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THE EUROPEAN COMMUNITY AND INDIA

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THE EUROPEAN COMMUNITY AND INDIA

I. Introduction

The relations which have existed between the European Community and India for the last 24 years are varied and constantly changing. They now extend beyond purely commercial or sectoral interests to take in international economics and politics.

The keystone of these relations is the commercial and economic cooperation agreement, which provides India and the EC with a favourable legal basis for expanding their cooperation. There are indeed many possibilities for cooperation given the industrial, scientific and human resources which India possesses.

Besides commercial and economic relations - the European Community is India's first supplier and its second customer - EC-India cooperation includes an important food and development aid : India is indeed the main beneficiary of Community aid among the non-associated developing countries in Asia and Latin America.

Cooperation between the European Communities and India is supplementary to the numerous bilateral activities, and to the often narrow links between the EC Member States and India. Thus, on an international level, Europe is now one of India's main partners.

Apart from the cooperation agreement, India and the EC cooperate at international level; whether in the United Nations, the North-South dialogue, GATT or UNCTAD, they are partners with often converging interests, each playing a constructive mediation role in its own field.

A lot remains to be done however in order to achieve the goals set by the EC-India agreement. A reinforcement of cooperation, more particularly in the field of economy, industry and science and technology, is vital if it is to represent a fairer image of the political and economic position occupied by the two partners in the world.

II. History of relations between the EC and India

Diplomatic relations were established in 1962 between India and the then Community of six western European countries (Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands).

India was primarily concerned at that time with safeguarding its access to the UK market once Britain had joined the EC. It is significant that the collapse of the 1961/63 negotiations for Britain's entry did not mark the end of India's relations with the Common Market. On the contrary, in 1964 the Community suspended at zero its tariffs on tea in bulk, a major Indian export, and on certain East Indian spices and skins.

This was followed by a bilateral agreement on jute and another on coir. At India's request the EC opened duty-free quotas for its exports of silk and cotton handloom fabrics and handicrafts. When the Community introduced its Generalized System of Preferences (GSP) in 1971, India, which had played a significant role in the negotiations leading up to the UNCTAD resolution on generalized preferences, became one of the principal beneficiaries.

By 1972 when the Community was enlarged to include Denmark, the UK and Ireland, trade relations between the EC and India had developed to the point where both the EC and Britain felt the existing network of bilateral and other arrangements, especially the GSP, could be counted on to safeguard India's exports to the UK market. As a result, Community action was limited to the Joint Declaration of Intent (JDI) which the EC issued jointly with Britain in 1972. The Declaration proclaimed the Community's "will to strengthen and extend its trade relations" with India (and other developing countries in Asia (1)) and to examine with them "such problems as may arise in the field of trade with a view to seeking appropriate solutions".

The Community's commercial cooperation agreement with New Delhi in 1973, was the first of a whole generation of agreements of this type concluded with other countries. Similarly, the 1981 economic and commercial cooperation agreement has served as the inspiration for the new generation of cooperation agreements replacing the earlier agreements.

India was among the first countries in Asia to recognize the importance of the emerging Community. But in acceding to India's request for a closer economic relationship, the EC was also responding to the country's unique position in the Third World which, since its independence, has played a dominant role in the movement of non-aligned countries. Its large population - 732 million inhabitants in 1982 - and a land area much larger than that of the twelve countries of the EC make India a giant among developing countries.

(1) Sri Lanka, India, Malasia, Pakistan and Singapore

India also produces a number of manufactured goods mainly destined for the home market.

It has a work force which is acquiring the skills needed to develop the most technologically advanced industries - petrochemicals, electronics, nuclear power and communications. The fact that India is also one of the poorest countries in material terms, with an estimated per capita income of \$ US 260, only serves to underline the country's enormous potential for growth.

III. Contractual relations

- Commercial and Economic Cooperation Agreement

The commercial cooperation agreement (1) concluded by India and the Community in 1973 has facilitated commercial cooperation, an excellent example being the Indian Trade Centre opened in Brussels in 1980 with financial help from the Community.

On the occasion of the visit to the Commission in June 1978 of Mr. Moraji Desai, then Prime Minister of India, agreement was reached on beginning exploratory talks aimed at enlarging the basis for cooperation.

The negotiations finally resulted in the signing on June 23, 1981 of a new five-year agreement on non-preferential commercial and economic cooperation (2). This agreement came into force on December 1, 1981 and provides for new forms of joint action in trade, industry, science, energy and development.

A Joint Commission was set up to monitor the implementation of the agreement (the Community is represented on this Commission by the European Commission, with the assistance of representatives of Member States). Its task is to promote the development of relations in all fields and monitor the operation of other sectoral agreements concluded between the Community and India.

The Joint Commission held its first meeting in New Delhi in January 1982. At its second meeting in Brussels on May 30 and 31 1983, the Joint Commission adopted a wide programme of trade promotion in India's favour.

(1) Official Journal L 82/74

(2) Official Journal L 328/81

The third meeting of the Joint Commission was held at ministerial level in New Delhi on May 5-7 1984. In view of India's persisting commercial deficit with the Community, the Joint Commission has decided to conduct a technical examination of various products so as to improve India's penetration on the Community market.

Moreover, an industrial cooperation programme has been approved, comprising continued financial support for the Frankfurt Indian Investment Centre, for study days on investments in two industrial sectors and a seminar on the transfer of technologies.

- Sectoral agreements

1. Textiles

India is a major supplier of textiles and clothing to the EC. The following table shows the extremely positive development of imports from India since 1973.

EC: Imports of textiles, clothing and floor coverings from India

(million ECU)

	1973	1976	1980	1981	1982	1983	1984
TOTAL	138	347	669	723	701	679	807
Yarn, fabrics, made-up articles	87	154	240	192	159	172	231
Carpets	20	45	129	162	177	205	207
Clothing	31	148	300	369	365	302	369

Source : Statistical Office of the European Communities

The agreement on textile products reached under the GATT Multifibre Arrangement (AMF) III was adopted on 26.9.1982. It has been applied de facto since 1.1.1983 (after the previous agreement (1) expired on 31.12.1982) and will be effective until the end of 1986. Although it involves a voluntary restraint arrangement for certain categories of products, it also guarantees access to the Community market under improved access conditions.

(1) Official Journal L 273/81

In view of the enlargement of the Community on 1.1.1986, the Community has proposed to the Indian authorities certain amendments to the agreement so as to include Spain and Portugal. No decision being reached, the Community has introduced, with effect from 1.1.1986, a temporary autonomous import regulation for India which will avoid any upsets in trade.

In the framework of the Multifibre Arrangement (AMF IV), the Commission will start negotiations this year with the Indian government with a view to concluding a new bilateral agreement taking effect as of 1987.

In addition to the generalized preferences, India also benefits from import-duty free quotas which the EC grants annually for handicraft and handloom products. India is the largest single beneficiary of this system among Asian and Latin American countries.

The E.C. - India agreement on jute products (1), in force since 1.1.1980, expired on 31.12.1983. As provided for in the agreement, the Community did away with all tariff and quota restrictions on imports of jute products with effect from 1.1.1984.

Under the Generalized Preference System, the Community also did away with all tariff and quota restrictions on coir products at the end of 1982.

2. Sugar

Sugar imports by the EC are regulated by two agreements - the ACP Sugar Protocol under the Lomé Convention (more than 60 African, Caribbean and Pacific countries are associated with the EC under this Convention) and the E.C. - India cane sugar agreement (2), which was signed and came into force for an unlimited period on 18.7.1975. Under these agreements, the EC undertakes to import annually up to a total of 1.3 million tons of sugar at prices which are generally higher than world market prices. Within this margin, each supplier country has a fixed quota of preferential sugar.

When supplies failed, India's quota of 25,000 tons was reduced to zero with effect from July 1 1981.

- (1) Official Journal L 43/82
- (2) Official Journal L 190/75

In 1982, India asked for its initial quota to be restored. On December 22 1983, the EC Council of Ministers was able to give its agreement reestablishing India's quota at 10,000 tons. Following an exchange of letters (1) signed on 27.4.1984, the new quota has taken effect retroactively on July 1 1983.

IV. Trade

The table below shows the development in trade between the EC and India since 1973 (the year in which Britain joined the EC).

Trade between the EC and India (million ECU) (2)

	1973	1976	1979	1981	1983	1984	1985
EC-imports	644	1428	1839	1880	2196	2905	2672
EC-exports	688	1140	2009	3363	3823	4630	5560
Balance	+24	-288	+170	+1483	+1627	+1725	+2880

Source: Statistical Office of the European Communities.

These statistics highlight the impressive increase in exchange during the period monitored: EC imports from India have increased fourfold, EC exports to India today are eight times higher in value than in 1973.

As exchanges increased however, India's deficit in its commercial balance with the EC unfortunately also increased. This mounting deficit with the EC reflects the increased overall deficit in its external trade since the government introduced a policy of easing import restrictions. India has repeatedly expressed its concern at this situation and has asked for access for its products to the EC market to be further facilitated by wider application of the Generalized Preference System and increased trade promotion aid. The Community has promised to help India develop its exports, but in return India will have to further improve the quality of its exports to the EC in order to make them easier to sell.

(1) Official Journal L 120/84

(2) The ECU or European Currency Unit is a "basket" unit, based on a certain quantity of each European currency. It offers a better measure of EC trade flows than the US dollar.

1 ECU = \$ US 0.90 (February 1986)

In any case, benefited from the Generalized System of Preferences and other tariff facilities, 80 to 85% of Indian imports already enter the Community market on franchise.

On an international level, the EC is India's main supplier. In 1984, Indian imports from the EC represented 23% of its total imports, as compared to 10% from the U.S.A., 7% from Japan and 6% from the Soviet union.

As far as Indian exports are concerned, 20% was destined to the EC in 1984, 24% to the U.S.A., 10% to Japan and 12% to the Soviet Union. Within the Community, the United Kingdom remains the main market for Indian products (34% of Indian exports to the EC in 1984); This is followed by the Federal Republic of Germany and the Netherlands (21 and 12% respectively).

More than half of EC imports from India were made up of manufactured goods (textiles - clothing, carpets, cotton and jute fabrics - worked diamonds and leather). The rest was made up of agricultural products (tea, cattle cake, raw tobacco etc.) and oil products.

EC exports to India mainly consisted of machinery, engineering products, transport equipment and manufactured goods such as chemicals, food products, oils and fats, etc. Some of these exports were carried out under the Community's food aid programme, while others were purely commercial transactions.

V. Generalized System of Preferences (GSP)

India is one of the main beneficiaries of the Community's Generalized System of Preferences, ranking 6th in 1981 and 1982 and 4th in 1983 (1). Under this system, developing countries are allowed total exemption from tariffs for industrial and textile goods (with certain limitations on the amounts of some goods to be exempted), and generally reduced tariffs for agricultural products. In 1983, 47% of Indian exports of goods covered by the GSP scheme entered the Common Market under preference.

In the agricultural sector, 66% of imports of eligible products entered under the GSP scheme. Products which particularly concern India include packed tea, castor oil, salted hilsa (a kind of fish), various spices, pine resin and flue-cured Virginia tobacco.

(1) All figures given are based on value data.

In the manufactured goods sector, 33% of Indian exports covered by the scheme benefitted from tariff exemptions, mainly leather articles, shoes and various chemical products.

For textile products, India, which supplies 11% of the total of textile products covered by the scheme exported by all beneficiaries, is by far and away the main beneficiary, with 35% of the SPG total. Slightly more than 57% of eligible Indian exports entered at the zero tariff rate, mainly clothing, carpets and jute products.

VI. Promoting India's exports

India has received the biggest share of credit in the EC's trade promotion budget. Since 1980, nearly 6 million ECU has been paid out for trade promotion projects for India, including among other things subsidies for the Indian Trade Centre in Brussels which was officially opened in February 1980 by the Vice-Chairman of the European Commission.

The Centre's activities are aimed at promoting India's exports to the EC. They are directed by Indian advisors and the sectors covered include engineering products; electronics; leather and leather goods; jute and coir products; textiles and agricultural products.

The trade promotion programme also includes visits by trade missions, market surveys, the organization of workshops and seminars, and Indian participation in European trade fairs and exhibitions.

Indian manufacturers have always been attracted by trade fairs; provided the fairs are carefully chosen, they offer a quick and effective way of reaching buyers from all over the Community (and from other industrialized countries).

Since 1984, the European Commission has been making efforts to increasingly combine financial and technical aid. One such an "integrated" project - concerning the technical and commercial aspects of using Indian mica as construction material - has been started since 1984. Two other "integrated" projects are currently being studied. These are:

- technical assistance in the processing of shellfish.
- technical assistance in the packaging of agricultural products.

VII. Economic and industrial cooperation

As mentioned earlier, the new commercial and economic cooperation agreement made it possible for the EC and India to cooperate more effectively across a whole range of economic and industrial endeavour. The principal aim is to sensitize European business circles to the cooperation possibilities offered by Indian firms in the form of joint ventures, licencing agreements, etc., and to facilitate contacts with Indian businessmen.

In January 1982, the Commission organized seminars for the first time on problems and prospects of Indian-EC relations in the four main cities of India: Bombay, New Delhi, Calcutta and Madras - which brought together Indian businessmen and industrialists, leaders of the Chambers of Commerce representing the EC Member States in India, and members of the Commission Delegation.

The Council of EC Chambers of Commerce in India was formed at that time; this was officially inaugurated in New Delhi on 2.11.1982 by the President of the European Commission, who emphasized the Council's role in organizing direct contacts between the economic operators of India and the Community.

In November 1982, the Community participated for the first time in the New Delhi International Trade Fair, with a European pavilion covering the stands of the ten Member States and the EC stand. This pavilion was one of the fair's main attractions and was instrumental in introducing to the Community not only businessmen but also various sections of the Indian population.

Also in November 1982, the Community launched the first part of an important programme to promote economic cooperation, with the aim of making interested firms aware of the improved conditions for investments in India. Seminars were organized in Dusseldorf, Paris and Stratford-upon-Avon with the aim of informing the business world of the opportunities for industrial collaboration in India.

These seminars were followed up with a large industrial conference in New Delhi held from January 16-18 1983, which enabled 113 European industrialists (the largest trade delegation from the EC ever to visit India) to meet their Indian counterparts and discuss with them the possibilities for cooperation in the form of joint ventures, licencing agreements, etc. Participants at the conference were drawn from other sectors which seemed the most promising for cooperation between the two parties, i.e. automobile parts,

industrial plastics, electronics and telecommunications.

Furthermore, workshops were organized enabling contacts within specialized fields to be made, such as plastics, leather, printing and packaging.

The Community also supplied technical and financial aid to the Indian Investment Centre located in Frankfurt which is the Indian government's principal agency for promoting foreign investments.

A seminar on technology transfer organized jointly by the EC and India was held in New Delhi on April 16 and 17 1983. This seminar reviewed the results of the first phase of the study on the supply and demand aspects of transfer of technology from the EC to India. The study was carried out jointly by the Indian National Council for Applied Economic Research and a number of entrepreneurs from the Community.

This joint study was completed in 1984 and was followed by a second seminar on the transfer of technology and investments which was held in Berlin on November 26 and 27 1984. Among those taking part were industrialists, research workers, representatives of financial institutions, as well as officials of the Community and of India. The seminar provided an opportunity to discuss other cooperative ventures, particularly involving small and medium-sized companies.

The 1986 programme looks forward to the organization of a third conference on technology transfer, again to be held in India.

It is intended in the future to take into account the directions which the Seventh Government Plan (published in October 1985) has given to the Indian economy and to make European firms aware of the opportunities which this plan offers in new sectors of the Indian economy: technologies based on micro-processors; technologies in respect of inorganic chemicals; biotechnology; consumer durable products; automobile ancillary industries; agro based products.

VIII. Scientific and technical cooperation

The new agreement also offers a firmer legal basis for technological and scientific cooperation. A Science and Technology Joint Commission has been set up to select and draw up joint research and development programmes.

The following sectors have been selected as offering a good basis for cooperation:

- new energy sources;
- environmental protection;
- scientific and technical information management;
- energy conservation;
- energy programming;
- tropical agriculture;
- tropical medicine and nutrition.

As far as environmental protection is concerned, the Commission has proposed to set up pollution control stations in certain Indian cities. The Indian authorities are currently studying this proposal.

IX. Energy cooperation

Since 1981, the Commission has been pursuing several cooperative ventures in the field of energy. These essentially form part of its energy programming activity and have to do with the development of energy planning methods.

Three studies were financed in this area as well as several visits by Indian and European experts; a seminar on energy planning methodology was organized in 1983. Most of this work is undertaken in the context of the Commission's activity by way of a network of energy institutes to which the TATA-Energy Research Institute of New Delhi is affiliated.

The interesting contribution of Indian expertise to other developing countries should also be mentioned. The Commission has already twice financed visits by Indian experts to China in the framework of EC-China cooperation.

X. Development aid

Given the sheer size of the Indian economy, it is hardly surprising that the Community's relations with that country are seen largely in economic and, more specifically, commercial terms.

Nevertheless, India is the largest single beneficiary of Community aid to developing "non-associated" countries in Asia and Latin America.

The Community's aid programmes are varied: they cover, besides promoting trade exchanges as described earlier, financial and technical development aid, food aid, emergency aid and training programmes.

Financial and technical aid (60 million ECU in 1985) takes the form of non-reimbursable grants and is mainly aimed at rural development projects, including those implemented by non-governmental organizations.

A large part of this aid is in the form of fertilizer supplies. The counterpart funds (i.e. funds collected from the sales of fertilizer by the Indian government) of the 1985 programme have been used by the Indian government to finance two rural development projects: growing of mustard seeds and an agricultural irrigation project.

Food aid in 1985: (20,000 tons of powdered milk and 1,000 tons of butteroil for a value of 59 million ECU) has been exclusively earmarked to support Operation Flood, an ambitious project aimed at increasing milk production and improving milk marketing.

Under Operation Flood I (1970 to 1978) and Operation Flood II (1978 to 1985), the Community made available, first through the World Food Programme (WFP), later directly, aid estimated at a total of 628 million ECU.

This operation has allowed India to reach a number of objectives: increasing and guaranteeing farmers' incomes, improving living conditions in villages, securing supplies and qualitative progress for products sold in the cities.

The Commission recognizes with satisfaction that the experience has been a positive one, that it has proved that food aid can, in appropriate conditions and in the framework of a global and well-structured programme, serve as a useful instrument for development, avoiding the sometimes disappointing results of the traditional use of food aid in terms of dependence or modification of food habits in favour of products which cannot be locally grown and of the depressing effects on prices and consequently on local production.

The Commission holds the view that new programmes of this type are possible and are to be encouraged in developing countries, whatever their relations with the Community, either individually, or in collaboration with an experienced development organization such as the World Bank or the WFP.

In 1984, the total of Community aid amounted to 92 million ECU. To this has to be added the development aid given

directly to India by the Member States of the Community, which amounts to a total of 483 million ECU (1) for the year 1984. These figures underline the effort made by the EC as a whole to support India's development.

XI. The European Parliament's Activities

First contacts between the European Parliament and the Parliament of India date back to 1962 when a delegation from the European Parliament visited India. In 1976, two Indian parliamentarians visited Luxembourg.

Since direct elections of the European Parliament and the formal establishment of Interparliamentary Delegations, two meetings have taken place between delegations from the European Parliament and the Parliament of India, the first in New Delhi in November 1981 and the second in Strasbourg in June 1983. These meetings have demonstrated the clear political commitment to, and allowed a better appreciation of, the Economic and Commercial Cooperation Agreement between the European Community and India by members of the two parliaments. Besides contacts by the highest parliamentary authorities and back-bench parliamentarians, the visits have provided opportunities for meetings with the Executive. The European Parliament Delegation met the former Prime Minister, Indira GANDHI, the Foreign Minister, and a number of other senior ministers during its visit in 1981, when it was also able to study on the ground certain development projects which receive Community support. The Indian Parliamentary Delegation led by the Speaker, Mr Balram JAKHAR, MP, visited Strasbourg, Lyon, Paris, Brussels and London in June 1983, meeting with Commission representatives and the President-in-Office of the Council. They were able to see Community projects in operation, such as the Culham JET fusion project in the UK, and were received at the Commission in Brussels.

The European Parliament approved a resolution in October 1981 expressing its satisfaction on the conclusion of the new Cooperation Agreement and underlined the hope that this agreement could contribute to India's development. At the beginning of 1984, the European Parliament drew up a report on the problems of organization in the third world, part of which is focussed on the very precarious situation in Indian towns. Its conclusions may guide the design and implementation of development projects.

The European Parliament's 1986 calendar schedules a further visit to India from 29 April to 2 May.

(1) Source OECD (ADC nett)

XII. Regional Cooperation in South Asia (SAARC)

India is a member of the South Asian Association for Regional Cooperation (SAARC), a new regional grouping for cooperation between the South Asian countries including Bangladesh, Bhutan, the Maldives, Nepal, Pakistan and Sri Lanka, as well as India itself.

Members of the SAARC cooperate in different areas, amongst others economic, social and cultural affairs as well as tourism. They are hoping above all to strengthen their influence in international fora through this cooperation.

The SAARC was formalized on 7th December 1985 when the association was established, but began as a looser cooperation grouping on 2nd August 1983, announced in a joint statement and communiqué adopted during a Conference of Foreign Affairs Ministers of the countries concerned in New Delhi.

The European Community as a regional grouping can only encourage this form of cooperation. It has offered financial aid which will be used for regional energy and transport projects.

XIII. The European Commission's Delegation and Press and Information Service in India

Since June 10 1983, the European Commission is represented in India by a Delegation based in New Delhi, 110001, YMCA, Cultural Center Building, Jai Singh Road.

The Press and Information Service of the Delegation is available to answer questions from journalists or the public and supply documentation on Community activities.

The monthly bulletin, "Regional Cooperation", published by the Service provides information on the progress of relations between the Community and India and other South Asian countries. Besides this, press communiqués give journalists background information on the occasion of more important events.

A European Documentation Centre was founded at the Nehru University, New Delhi. Moreover, four Community Deposit Libraries have been opened in India : two in New Delhi, one in Calcutta and one in Pune. The Centre and the

libraries regularly receive all the Community publications and make them available to any interested member of the public. Their addresses may be obtained from the Press and Information Service.

Within the framework of its budgetary possibilities, the Service is organizing visits for Indian journalists and industrialists to the European Commission in Brussels so that they may obtain on-the-spot information about the aims and activities of the Community in the areas which interest them.

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