

# European Communities

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### Report

drawn up on behalf of the Committee on Development and Cooperation

~~on~~ speedier negotiations for a commercial cooperation agreement between the  
EEC and India

Rapporteur: Hector RIVIEREZ

PE 34.438/fin.



By letter of 28 September 1973, the President of the European Parliament authorized the Committee on Development and Cooperation to draw up a report on speedier negotiations for a commercial cooperation agreement between the EEC and India. The Committee on External Economic Relations was asked for its opinion.

The Committee on Development and Cooperation appointed Mr Rivierez rapporteur at its meeting of 8 October 1973.

It considered Mr Rivierez' draft report at its meeting of 9 November 1973, when the draft report and explanatory statement were adopted unanimously.

The following were present: Mr Achenbach, chairman; Mr Dewulf, 1st vice-chairman; Mr Rivierez, rapporteur; Mr Armengaud, Mr Berthoin (deputizing for Miss Flesch), Sir Arthur Douglas Dodds-Parker, Mr Harmengies, Mr van der Hek, Mr Jozeau-Marigné, Mr de Koning (deputizing for Mr Aigner), Mr Ligios (deputising for Mr Galli), Lord St. Oswald.

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The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on speedier negotiations for a commercial cooperation agreement between the EEC and India

The European Parliament,

- conscious of the weighty responsibilities the EEC has assumed, within the enlarged Community, with regard to possible trade problems with the developing Commonwealth countries of Asia,
  - having regard to the steps India took some time ago to conclude an agreement with the EEC with the aim of correcting the existing trade imbalance between the two parties,
  - stressing India's political importance and its essential role in the third world,
  - having regard to the report of the Committee on Development and Cooperation (Doc. 233/73) and the Opinion of the Committee on External Economic Relations,
1. Invites the Council and Commission to take appropriate measures without delay to expedite and bring to a successful conclusion the negotiations with India for a commercial cooperation agreement;
  2. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the Communities.



EXPLANATORY STATEMENTThe Indian position

1. In September 1970 the Indian Government asked the European Community to open negotiations without delay for a commercial cooperation agreement with the EEC. This approach followed the Indian Government's requests to the EEC in 1963, and again in 1968, for a comprehensive trade agreement.

The main purpose of the commercial cooperation agreement was to increase trade between the two parties, particularly Indian exports to the Community, thus giving India a substantial enough trade surplus to correct the current imbalance, diversify its exports to Europe and to continue developing imports from the EEC.

The Indian Government felt this agreement should have been negotiated and signed before the enlargement of the Community since it was meant to solve the existing trade problems between India and the Europe of the Six, and at the same time to prepare the ground for future relations. Following enlargement, this comprehensive agreement would have had to be supplemented by a trade agreement designed to resolve certain specific problems arising from India's membership of the Commonwealth.

2. With the enlargement of the Community, the Europe of the Nine assumed specific commitments towards India, under the terms of the 'Joint Declaration of Intent' annexed to the Treaty of Brussels.<sup>1</sup>

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<sup>1</sup> Joint Declaration of Intent of 2 February 1971 on the development of trade relations with Ceylon, India, Malaysia, Pakistan and Singapore

'Inspired by the will to extend and strengthen the trade relations with the developing independent Commonwealth countries in Asia (Ceylon, India, Malaysia, Pakistan and Singapore), the European Economic Community is ready, from the date of accession, to examine with these countries such problems as may arise in the field of trade with a view to seeking appropriate solutions, taking into account the effect of the generalized tariff preference scheme and the situation of the other developing countries in the same geographical area.

The question of exports of sugar from India to the Community after the expiry of the Commonwealth Sugar Agreement on 31 December 1971 must be settled by the Community in the light of this Declaration of Intent, taking account of the provisions which may be adopted as regards imports of sugar from the independent Commonwealth countries listed in Protocol No.22 on relations between the European Economic Community and the Associated African and Malagasy States and also the independent developing Commonwealth countries situated in Africa, the Indian Ocean, the Pacific Ocean and the Caribbean.'

The Indian authorities were quick to point out that the United Kingdom's accession to the EEC was likely to prejudice certain essential Indian interests, notably its exports to the United Kingdom, unless prompt and adequate safeguards were given. In future, Indian exports to the United Kingdom will no longer fall under the generalized preferences scheme but will actually face new customs barriers.

Although over the past 25 years Commonwealth preferences have had a less determining influence on the volume of Indian exports to United Kingdom, they did play a significant role in India's foreign trade, enabling India to gain a foothold on the British market, especially in respect of cotton goods. The Indian authorities considered that the United Kingdom's accession to the EEC might be particularly damaging to these Indian exports.

#### Recommendation from the Commission of the Communities to the Council

3. Following the Indian Government's new approaches to the Community institutions and the Member States in the first months of 1972, on 24 July 1972 the Commission of the European Communities forwarded a 'recommendation' to the Council-pursuant to Article 113 of the EEC Treaty - on opening negotiations with a view to concluding a commercial cooperation agreement with India.

This agreement would fall under the Community's Asian policy, which is becoming a matter of increasing urgency following the enlargement of the Community. Many Asian countries belong to the Commonwealth and the United Kingdom's accession to the Community is forcing them to seek new forms of economic and commercial relations. They have already found some interesting 'openings' and achieved incipient cooperation with the Association of South-East Asian Nations (ASEAN), which includes Indonesia, Malaysia, the Philippines, Thailand and Singapore; further developments are planned.

In this context, the European Commission considered it essential for the EEC to establish cooperation with India. Such cooperation was so important a question that it could not be tied to the forthcoming multilateral negotiations in GATT.

4. A number of sectoral measures are already in force, relating to tea, maté, tropical timber, pimentos, certain sports goods, craft products, hand-



woven cotton and silk fabrics, jute and coir products and cotton textiles.<sup>1</sup> But the customs concessions and tariff quotas for these products laid down by the Community have not solved all the problems involved. In some cases (cotton textiles) the current agreement seems to give full satisfaction, but in others (jute and coir products) the two parties disagree.

The overall trade figures speak for themselves: since 1966 trade between the EEC and India has continued to fall: the overall volume of this trade was 585 million \$ in 1966, about 470 in 1969 and 1970 and 523 in 1971.<sup>2</sup> India's trade deficit with the Nine was 99 million \$ in the first six months of 1972 (with imports of 338.7 and exports of 239.5), while Indian trade as a whole showed a favourable balance of 66 million (imports = 1164, exports = 1226).

Trade between India and the Six in 1971 showed a negative balance for India of 111 million \$ as against 271 in 1965; but this lower Indian trade deficit with the EEC was a result of the substantial drop in imports rather than of a rise in Indian exports. It is clear, therefore, that the various partial or sectoral agreements and the unilateral Community trade policy measures have not produced the desired results. The 'generalized preferences' which the EEC introduced in 1971 for the developing countries (of which India is one of the main beneficiaries) may bring positive results but will not solve all the problems.

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<sup>1</sup> The relevant texts are as follows:

- Council decision of 18 June 1963, OJ No 2733/63 of 19 November 1963. At the end of June 1963 this decision was followed by a tariff arrangement between the Community and the United Kingdom simultaneously suspending customs duties for tea, maté and tropical woods in both zones.
- Council decision of 28 July 1969 on the conclusion of a trade agreement between the Community and India for hand-made products.
- Council decision of 10 November 1969 on the conclusion of a trade agreement between the Community and India for jute products (OJ No. L 287 of 15 November 1969).
- Council decision of 28 July 1969 on the conclusion of a trade agreement between the Community and India for coir products (OJ No. L 240 of 24 September 1969).
- Council decision of 1 February 1971 on the conclusion of a trade agreement between the Community and India for cotton textiles (OJ No. L 43 of 22 February 1971).

It should be noted that the EEC has negotiated a trade agreement on jute products with Bangladesh on the lines of the agreement with India.

<sup>2</sup> For details of EEC-India trade and Indian foreign trade, see annex to this report.

In the period 1965-1970 trade between India and the United Kingdom also dropped sharply.<sup>1</sup>

Moreover, the general economic situation in India is not satisfactory as regards industrialization, trade, price stability or reducing unemployment. The Indian authorities have constantly stressed the importance of expanding exports to improve the overall situation and the economic development of the country.

The EEC's main objective should, therefore, be to develop trade.

5. The Commission of the Communities considered that it would be difficult to achieve this objective with the instruments of traditional trade policy alone. In fact, imports are already freed (with the partial exception of textiles, jute and coir) and customs duties have been suspended on nearly all imports. Little more can be done here, except for jute and coir.

It is time, therefore, to introduce an 'active trade policy' with a view both to creating new markets for products manufactured in India and to promoting the manufacture of new products in India to cover the existing demand in the Community.

This would involve the application of market research and sales promotion techniques, analysing the possibilities of manufacturing new products in India and encouraging their production by appropriate measures of cooperation between Community and Indian undertakings.

The negotiations cannot solve all these problems directly. It would be up to the private sector rather than the public administrations to implement the necessary cooperation. But the agreement to be negotiated should create the necessary framework, and in general the public authorities should take action to facilitate, guide and control individual activities. Several Member States have already embarked on this road; the Community could standardize national policies and coordinate the various trade promotion campaigns.

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<sup>1</sup> cf. Table III of the annex.

## The present situation

6. On 3 April 1973 the Council of the Communities finally decided to authorize the Commission of the Communities to open negotiations with India with a view to concluding a commercial cooperation agreement, and adopted the necessary directives.

The negotiations were formally opened on 13 April, but did not in fact begin until the end of May and were resumed in July.

These negotiations for a comprehensive agreement ran parallel to the negotiations on sectoral agreements for jute and coir products, to which India attaches great importance as a means of increasing its exports here.<sup>1</sup>

7. Substantial progress was made during the negotiations. At their meeting, on 16 and 17 July, the two parties expressed the hope that further examination of the draft agreement would lead to rapid progress in the negotiations with a view to concluding them before the end of the year.

The next round of talks which took place on 30 October, showed that there is now agreement in principle as regards structure and on most of the arrangements to be concluded; there are still a few outstanding points, however, which will have to be submitted to the Indian government, on the one hand, and the Council of the Communities, on the other.

8. On 17 September 1973 the Indian Ambassador to the Communities, His Excellency Mr M. Krishen Behari Lall, outlined current problems in EEC-Indian relations to the members of the Committee on Development and Cooperation.

In particular he stated that:

'Therefore, the proposed Commercial Cooperation Agreement between the Community and India must go beyond a classical type of trade agreement. It must contribute to the evolution of a new international economic order commensurate with the human, intellectual and material resources of the two great democratic configurations which India and the Community constitute.

...  
The Community is engaged in evolving a global development cooperation policy. There is already a fairly well-defined African component of this development cooperation policy but the Asian component is still to be defined. It is reasonable to suppose that in determining the nature of commercial relations with India, it would be the desire of both parties to achieve balance not through an exchange of reciprocal concessions but through the establishment of a dynamic equilibrium in their overall economic relationship based on the complementarities that exist, that may be created, and that may be planned in the light of the factor endowments of the two parties.

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<sup>1</sup> Pending a comprehensive agreement, the two parties continue to settle certain immediate problems concerning e.g. jute and coir by individual agreements. On 16 July 1973 an agreement was concluded on conditions governing trade in these two products.

A bold, imaginative and new initiative has to be taken if we are to move beyond palliatives, to move beyond merely ameliorating the consequences of the enlargement of the Community.<sup>1</sup>

The Indian ambassador addressed an urgent appeal, through Parliament to public opinion in the Europe of the Nine; he wanted a new dimension to be added to the existing relationship between the two parties, in which their traditional contacts would be enhanced and transformed.

9. The Committee on Development and Cooperation considers that the Parliament must respond to this appeal. Regrettably, seven years have passed, without any practical results, since Parliament, in November 1965, invited the European Commission to prepare for opening effective bilateral negotiations which would ensure an extension of trade relations between the Community countries and India.

India's geographical size, its political importance and the role it plays among the third world countries give it a dominant position. The enlarged EEC's relations with India must, therefore, be based on a different concept from that which governed the establishment of relations with many of the developing countries, and they must take special account of the responsibilities the EEC has assumed towards India within the framework of the negotiations on the enlargement of the Community.

10. In conclusion the Committee on Development and Cooperation proposes to Parliament that it should invite the Council and Commission of the European Communities to take without delay all appropriate measures to speed up the negotiations with India and bring them to a successful conclusion.

It would be desirable for the commercial cooperation agreement which the EEC is to conclude with India, and which will no doubt considerably influence the Community's future attitude towards the Asian countries, to enter into force by early 1974 at the latest.

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<sup>1</sup> cf. Doc. PE 34.118

INDIAN FOREIGN TRADE STATISTICS

I. Development of Indian foreign trade (in million US \$)<sup>1</sup>

	<u>1960-61</u>	<u>1968-69</u>	<u>1969-70</u>
IMPORTS (TOTAL)	2,393	2,544	2,090
including:- agricultural products	381	449	348
- raw materials	1,034	1,151	995
- capital goods	748	703	533
EXPORTS (TOTAL)	1,386	1,810	1,884
including:- tobacco	33	45	45
- tea	260	209	166
- sugar	5	13	11
- vegetable oils	26	21	12
- cotton (textiles)	121	94	93
- jute	284	291	276
- coir	18	18	18
- leather and skins	52	97	109
- mineral ores and iron	36	118	126
- capital goods	18	90	119
TRADE BALANCE	- 1,007	- 734	- 206

<sup>1</sup> Source; Government of India, Economic Survey 1970-1971

## II. EEC-India foreign trade<sup>1</sup>

### (a) DEVELOPMENT OF TRADE (in million US \$)

<u>Year</u>	<u>Imports</u> (1)	<u>Exports</u> (2)	<u>Balance</u> (3)	<u>Volume of trade</u> (4) = (1) + (2)
1960	111	283	+ 172	394
1965	152	423	+ 271	575
1966	159	426	+ 267	585
1967	143	358	+ 215	501
1968	168	302	+ 134	470
1969	198	277	+ 81	473
1970	191	282	+ 91	473
1971	206	317	+ 111	523

### (b) STRUCTURE OF EEC-INDIA TRADE IN 1969

#### A. by categories of products

	<u>Imports</u>		<u>Exports</u>	
	<u>in million US \$</u>	<u>in %</u>	<u>in million US \$</u>	<u>in %</u>
TOTAL	196.3	100	277.3	100
including:- raw materials	45.8	23	4.2	2
- foodstuffs beverages, tobacco	23.4	12	9.8	4
- chemical products	3.8	2	36.6	13
- energy products	0.1	-	0.2	
- transport equip- ment and machinery	1.9	1	142.2	51
- other manu- factured products	120.3	62	82.5	30
- others	1.0	-	-	-

#### B. by Member State

- Germany	60.8	31	127.6	46
- France	46.4	23	30.3	11
- Italy	29.0	15	56.9	20.5
- B.L.E.U.	42.8	22	40.8	14.5
- Netherlands	17.3	9	21.7	8
COMMUNITY TOTAL	196.3	100	277.3	100

<sup>1</sup> Source: Statistics Office of the European Communities

III. United Kingdom-India trade<sup>1</sup>

A. Development of Trade (in million US \$)

<u>Year</u>	<u>Imports</u> (1)	<u>Exports</u> (2)	<u>Balance</u> (3)	<u>Volume of trade</u> (4) = (1) + (2)
1965	359.2	325.9	- 33.3	685.1
1969	256.8	160.6	- 96.2	417.4
1970	252.7	176.0	- 77.7	427.7

B. Structure of United Kingdom-India trade in 1969 by categories of products

	<u>Imports</u>			<u>Exports</u> (x)	
	<u>in million US \$</u>	<u>in %</u>		<u>in million US \$</u>	<u>in %</u>
Total	256.8	100.0	Total	160.6	100.0
including:-animal			including:- manufactured		
feedstuffs	20.7	8.1	primary products	35.0	21.8
-sugar	3.2	1.2	- chemical products	16.5	10.3
-tea	70.8	27.6	- transport equipment and machinery	79.4	49.4
-tobacco	28.3	11.0	- non-electrical machinery	(44.6)	(27.8)
-textiles	46.1	118.0	- cars	(10.8)	( 6.7)
-cotton	(23.0)	(9.0)	- textile machinery	( 2.1)	( 1.3)
-jute	( 5.6)	(2.2)			

<sup>1</sup> Source: UNO Commodity Trade Statistics, 1965 and 1969

(x) including re-exports

Opinion of the Committee on External Economic Relations.

Draftsman of the opinion: Mr P.B. Cousté.

The Committee on External Economic Relations appointed Mr Cousté draftsman on 25 October 1973.

The draft opinion was discussed by the committee at its meeting of 29 November 1973 and adopted unanimously.

The following were present: Mr de la Malène, chairman; Mr Boano, vice-chairman; Mr Cousté, draftsman; Sir Tufton Beamish; Mr Delmotte (deputizing for Mr Behrendt), Mr Dewulf, Mr de Koning, Mr Lange, Mr Ligios, the Marquess of Lothian, Sir John Peel, Mr Radoux, Mr Sandri, Mr Schulz, Mr Thiry.



III. United Kingdom-India trade<sup>1</sup>

A. Development of Trade (in million US \$)

<u>Year</u>	<u>Imports</u> (1)	<u>Exports</u> (2)	<u>Balance</u> (3)	<u>Volume of trade</u> (4) = (1) + (2)
1965	359.2	325.9	- 33.3	685.1
1969	256.8	160.6	- 96.2	417.4
1970	252.7	176.0	- 77.7	427.7

B. Structure of United Kingdom-India trade in 1969 by categories of products

	<u>Imports</u>			<u>Exports</u> (x)	
	<u>in million US \$</u>	<u>in %</u>		<u>in million US \$</u>	<u>in %</u>
Total	256.8	100.0	Total	160.6	100.0
including:-animal feedstuffs	20.7	8.1	including:- manufactured primary products	35.0	21.8
-sugar	3.2	1.2	- chemical products	16.5	10.3
-tea	70.8	27.6	- transport equipment and machinery	79.4	49.4
-tobacco	28.3	11.0	- non-electrical machinery	(44.6)	(27.8)
-textiles	46.1	118.0	- cars	(10.8)	( 6.7)
-cotton	(23.0)	(9.0)	- textile machinery	( 2.1)	( 1.3)
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1. In view of its 547 million inhabitants (1971 census), giving it the second largest population in the world, the size of its territory (more than 3 million sq. km.), its political significance (it is the largest parliamentary democracy in the world), and its influence among the other developing nations, the Indian Union plays an important role in world politics. The enormity of the problems facing this country and the general lessons to be learnt from Indian experience amply explain why its economic, political and social development is of such interest to the outside world.
2. For these reasons alone it would be advisable for the Community to extend its economic and commercial relations with India. However, in view of the importance of the many ties between the United Kingdom and its former colony, the recent enlargement of the Community makes it necessary to pay special attention to the future of these relations. This need arises notably from the fact that - like the other South East Asian members of the Commonwealth, Malaysia, Singapore, Sri Lanka, and Pakistan (although the latter country no longer belongs to the Commonwealth) - from 1 January 1974 the Indian Union will gradually lose, as a result of the initial approximation of the United Kingdom customs tariff and the Common Customs Tariff, the preferences it at present enjoys on the British market. In place of the exemptions at present granted for many products coming from India, the United Kingdom will start to apply duties amounting to 40% of those laid down in the CTT. Since Denmark has previously applied customs duties lower than those of the CCT, it follows that from 1 January 1974 Indian exports will face additional difficulties on the market of the Nine.
3. To avoid this the Community must, within the framework of its system of generalized preferences, take into account the export interests of these countries by increasing their facilities for duty-free sale within the common market. To this end, when they signed the Treaty of Accession, the Nine stated their willingness, in a joint declaration of intent on the development of trade relations with the South East Asian Members of the Commonwealth, 'to extend and strengthen the trade relations with the developing independent commonwealth countries in Asia .....and to examine with these countries such problems as may arise in the field of trade with a view to seeking appropriate solutions, taking into account the effect of the generalized tariff preference scheme'.
4. To this end, on 26 October 1973, the Commission approved and forwarded to the Council a communication on the initial implementation of the joint declaration of intent, proposing a certain number of ad hoc measures which would be brought into force at the beginning of 1974, at the same time as the initial approximation of the United Kingdom customs tariff and the Common Customs Tariff.

In the Commission's opinion, however, the measures should not stand in the way of bilateral general or sectoral (concerning one product in particular) agreements between the EEC and the countries in question.

5. What stage have the negotiations between the EEC and India reached in this more general context?

In September 1970 the Indian Government, following requests already submitted in 1963 and 1968, proposed to the EEC that negotiations for a trade cooperation agreement should speedily be opened.

The object of this agreement was to be an increased trade between the two parties, and particularly in Indian exports to the Community.

On 24 July 1972 the Commission forwarded to the Council a recommendation concerning the opening of negotiations for an EEC-India trade agreement. On 3 January 1973 the Council authorized the Commission to open such negotiations. These were formally opened on 13 April but did not really begin until the end of May. They were continued in July, interrupted during the holidays, and resumed on 30 October. Since a number of problems remain unsolved, it seems unlikely that they will be concluded before the end of 1973.

6. Alongside the general negotiations, the sectoral negotiations between the EEC and India on jute products have recently been brought to a successful conclusion. The agreement signed on 7 November 1973 will permit a reduction in the current CCT of 40% from 1 January 1974, and 60% from 1 January 1975. These preferences were granted within the framework of the system of generalized preferences. Other sectoral measures are already in force e.g. for tea, tropical woods, cotton textiles, etc.

7. In order to discuss at political level the various aspects of relations between the EEC and India, the Indian Minister of Trade, Professor D.B. CHATTOPADHYAYA, went to Brussels at the beginning of November 1973, where he had talks with the President of the Commission and the President in office of the Council. These talks centred on the unsolved problems in the negotiations for a trade cooperation agreement.

An agreement of principle now seems to have been reached on the structure and most of the provisions of the planned agreement.

The latter will cover the various existing sectoral agreements, consolidate certain customs reductions previously applied unilaterally by the EEC and set up a joint committee to supervise the development of mutual trade.

8. The competent Indian officials have indicated their general satisfaction with the new Commission proposals on the system of generalized preferences but have stressed that the latter would still be less favourable than the system hitherto applied to their products by the United Kingdom and Denmark.

9. At this stage of the negotiations the Committee on External Economic Relations does not intend to examine the technical problems at present under consideration by the two parties. It will come back to the questions raised by the future EEC-India agreement and deal with them in detail when the negotiations are over.

In the context of this brief opinion, it prefers to confine itself to stressing the importance it attaches to concluding the current negotiations as speedily as possible (before the end of 1973 if this is feasible). Too much time has already been lost since the Indian Government submitted its first request in 1963 to the EEC for a general agreement on trade between the two parties.

If the negotiations cannot be concluded before 1 January 1974, our committee would like practical measures to be taken in anticipation so that the position of Indian products on the British and Danish markets is not jeopardized by the measures these countries will be taking with a view to approximation with the CCT.

The Committee on External Economic Relations shares the Indian Government's concern at their country's continuing large balance of trade deficit in its transactions with the industrialized countries. The Fourth Indian Development Plan for the years 1969 - 1974 provided for an average increase of 7% in exports, leading, by the end of 1974, to equilibrium in the Indian balance of trade. It now appears that this ambitious objective will not be achieved.

India has always shown a deficit in her trade with the European Economic Community, and this deficit has grown since the accession of the United Kingdom. Hence, in our committee's opinion, it is important that the future trade agreement between the EEC and India should give the latter country new facilities for developing its exports to the Community, and in particular its exports of finished products, so that the pattern of trade between the two parties reaches a better equilibrium.

Finally, our committee believes it would be desirable, taking into account India's good position in the advanced technology industries (particularly the nuclear industry), to strengthen scientific and technological cooperation between this country and the Community.

