

COMMENT 203 - EU-India: Building bridges through High-Level Dialogue

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India is one of the world's largest growing economies – and an active player in global economic governance. The primary objective of the partnerships between the EU and India is transparency (a non-discriminatory and predictable, regulatory business environment). On 5 February 2021, the EU and India held their first [High-Level Dialogue](#) (HLD). The decision to hold a high-level dialogue was already chalked out in the 15th Summit held virtually between the EU and India amid the Covid-19 pandemic. The High-Level Dialogue was co-chaired by Piyush Goyal (India's Minister of Commerce and Industry) and Valdis Dombrovskis (Trade Commissioner and European Union Executive Vice-President). Highlighting the significance of global cooperation, both sides acknowledged the importance of solidarity in the post-Covid-19 pandemic world. Both sides agreed to further deepen their bilateral relationship as concerns trade and investment through the India-EU Multilateral Dialogue. Many areas of key policy developments and market issues were mentioned in the meeting, for instance the bilateral Regulatory dialogue and the India-EU Multilateral dialogue, both intended to explore further possibilities of cooperation.

The EU and India also exchanged their views on the state of play of WTO reforms as well as on their own cooperation within the [WTO](#) – both parties reiterating their attachment to rule-based, multilateral trading systems. Both pledged to fortify, deepen and reform the WTO and cooperate to make the twelfth WTO Ministerial conference a success. Looking into the feasibility of resuming work on trade and investment as well as investment agreements both ministers agreed to explore further venues. Ministers on both sides briefed each other and provided an update on important initiatives. The EU shared an update on two important issues – the

ongoing review of the Generalised Scheme of Preferences, which expires in 2023, and the EU carbon Border Adjustment Mechanism under the European Green Deal. India shared an update on two necessary initiatives – the Make in India and the Self-Reliant India policies. Both parties examined a selection of key market access issues so as to identify prospects for resolving them.

It was also agreed to hold regular interactions for the re-initiation of bilateral trade and investment agreements as well as other cooperation issues. Both ministers expressed their confidence in and commitment to a renewed India-EU commercial and economic partnership, reflecting the full potential of bilateral commercial relations. It was agreed to meet in the next three months with the goal of reaching consensus on trade deals and hold a structural dialogue on WTO reforms. Apart from this, the socio-economic impact of Covid-19 pandemic, rapid vaccine production, and distribution mechanisms were also discussed.

Dombrovskis and Goyal showed a keen interest in resuming negotiations for ambitious, comprehensive and mutually beneficial trade and investment agreements – once both partners’ [respective approaches](#) and positions are fully compatible. In the meantime, EU and India would examine alternate approaches and investigate the possibility of opening new areas of cooperation, for instance concerning the resilience of global value chains and regulatory cooperation, notably through the use of new technologies. Both sides centered on finding opportunities and feasibility to resume work on trade and investment agreements as well as new areas of cooperation (regulatory aspects and resilient value chains). The new areas will include cooperation on climate, connectivity, and health. They will likely be announced in the upcoming summit.

India is an important trading and investment partner for the EU. And the EU is also India’s largest trading partner. After the USA, the EU is the second-largest destination for Indian exports, accounting for over 14 per cent of the total. In the past few years, the EU’s share in foreign investment inflows to India has more than doubled – from 8 per cent to [18 per cent](#). Between April 2000 and March 2020, FDI equity flows from EU countries into India totalled [\\$ 81.3 billion](#), which is about [17.3%](#) of total FDI inflows. Therefore, the EU is both the first foreign investor in India and the largest source of Foreign Direct Investment (FDI). An Investment Facilitation Mechanism promotes and facilitates FDI inflows from the EU.

As far employment is concerned, there are more than [6000 European companies](#) in India which employ 1.7 million people and indirectly create a further 5 million jobs across a wide range of sectors. Indian companies have invested around 50 billion euros in the EU since 2000. Trade-in services between the EU and India have rapidly risen from [€22.3 billion](#) in 2015 to [€29.6 billion](#) in 2018. Trade-in good has tremendously increased by 72 per cent over the past few years. The European Investment Bank opened its office in New Delhi in March 2017 and has extended credits for various projects in India. In 2019, the EU was India's largest trading partner, while India was EU's 10th largest trading partner. India's bilateral trade with the EU in 2019 stood at [77.8 billion](#) (\$ 87.1b) euros ; India's exports were valued at [39.6 billion](#) (\$44.3b) euros and imports at [38.2 billion](#) (\$42.8b) euros. [Trade-in goods](#) between India and the EU increased by 72% in the last decade. Trade-in Services between India and EU in 2018 stood at [29.6 billion](#) (\$34.9b) euros; India's exports valued at [15.4 billion](#) (\$17.2b) euros and imports at [14.2 billion](#) ((\$15.9b) euros).

The bilateral Broad-based Trade and Investment Agreement (BTIA) negotiations started in 2007 between India and the EU. Since 2013 there were no progress in negotiations due to varying differences in certain areas such as movement of professionals, labour, human rights, environmental issues and [India's high tariffs and inconsistent tax regime](#) as well as non-payment of arbitral awards. The last meeting was held in June 2019 in Brussels. The India-EU joint commission on economic and commercial matters is held annually to oversee trade and economic relations – together with [three sub-commissions](#) on trade, economic and development and a working Group on SPS and TBT.

India has shown keen interest and positive approach towards a trade deal with the EU in its first High-Level Dialogue. India and EU continue to face serious challenges related to migration and inflow of refugees and covid-19 has further worsened. However, both are looking forward with their focus on rule of law to a strategy for dealing with increasing Chinese influence. The ongoing 'vaccine nationalism' has formed divisive forces within EU and is inviting innumerable political crisis. Trade agreements between the India and EU cannot eradicate their internal crisis but improving relation through bilateral agreements would also

narrow down gaps between two sides, shifting their focus on good governance and rule of law consulting each other.

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