Asian region in terms of trade.

2.20 Commercial Cooperation Agreement

Indian mission to the EEC wrote to the government of Luxembourg that India wanted a formal discussion on CCA so that trade could be exceeded. The commission submitted a

³⁵ Bhattacharya, Swapan K. (2005) "*India and the European Union- Trade & Non- Tarift Barriers*" Aakar Publication. New Delhi. P. 35

recommendation to the council under Article 113 of the EEC Treaty The recommendation were regarding the negotiation CCA. On the other hand Britain was also pushing for an agreement. After a long and deep negotiation the Commercial Cooperation Agreement was signed in 1973 for the period of 5 year and became operational in 1974. European Community had signed such type of CCA with India, which is the only country in Asia with which, the EC had CCA.CCA diversify India's trade with the European Community.

Table 1.2
India EEC Trade

Million US Dollar

Year	India's exports to EEC	India's Imports from EEC	Balance of Trade
1973	806	832	-26
1976	1573	1254	319
1977	1873	1584	289
1978	2045	2370	-325
1979	2503	2750	-247
1980	2501	3200	-699

*Source: Swapan K Bhattacharya*³⁶

The above table clearly shows that from 1973-1980 India's exports to the community recorded a high growth whereas in 1973 it was \$ 806 million, in 1980 the export touched \$ 2501 million. However, during the same period, import from the community has also been increased. In 1973 India imported \$ 832 million worth of goods that has been substantially increased to \$ 3200 million in 1980. The picture of the trade was due to growing protectionism by European Community during the seventies.

To foster the trade relation between India and the EC, India Trade Centre was set up in 1980. The Centre acts as a clearing house of information to India's exporters and European importers. The centre has the advisors for jute and coir, leather, textile and garments, engineering products etc. In 1981 Economic and Commercial Cooperation Agreement was inked between India and the EC. The agreement covers economic

³⁶ Bhattacharya, Swapan K. (2005) "India and the European Union Trade & Non-Tariff Barriers." Aakar Books, New Delhi, p. 8.

relations apart from commercial cooperation. It also covers science and technology, research and development of joint ventures in third countries.³⁷

The decade of 90's saw drastic changes on international stage. Liberalization of Indian economy, collapse of Berlin Wall, the disintegration of USSR and emergence of United States as the sole super power in the world were some prominent changes that had took place. The signing of Maastricht Treaty in 1992, which became operational in 1993 results that the European community has been replaced by newly established the European Union (European Union). However, the trade relation between both India and the European Union were running smoothly as was before the 1990's. In the systematic global changing scenario, India could not have been in isolation and embarked on a policy of economic reform.

After the collapse of the Soviet Union, the European Union concluded a number of agreements with Central and East European countries. Actually, these countries showed their willingness to join the community. After a long discussion and several round of meeting, India and the European Union concluded a new agreement known as Cooperation Agreement on Partnership and Development in 1994. MFN facility has been extended to India. Trade liberalization was the main objective of the new agreement. Both have agreed to promote trade in services. CAPD has given more importance to protection to intellectual property rights. Energy conservation, development of new conventional energy and doing research on that environment protection were some of the new areas that were included in CAPD.

Trends in trade between European Union and India in the year 1993-94 shows that the target India had fixed for 20 percent export to European Union, was achieved. During the period 1994, India exported Rs. 26,218 crore worth of goods to European Union while import from European Union stood at Rs. 25,695. During that period there is an increase of 69.50 percent. India's export basket comprises textile, leather goods, garments and gems and Jewellery. During 1995, India export to European Union has grown by 27.22 percent in comparison to 1993-94. Belgium and Luxembourg, Germany and the UK emerges top exporting counties. In 1995 balance of trade was in favour of European

³⁷ Sundaram, G (1997) "*India and the European Union*", Allied Publishers Limited. New Delhi p. 108.

Union, ECU 172 million. During 1999-2000, India's export surge to community but import from the European Union also increased.

2.21 European Union's Non-tariff barriers on Imports

The European Union complaint of excess use of high tariffs on European Union's goods by India. The complaint is also from the Brussels side that India provide limited access to Indian market for European Union's consumer goods. European Union also blame India for not following the intellectual property rights properly. European Union is of the view that restriction gave India advantage over the European Union but on the other hand, Indian view is that European Union is a very difficult and restrictive market for her exports. European Union imposes different types of Non-tariff barriers on the imports. In comparison with the developed countries, tariff rates in developing countries are much less but the main hurdle with the developed countries is that they did not offer better market access for developing nations goods into their market.

The main problem that Indian exporters faced is what we called "Sanitary and Phytosanitary Measures (SPS)." The SPS are imposed on milk, eggs, meat, poultry, fishery products etc. Actually in the countries of European Union, health standard are very high. They blame that the food products that European Union imports from other countries contains chemicals. That's why European Union is very cautious while importing the products or they use NTB's and SPS on them so that imports can be discouraged. The major form of non-tariff barriers (NTB) that European Union uses are variable levy, Anti-dumping, License, Quota etc.

As far as anti-dumping measures are concern, it is a very sensitive and burning topic in international trading system. Since 1990's the use of anti-dumping measures has been increased. The establishment of WTO in 1995 and adopting of the WTO agreement including **article VI** known as anti-dumping agreement, of the General Agreement on Tariff and Trade (GATT), change the scenario. The number of initiations increased, since the adoption of the WTO.³⁸

³⁸ Raju, K.D. (2006) "*Anti-Dumping Protectionism in India: A Critical Study*" in Debroy, Bibek and Chakraborty, Debashis (eds) "Uses and Misuses of Anti-Dumping Provisions in world Trade" A Cross Country Perspectives. Academic Foundations New Delhi p. 25.

India adopted anti-dumping provision in 1985 in its laws, which were amended in accordance with the ADA in 1995. Customs Tariff Act, 1975, contains sections 9A, and 9C with respect to anti-dumping. In 1992, India initiated its first dumping investigation on PVC Resin exported from Mexico, Brazil, Korea and the U.S. However, India is also facing a number of initiations from other member of WTO. The member of WTO countries who initiated most initiations against India are European Union, the US, South Africa Indonesia, Turkey, Canada.³⁹

Till 2017, India has also initiated a total of 888 anti-dumping investigation against various countries.⁴⁰ It is also an irritating point which Indian exporter complaint against European Union. There are certain problems faced by European Union exporters in India market. India imposed quantitative restriction (QR) on the ground of general and security consideration. However European Union has complained in the WTO for such restriction. But India has defended itself in WTO sighted solid reasons of its small scale industries.

Table 1.3
India's Export to Major Trading Partners and Duties Faced

Major Markets	Bilateral Imports		Diversification 95% trade in no of		MFN AVG of trade TL		Prof. margin	Duty free imports	
	In million US \$		HS-2 digit	HS-6 digit	Simple	Weighted	Weighted	TL in %	Value in %
Agricultural Products									
European Union	2016	2986	25	124	11.7	5.7	14	21.3	52.6
United States of America	2016	2,106	23	99	4.6	1.6	0.8	74.0	79.0
Saudi Arabia	2015	2,059	20	66	10.1	6.1	0.0	26.5	69.3
United Arab Emirates	2015	1,926	20	86	5.3	2.6	0.0	26.4	71.2
Bangladesh	2015	18,57	11	26	16.2	4.6	0.3	21.5	61.2
Non –Agricultural Products									
United Sates of America	2016	43, 290	60	706	4.3	3.0	0.5	70.0	69.6
European Union	2016	38,582	67	1,173	4.4	4.7	1.5	52.1	54.2
Hong Kong, China	2016	16,506	4	14	0.0	0.0	0.0	100.0	100.0
United Arab Emirates	2015	15,933	52	504	4.6	2.8	0.0	7.2	43.2
China	2016	11,025	43	352	8.8	5.6	2.3	9.6	36.8

Source: WTO.org/statistics

³⁹ Ibid, p. 26 & 33.

⁴⁰ Ministry of Commerce and Industry, Government of India.

There are numerous constraints regarding European Union-India trade. But for Indian exporters, European Union is bright business/ trade destination. European Union is India's largest trading partner. India export are increasing to European Union substantially. However, due to some constraints, one should not draw a gloomy picture of India-European Union economic relations. European Union considers India as a mature trading partner due to its economic success story.

The European Union-India summit of 2005 was positive move towards reducing the tensions on trade matters. A High Level Trade Group (HLTG) was launched to deepen and widen the scope of bilateral trade. One of the main task of HLTG was to examine whether, the negotiations on broad based trade investment agreement are possible, if possible, than what is the feasibility. The HLTG exchanged non- papers on trade in services, goods, investment, trade facilitation, intellectual property rights and dispute settlement.

From 2008 to 2012, trade balance in goods was in favour of European Union. But from the year 2013, it turned into deficit reaching € 2.4 billion in 2017. Manufactured goods accounted for over 89 percent of total export and 83 percent total imports. As for as, goods are concern United Kingdom is the largest importer from India and Germany is the largest exporter to India. During 2010 the main products imported by European Union from India were textile and clothing (20.07%), mineral products (14.78%), engineering goods (14.46%) metal and metal products (6.63%) gems and jewellery (7.26%). On the other hands European Union exported to India mainly engineering goods (39.46%), chemical and allied products (11.6%) leather and leather goods (7.04%) gems and jewellery (20.70%) metal and metal products (11.83%), chemical and allied products (9.34%).

As a bloc of 28 countries, European Union is India's largest trade partner. For the period of 2016-17, India's overall bilateral trade with European Union has been US\$ 89.55 billion. During aforementioned period, India's export to European Union is US\$ 47.20 billion and imports US \$ 42.36 billion. For the smooth trade with European Union, India has established institutional mechanism with European Union and its member countries. The mechanism is handled by Department of Commerce, Government of India. European

Union is also the largest source to Foreign Direct Investment to India. During 1980's the European Union's FDI stood at 23.98 percent. Power and oil refinery, telecommunication and chemicals are the top sectors, attracting FDI from European Union. Belgium and Sweden are the leading foreign investors in India. From March 2000 to March 2017, the FDI flows from European Union to India has been US \$ 81.52 billion.

Though India-European Union trade can be considered satisfactory but in comparison with European Union-China, it is lagging behind. During 2016 European Union's export to China was € 169.7 billion while import from China was € 344.9 billion and trade balance stood at € -175.3 billion. In 2017, European Union exports stood at € 198.2 billion to China while import from China to European Union € 374.6 billion and trade balance was € -176.4 billion. It is clear that European Union was much larger trade with China than India.

Table 1.4
Bilateral Trade between India and European Union

Export/ Import / Growth	(2015-16)	(2016-17)
Total Bilateral trade	88.39	89.55
Growth in percentage over year	-10.33	1.15
Exports	44.50	47.20
Growth percentage over previous year	-9.85	6.07
% share in total exports by India	16.96	17.10
Imports	43.90	42.36
Growth percentage over previous year	-10.79	-3.51
% share in total exports by India	11.52	11.02

Source: GDCI and S, Kolkata

2.22 India-European Union Political Relations: In the political sphere, India maintained very close contacts with the European Union. The political leaders of European Union and India visits at regular intervals. Regular meeting of foreign minister of India and European Union Troika have been taking place. At the meeting of both the entities, views are exchanged on global issues such as terrorism, environment, nuclear non-proliferation, clean energy and vice-versa. From Asia, India is the only country, Troika has developed institutionalized mechanism for structural political dialogue.

The foreign policy of European Union has always been guided by its economic goals since the formation of the European Economic Community (EEC). The attempts of the formation of European Political Cooperation (EPC) was also initiated from the early period with the EEC but could not be fulfilled. During the Cold War some of the European countries became the part of U.S. led bloc. On the other hand, India after the independence, followed the path of Non-aligned movement. India also actively participated and propagate in favour of New International Economic Order. India tried to maximize its power and influence through nuclear option while European Union was more focusing on economic might. With the establishment of diplomatic relation in 1963, India-European Union political relations began.

Political relations with the Troika have been established since 1982. To further enhance the relations, a number of high-level bilateral meetings have been held during 1990's. It is a clear indication of greater mutual interests and greater receptivity to understanding each other. *European Union-India Joint statement of Political dialogue* was adopted in 1994. The joint statement commit both side to:

- for Defending democracy, peace and international order, human rights, in line with the UN Charter.
- Allowing each other's interests to be taken into consideration in decision making procedures.
- Reinforce co-operation to promote prosperity, liberalization, economic stability and as well as free trade social progress and cultural links.
- Developing a better understanding to increase co-operation on international questions such as non-proliferation, fight against terrorism, drug-trafficking.⁴¹

The above statement also elaborate that both India and European Union continue dialogue on global and regional issues of concern. It was also proposed to establish / create working groups to enhance the scope of political dialogue. In this regard, commission

⁴¹ *"European Union-India Enhanced Partnership"* Commission of the European Communities, Brussels. 1996. COM (96) p. 275.

considers that sector arrangement and agreement could usefully be explored on for example.

- drug precursors
- money laundering
- dual use products

In 1997, five new mechanism were introduced to enhance the political dialogue. These five mechanism were (a) senior official meeting (b) meeting between Indian planners and European commission (c) bilateral meetings to support multilateralism (d) to form the working groups of specialists on the subjects such as terrorism, consumer affairs, (e) formation of think tanks.

In 1994, European commission initiated its much awaited “**Towards a New Asia Strategy**”. *“The purpose of the strategy was to develop political dialogue with Asia and to associate Asia more and more in the management of international affairs, working towards a partnership of equals capable of playing a constructive and stabilizing role in the world. The new strategy seemed giving more importance to East and Southeast Asia than South Asia”*.⁴²

In its ‘**New Asia Strategy**’ SAARC region has also given importance by the European Union. In SAARC region special focus was on India. India’s role as a regional and global player attracts European Union’s attention towards India. Its liberalization reforms made it an attractive market. The strategy also emphasize the strong economic relation and cooperation within SAARC. Priority would be given to enhancement of mutual awareness between the two regions. The ‘**New Asia Strategy**’ was updated in 2001.

The ‘**New Asia Strategy**’ is now called “**Europe and Asia**” **A Strategic Framework for Enhanced Partnership**”. The core objective is the strengthening the European Union’s economic and political presence across the region and raising this to a level commensurate with growing global weight of an enlarge European Union. The updated

⁴² Winand, Pascaline (2015) “*The rise of Asia and India from the 1990s to the 21st Century*” in Winand, Pascaline, Vicziany, Marika and Datar, Pooman (eds) *The European Union & India : Rhetoric or Meaningful Partnership*. Edward Elgar. UK. p. 145.

New Asia Strategy emphasize particularly on, strengthening mutual trade and investment, protection of human rights, protection of democracy good governance, building global partnership, spreading awareness of Europe in Asia.⁴³ Recently European Union launched its new strategy called, '**Connecting Europe and Asia**'. It is seen as a response to China's Belt and Road initiative.

On May 11 and 13 in 1998, India conducted five nuclear tests at Pokhran in Rajasthan. After that Pakistan followed the suit and conducted nuclear tests on 28 may 1998. Conducting nuclear tests, led to mix reaction from the European Union. US, Japan, Sweden condemned the nuclear test carried out by India. There was no clear consensus among European countries regarding this. Some of the European countries like France and Britain did not condemned. Rather the two, soon established strategic dialogue with India. Soon, India imposed its self-moratorium on further nuclear tests and announced its 'no first use' policy regarding nuclear weapons. But that was not enough to convince the European Union. India further elaborate to the world community, why it was necessary for her to conduct the nuclear tests? It was necessary for India because India was situated in a highly nuclearized and militarized zone. It was not possible for her to give up its minimum nuclear deterrent. However, India got success to convey its strong message to world community in its favour.

The first European Union-India summit that was held in Lisbon in 2000 show European Union's eagerness towards India, world's largest democracy and a potential superpower. During the summit, European Union-India agreed to co-operate on, to fight against terrorism, nuclear weapons, international crime, climate change etc. During the second European Union-India summit in 2001, there were some difficulties to formulating the text on declaration against International Terrorism. In 2004, fifth European Union-India summit was held at the Hague. During the meeting "European Union-India Strategic Partnership Agreement" was signed. A new Joint Political Declaration was Released Regular parliamentary exchanges between the European parliament and Indian parliament, cooperation among parties, were also discussed. A custom cooperation agreement was signed.

⁴³ Europe and Asia : "*A Strategic Framework for Enhanced Partnership*". Communication from the Commission. Commission of the European Communities. Brussels. 2001 COM (2001) 469 final.

The sixth European Union-India summit had a significant importance to cement the relation between European Union-India. During the summit A Joint Action Plan and a New Political Dialogue was adopted besides the signing of India-European Union Strategic Partnership. Having noted that both European Union and India are multicultural, multi religious and multilingual societies, it has been decided that a dialogue on pluralism and diversity would be initiated. Dialogue of regional cooperation in SAARC and in European Union would also be discussed. As European Union and SAARC are the large entities with complex structures and diverse demographics. The EC has already an MOU with SAARC. Both are exploring the possibilities of cooperation in various projects. Both European Union and India support human rights, fundamental freedom as both had ratified international human rights, conventions. Both support the effective multilateralism under United Nations and support multipolar world order.

Fourteen European Union-India summits have been held till the date. The 14th European Union-India summit was held in New Delhi in October 2017. Migration, trade, research and innovation and foreign and security issues were discussed at the summit. The meeting was attended by the President of the European Council, **Donald Tusk** and President of the European Commission, **Jean Claude Juncker** and Indian side was represented by Prime Minister, **Narendra Modi**. The wide ranging issues were discussed under European Union-India strategic partnership. **European Union-India Agenda for Action 2020** which was adopted during 13th summit, was reviewed and expressed satisfaction towards that. The joint statement reiterated the determination of both to cooperate at global level for the cause of peace, security, climate change, energy and on sustainable development. To counter terrorism both the entities confirm their commitment towards conflict prevention and sustaining peace. A Joint statement on Cooperation in Combating Terrorism was adopted. During the summit, the President of the Commission remarked.

*"Today, we have agreed to further developed the political dimension of our relationship, that we have agreed to develop our dynamic trade and investment relations, and that we have agreed to step up cooperation on global and regional issue."*⁴⁴

⁴⁴ Remarks by President of the European Council, Donald Tusk during the European Union-India summit in New Delhi.

Human rights factor is an irritating point in European Union-India relation. Human rights and democracy are often coupled together rhetorically, they are in fact quite distinct. The European Convention of Human Rights (ECHR): is consider as the strongest international framework for protecting human rights:, negotiated by the Council of Europe in 1950, lays down a number of mostly political and civil rights. Human rights promotion has been an important instrument of European Union foreign policy. In June 1991, the Luxembourg European Council affirmed that the European Community and its member states seek universal respect for human rights. The European Union's definitions of human rights in its foreign policy comes directly from international standards. The union emphasized the universality, indivisibility and interdependence of all human rights.⁴⁵

The European Union has always been an advocate of child rights and an independence of human rights on international level. The European Union has always complained of human rights violation in India. Even European Union link the human rights clause with its GSP scheme which India criticized. As the context of human rights are concerned, for European Union said these are rights based, but for India, human right are not only right-based but on certain level these can be inspirational. Since 2004, European Union India has adopted a balanced approach towards human rights. European Union formally criticized India's poor handling of minority right, dalit rights, communal violence and women's rights. European Union has criticized several times, India's violation of human rights in Jammu and Kashmir. But there is a change in European Union's policy on human rights violation regarding India. Now, it is the perception of European Union that human rights issue be dealt by India through its "own institutions". European Union is also of the view that India has also suffered a lot due to terrorism. Both, India and European Union are committed to make human rights council strong and effective.

2.23 India - European Union Strategic Partnership

Trade has always been the cornerstone of European Union- India relations. But in 2014, there was a change in European Union' perception regarding. European Union-India relations. Now, European Union's attention shifted from trade to 'political issues'. During

⁴⁵ Smith, Karen E. (2014) “*European Union Foreign Policy in a Changing World*” Polity Press UK p. 99, 103.

fifth European Union-India summit that was held at the Hague, Netherlands. "Strategic Partnership Agreements" was signed. By signing the strategy partnership with India, European Union equalize India with other countries which it had already strategic partnership like US, Canada, China, Russia and Japan. The strategic partnership with India was to forge in effective multilateralism in world affairs. India has also strategic partnership with individual European Union countries like, Britain, France and Germany. Annual summits, are critical to these partnership as in the case with European Union, since year 2000. The 2004 Agreement on Strategic Partnership comprises five priority areas,

- (a) To strengthen economic cooperation
- (b) To support multilateral cooperation emphasizing on conflict prevention, non-proliferation, anti-terrorism, promotion of democracy, respect of human rights.
- (c) To enable India achieve the 'Millennium Goals' as framed by the UN especially through cooperation in development.
- (d) To improve institutional framework of Indo-European relations.
- (e) To emphasize on cultural and intellectual exchange.

The strategic partnership is aimed at building a viable institutional structure which could ensure more concrete deliverable. The European Union also sought to intensify political dialogue. Republic of India responded favourably to the communication of the EC and envisaged "a relationship of sovereign equality based on comparative advantage and a mutuality of interests and benefits".⁴⁶ Pakistan factor played an important role as far as India's foreign relations are concern. India has never preferred foreign intervention in its relations with Pakistan. It always emphasize the notion that it is a matter between both India and Pakistan. Hence, even if EC did not intend anything negative by this statement regarding India-Pakistan relations, but from Indian perspective it did imply a criticism of India. Similar on Kashmir issue when European Union tried to

⁴⁶ Krishna-Moorthy, B. (2004) "*India and the European Union: Common quest for Multilateralism and a Multipolar world Order*" in Jain, Rajendra (ed) *India and the European Union in a Changing World*. Aakar Books Delhi. p. 27.

mediate on Kashmir conflict between India and Pakistan, India straight forward denied any intervention of any third party. But soon European Union concluded that it would be better to concentrate on economic issues. There is a huge potential which could be easily developed without getting involved in territorial issues. The security dialogue which was held between India and European Union in 2008 was an important milestone towards strategic engagement. Both India and European Union have much to contribute towards raisings a rule based international order. Both hold a common belief in the fundamental importance of multilateralism and encouraged the role of United Nations maintaining international peace and security.

During the 14th European Union-India summit that was held at New Delhi on 6 October 2017, both committed to deepen and strengthen the strategic partnership. Progress made towards, "**India-European Union Agenda for Action 2020.**" was also evaluated. India-European Union Agenda for Action 2020 is a roadmap to strengthen the strategic cooperation in security matters such as EUROPOL and Indian agencies, implementation of the Paris Climate Agreement, to establish an European Union-India dialogue on the implementation of "2030 Agenda for Sustainable Development", strengthen dialogue an education through India's GIAN programme and European Union's ERASMUS programme.

2.24 European Union-India Security Dialogue

The strategic partnership agreement signed in 2004 between European Union and India and the joint action plan of 2005 which was updated in 2008 and 2016, enhanced the relations between two entities. India has been a victim of terrorism since 1980's. On the different world platform India has always raised its concern over terrorism. But the world community paid little attention towards India concern. However as India-European Union relation are concern, trade was the primary focus area. But, it was only after 9/11 terrorist attack on United States that influence the security cooperation between Europe and Republic of India. After the attack, US launched its "War on Terror", in which expected greater participation of world's major powers to be a part of the initiative." In 2004 terrorist attacks in Spain's capital Madrid and in 2008 London bombing, reminded the European leadership that they too are not safe.

On December 12, 2003 European Council adopted. European Security Strategy in which the future importance of the European Union is restructuring security in Europe and became one of the main document in the European Union's security strategy policy. It was the first time, the European Union identified major threat to its security. These includes terrorism, international organized crimes, the proliferation of weapons of mass destruction and regional conflict. The European Security Strategy, has three main foreign policy objectives that includes⁴⁷:

To extend the European security zone.

1. To support stable and equitable international order.
2. To seek effective countermeasures to new and old threats.⁴⁸

'European Union-India Joint Action Plan 2005' in its implementation report emphasis areas of cooperation such as strengthen political dialogue, global and regional security issues, including disarmament and non-proliferation, terrorism, counter terrorism etc. Counter terrorism, a joint European Union-India working group has been established. The European Union endorses India efforts of counter-terrorism at United Nations platform. The 13th European Union-India summit greatly advocated advancing cooperation in security matters. During the meeting, Joint Declaration on International terrorism which was adopted in 2010, was renewed. To counter the extremism and radicalization, sources of terrorist financing and arms supply were also discussed.

Currently, Europe is facing problems such as Islamic terrorism, migrant crisis. The Indian security problems include, cross border terrorism from Pakistan and rise of Chinese military presence in Indian Ocean and its neighborhood. So both have different type of challenge to overcome but one aspect where both are agreed is terrorism. Recently, more, European nationals have joined the ISIS, a rebel group fighting in Syria. On broader level, European Union-India have shared interests in world security dimension. In Afghanistan, India is a biggest contributor of aid through it development work, on the

⁴⁷ Bendick, Annegret and Wagner, Christian (2008), "*Prospects and Challenges of European Union-India Security Cooperation*" in Wulbers Shazia Aziz (ed) *European Union-India Relations: a critique*. Academic foundation, New Delhi. pp., 154-155)

⁴⁸ *ibid*, p. 156

other hand, European Union is also supporting the war torn country through its development aid policy. In the year 2016, European Union hosted a conference on Afghanistan in which New Delhi actively took part.

Most of the European countries are members of US led NATO, which was established in 1949 as a military alliance. However European Leaders did not want European Union's more reliance on NATO, due to present changing scenario. An unfolding debate about the extent to which the European can still trust the United States. All the concern expressed and articulated by Angela Merkel and has extended into a discussion whether Europe should develop its own defense policy.⁴⁹

On December 8, 2017 European Unions, Council of Minister decided to establish PESCO (Permanent Structural Cooperation), European Union's own defense arm. Currently 25 European Union member states are involved in PESCO excluding United Kingdom, Denmark and Malta. The excluding member states have their own reasons not to join the PESCO. Now, what makes the PESCO different initiative? First, council decision are legally binding, PESCO, unlike other initiatives will not go away. Council of Minster will assess annually whether member states are obeying the laws or not, regarding PESCO. For the period of 2021-27 EC has proposed a European Defence Fund. For project fallings within the PESCO framework, an additional bonus of 10 percent is foreseen.⁵⁰

2.25 India-European Union Developmental Cooperation

Development Cooperation of European Union with India dates back to 1960's when European Community provided food aid to India. The treaty of Rome' had the provision to promote the social and economic development of the countries. The Yaounde 1 and Yaounde II convention were formalized between 18 ACP countries and 6 European Countries. Britain was accesses to European Community in 1973. Before the accession of Britain to European Community provided \$ 45.25 million worth of aid to India After the accession of Britain, India received total \$ 49.43 million aid. During 1970 EEC provide

⁴⁹ Smith, Michael H, and Young Richard (2018), "*The European Union and the Global Order: Contingent Liberalism*". The International Spectator. vol. 53, No. 1, p. 45-56.

⁵⁰ Biscop, Sven 2018. "*European defense: Give PESCO a change. Survival*". vol.60 no 3. June-July 2018-pp.162-163.

the aid to provide assistance to India national milk grid National Dairy Development Board and 'Operation Flood'. The 1993 Maastricht Treaty widened the scope of European Union's aid programme worldwide.

The early 1990's saw a change in attitude regarding aid conditionality with article 130 (u) of Maastricht Treaty declaring that the community development cooperation shall contribute to the general objective of developing and consolidating democracy and the rule of law and human rights. The Country Strategy Paper 2002-2006 outlines the European Union development aid policy.

Article 130 (u) of Maastricht Treaty bring change regarding the conditionality of aid which include developing and consolidating democracy, rule of law and human right as prior condition of disburse aid to third countries. The Amsterdam Treaty also reaffirmed the development policy of the European Union.

The resources available of European Union's assistance to third countries have significantly increased from 0.2 percent in 1966 to 6.4 percent in 2012. The budget of unions aid is small but it still spends a significant amount on external action. The European economic crisis has hampered the unions' aid development programmes to some extent. That's why European Union's budget for the year 2014-20 is smaller than 2007-13. Recently, the European Union has focused app-proached in its development policy. The European Council in its proposal named "An Agenda for Change" has emphasized that European Union development aid grant some countries be reduced while for some other region/countries like European neighborhood and Africa may relive more aid. Director General for Development and Cooperation (DG DEVCO) has the sole responsibility for the implementation of European Union aid development policies.⁵¹

The European Commission announced that it would assist/fund the Government of India's Health and Family Welfare Sector Investment Programme. European Union was of the aim to improve the rural healthcare in India. A total of € 240 million had been contributed by the commission for National Rural Health Mission (NRHM), a Health Initiative by the Govt. of India, to improve the health in rural areas. The European Union-India

⁵¹ Smith, Karen E. (2014) "*European Union Foreign Policy in a Changing world*" Polity Press. UK. p. 49

development cooperation focuses the areas particularly, gender, environment, health, education, good governance, cultural exchanges.

The current project of European Union in India "Improving the Human Resources for Health Policy, Strategy and Practices in India. The project mainly focuses on improvement of human resources policy and in health industry. Another project on which European Union fund is being provided running in Odisha. The project is aimed at reduce the vulnerability of tribal people to Tuberculosis and HIV/AIDS. However, how effective the above programme would be is yet to be seen.⁵²

European Union's development policy has shift from health to education. In India, the European Union has actively involved in two major education programme. The first was District Primary Education Programme (DPEP). The programme aims to provide primary school education all children and also to reduce disparities. Over 97 percent of total grant have been received from the European Union side for this programme. The programme in which European Union got itself involved is *Sarva Shiksha Abhiyan (SSA)*. SSA covers all districts in India. A significant amount had been received from the European Union to achieve the goals and set before the SSA.

The European Union has also entered into the State Partnership Programme (SSP). Rajasthan and Chhattisgarh were included under this programme. During the period of 2006-2012, the European Union provided €160 million for the two states. During the period 2017-2013, the European Union allocated €470 million in development aid. "*The European Union is the biggest aid donor to India. However, in the future European Union aid development may be reduced because the European Union is focusing more an African region than the other regions*⁵³"

⁵² Datar, Poonam (2015) *Development Cooperation: have the tables turned?* in Win and, Pascaline, Vicziany, Marika and Datar, Poonam, (eds). *The European Union and India, Rhetoric or Meaningful partnership* Edward Elagar Publishing Limited UK p. 326.

⁵³ Amin, Jayaraj (2014) "*European Union Development Cooperation with India*" in Jain, Rajendra K. (ed.) *India and the European Union in a Changing World*. Aakar Books. pp, 123-124

2.26 India-European Union Broad Based Trade and Investment Agreement

India European Union Broad-based trade and investment agreement (BTIA) also known as Free Trade Agreement (FTA). Both are negotiating for a free trade agreement. Despite many round of negotiation, it has not yet been finalized. With the fastest growing economy in the world, European Union and India want to increase their trade and investment relation.

Many countries including India are looking multilateral negotiations after the collapse of Doha Development Round of negotiations in WTO. India has concluded Comprehensive Economic Cooperation Agreement (CECA) with many other countries. *“These CECA's encompass an FTA in goods, services, investment. SAFTA, India-ASEAN agreement, India-Thailand Free Trade agreement, India Singapore CECA, Indo-South Korea Agreement are such type of agreement. India-already had free trade agreement with Nepal and Sri lanka. India has also a free trade agreement with Japan⁵⁴”*.

However, the FTA negotiation are caught up in some issues which are deemed extremely sensitive to both parties such as agriculture, automobile and spirit. India alleges massive subsidies to European farmers, particularly in the dairy sector. Other issues are mode 4 access for India service sector. India is also demanding duty cuts on its textile exports and more liberal geographical indication regime. India is also against the inclusion of non-trade issues such as environment and labour in FTA.⁵⁵

In 2017-18 total merchandise India exported to European Union was \$ 53.5 billion while its import from European Union was \$ 47.8 billion. It is of the view that if India-European Union concluded a Free Trade Agreement trade could be doubled between the both. The negotiation for the pact last held in 2013 as both sides are yet to bridge substantial gap on crucial issues.

⁵⁴ Sachdeva, Gulshan 2014 *“India-European Union Broad-based Trade and Investment Agreement”* in Jain, Rajendra (ed) *India and the European Union a Changing World*. Aakar Books p. 105

⁵⁵ Bungenbers, Marc and Hazarika, Angshuman (2017). *“The European Union Trade and Investment Policy”* in *Asia: new challenges and opportunities in a changing global environment - or: following individual roadmap*. Asia Europe Journal Volume 15. Number 4, December 2017. p. 389.