



GS FOUNDATION BATCH FOR CSE 2024

International Relations- 17

(India-EU Relations)

European Union



- The European Union is a group of 27 countries that operate as a cohesive economic and political block. It grew out of a desire to form a single European political entity to end centuries of warfare among European countries that culminated with World War II and decimated much of the continent.
- It traces its origins to the European Coal and Steel Community (ECSC) and the European Economic Community (EEC), established, respectively, by the 1951 Treaty of Paris and 1957 Treaty of Rome.
- In 1957, Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany signed the Treaty of Rome, which created the European Economic Community (EEC) and established a customs union. They also signed another pact creating the European Atomic Energy Community (Euratom) for co-operation in developing nuclear energy. Both treaties came into force in 1958.
- The EU has developed an internal single market through a standardized system of laws that apply in all member states in matters, where members have agreed to act as one.
- 19 of these countries use euro as their official currency. The eurozone is a monetary union established in 1999, coming into full force in 2002, that is composed of the 19 EU member states that use the euro currency.
- Through the Common Foreign and Security Policy, the union has developed a role in external relations and defence.
- In 2012, the EU was awarded the Nobel Peace Prize for advancing the causes of peace, reconciliation, democracy, and human rights in Europe.

In 1985, the Schengen Agreement paved the way for the creation of open borders without passport controls between most member states and some non-member states.

In 1986, the European flag began to be used by the EEC and the Single European Act was signed.

The European Union was formally established through Maastricht Treaty (1992).

In 2002, euro banknotes and coins replaced national currencies in 12 of the member states. Since then, the eurozone has increased to encompass 19 countries.

On 1 December 2009, the Lisbon Treaty entered into force and reformed many aspects of the EU.

Lisbon Treaty:

1. It amended Maastricht Treaty and other previous treaties and protocols.
2. moved from unanimity to qualified majority voting in at least 45 policy areas in the Council of Ministers.
3. A more powerful European Parliament forming a bicameral legislature alongside the Council of Ministers under the ordinary legislative procedure
4. a consolidated legal personality for the EU
5. Creation of a long-term President of the European Council and a High Representative of the Union for Foreign Affairs and Security Policy.
6. The Treaty also made the Union's bill of rights, the Charter of Fundamental Rights, legally binding.
7. For the first time, the treaty gave member states the explicit legal right to leave the EU, and established a procedure by which to do so.

European Union – Decision-Making Bodies

The seven important decision-making bodies of the European Union:

1. European Parliament
2. European Council
3. European Commission
4. Council of the European Union
5. Court of Justice of the European Union
6. European Central Bank
7. European Court of Auditors.

Achievements of EU:

1. It has ensured peace in the Europe.
2. Shining example of benefits of mutual cooperation across the sectors.
3. Made Europe a key pole in geopolitics.
4. It has made Europe a prominent economic and technological powerhouse.
5. Helped in driving Eastern European nations out of poverty and ensuring better governance.
6. A model of supranational authority that can be emulated.

Challenges:

1. Internal divisions on the basis of ideology and economic prosperity.
2. Demand for assertion of separate identity and sovereignty. E.g., Brexit.
3. Threats emerging from Russia and China.
4. Emergence of border fencing due to refugee crisis.

5. Military dependence on Europe has limited the geopolitical influence of European Union.
6. Covid-19 and resultant uncertainty has posed new set of challenges.
7. The ongoing Ukraine crisis has also led to divisions within the union.

Brexit:

Brexit was the withdrawal of the United Kingdom from the European Union at 23:00 GMT on 31 January 2020. United Kingdom had been a member of European Union since 1973.

India-Europe Relations

- In 1962, India was the first developing country to establish diplomatic relations with European community.
- EU-India Cooperation Agreement 1994 provides the legal framework for EU-India relations. India and the EU have been strategic partners since 2004.
- In 2000, the first India-EU Summit took place. The relationship was upgraded into a 'Strategic Partnership' in 2004.
- In 2018, EU's strategy on India titled "A Partnership for Sustainable Modernization and Rules-based Global Order" was issued by the European Commission and the EU High Representative for Foreign Affairs and Security Policy which views India as an emerging global power that plays a key role in the current multipolar world and a factor of stability in a complex region and calls for greater India-EU political, security and defence cooperation.

Significance of EU:

1. Second largest economy in nominal terms and third in purchasing power parity.
2. France is a P-5 member and Germany is an aspirant.
3. Technological leadership in defence manufacturing, renewable energy, nuclear energy, water conservation etc.
4. Among the major export markets for Indian products. India continues to enjoy GSP benefits.
5. Significant voice at the UN, WTO, Climate change negotiations and global diplomacy.

Economic Relations:

1. The EU is India's third largest trading partner, with bilateral trade crossing \$116.36 billion. It is second largest destination for Indian exports.
2. EU is the biggest foreign investor in India, with €67.7 billion worth of investments made in 2018 (22% of total FDI inflows).
3. An investment facilitation mechanism for EU investments in India has been established in 2017. This has renewed focus on facilitating ease of doing business norms for EU investors in India.
4. Negotiations for a broad-based Bilateral Trade and Investment Agreement (BTIA) was held between 2007–2013 but negotiations were suspended after multiple impasses. The negotiations were restarted in June 2022.

Carbon Border Adjustment Mechanism (CBAM):

The European Union (EU) Carbon Border Adjustment Mechanism (CBAM) aims to encourage global industry to adopt greener and more sustainable technologies. The CBAM will be implemented gradually, with a transition period from October 1, 2023 to December 31, 2025.

- The CBAM will **apply to imports of cement, iron and steel, aluminium, fertilizers, electricity and hydrogen** from countries that have less stringent climate policies than the EU.
- Importers of these goods will have to buy carbon certificates that reflect the amount of carbon emissions embedded in their products.
- The price of these certificates will be equivalent to the price of carbon in the **EU Emissions Trading System (ETS)**, which is a market-based system that regulates the emissions of industries within the EU.
- It is intended to encourage cleaner industrial production in non-EU countries and prevent carbon leakage, which is the relocation of carbon-intensive activities to countries with lower environmental standards.
- The **CBAM is expected to translate into a 20-35% tax on select imports** into the EU starting January 1, 2026.
- India's **26.6% of exports** of iron ore pellets, iron, steel, and aluminium products go to the EU. These products will be hit by CBAM. India exports these goods worth around USD8 billion annually to the EU.

Broad Based Trade and Investment Agreement (BTIA)

It is being negotiated since 2007. The negotiations have been stalled since 2013. Both sides have major differences on crucial issues such as-

- **EU's demands:** significant duty cuts in automobiles, tax reduction on wines, spirits etc, a strong intellectual property regime, relaxation in India's data localisation norms, protection to all its items with Geographical Indication etc.
- **India's demands:** 'Data secure' status (important for India's IT sector); Ease norms on temporary movement of skilled workers, relaxation of Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) norms etc.

As per June 2020 study by the European Parliamentary Research Service, FTA can increase exports from the EU to India by about 52% to 56%, while imports from India would rise between 33% and 35%.

At the India-EU virtual summit in 2021, Both India and EU have agreed to engage for restarting the stalled BTIA. The negotiations have started. The aim is to strike the deal by 2023.

Defence Cooperation:

Though India does not have defence cooperation with European Union, it does have deep relationships with individual nations like France, Germany and Italy. After Ukraine crisis, European nations have gone for increasing their defence expenditure with Germany increasing it by more than \$100 billion and taking it above 2% of GDP. This provides opportunity for defence to be a new area of cooperation between India and European Union.

- First ever India-EU security and defence consultations were held in Brussels in June 2022.
- Both sides discussed about increasing maritime security cooperation and prospect of Co-development and Co-production of defence equipments.

Maritime Cooperation:

- Both India and the EU have stressed on the idea of freedom of navigation, maritime piracy, and adherence to United Nation Conventions on the Law of the Sea (UNCLOS) and the development of the blue economy and maritime infrastructure.
- Both have identified the Indo-Pacific as the new avenue for maritime cooperation.
- In January 2021, India and the EU hosted the first Maritime security dialogue in a virtual format. It has become a regular event.

Climate Change:

- Since 2016, the EU and India have together pursued a Clean Energy and Climate Partnership (CECP), which focuses on developing cooperation in clean energy and the implementation of the Paris Agreement, including in the area of energy efficiency, renewable energy, smart grids, storage, sustainable finance, and climate mitigation and adaptation.
- During 15th India-EU Summit in July 2020, a joint “Roadmap to 2025” for strengthening the strategic partnership including the preparation of a new work programme was released. The leaders suggested focus on mobilising finance and improving the market and investment environment with a view to enhancing sustainable energy access and resilience.
- The International Solar Alliance, founded by France and India, is a pioneering organisation with a primary target to mobilise more than US \$1 trillion by 2030, apart from bringing down the overall cost of solar energy installations.
- In March 2021, the EU became a member of the **Coalition for Disaster Resilient Infrastructure**, which was also co-founded by India.
- The EU has also invested in numerous programmes such as India-EU water partnership, solar park programme, and Facilitating Offshore Wind in India (FOWIND). One of the major investments was the signing of the 200 million EUR loan agreement between the EIB and the Indian Renewable Energy Development Agency.
- **EU – India Clean Energy and Climate Partnership:** It aims to strengthen cooperation on clean energy and the implementation of the Paris Agreement. The EU and India are working towards a clean energy transition to become less dependent on energy imports and to increase energy security.

Connectivity:

- During 2021 virtual summit, the two sides launched a “**connectivity partnership**” to pursue sustainable joint projects in other countries, particularly those in Africa, Central Asia and the Indo-Pacific region.
- The India-European Union (EU) Connectivity Partnership will be a vital component of the EU’s Global Gateway initiative that aims to create ‘links and not dependencies’ through investments in quality infrastructure in order to connect goods, services, institutions, banks, businesses and people across the world.

Global Gateway Initiative: For the European Union (EU), China is both a crucial trading partner, and an economic competitor and systemic rival. Aiming to align with third countries for mutual benefit to offset China’s influence, the EU, on 15 September 2021, launched its Global Gateway initiative. A connectivity initiative designed to counter China’s

Belt and Road Initiative (BRI). It has dedicating €300 billion for Global Gateway investments between 2021 and 2027.

Research and Development: India participates in international ITER fusion project, which aims to demonstrate the scientific viability of fusion as a future sustainable energy source.

Environment and Water: The EU and India also cooperate closely on the Indian Clean Ganga initiative.

City to City Cooperation: There is city-to-city cooperation between European and Indian cities such as Mumbai, Pune and Chandigarh in a first phase and twelve more cities involved in the current phase. Now it is being formalized in an India-EU Partnership for Smart and Sustainable urbanization, which will support the Indian 'Smart cities' and 'AMRUT' initiatives to boost joint research and

ICT Cooperation: The EU and India aim to link the 'Digital Single Market' with the 'Digital India'. "Start-up Europe India Network" initiative and EU-India Cyber Security Dialogue are other areas of cooperation..

Migration and mobility: The EU-India Common Agenda on Migration and Mobility (CAMP) is a fundamental cooperation agreement between India and EU.

Convergences:

1. Similar type of multicultural, multi-ethnic and multi-religious societies.
2. Commitment to democracy, human rights and Rule of law.
3. Shared vision of a multipolar world order and strengthening of United Nations.
4. Shared threat of China and convergence on rule based order in the Indo-Pacific.
5. Economic and technological complementarities.
6. Common threat of terrorism, radicalisation and stake in stabilising Afghanistan.

Divergences:

1. BTIA negotiations have not yet been completed.
2. Disagreements over Human Rights issues in India, that India considers as internal matter.
3. EU expressed its displeasure over change in status of Jammu and Kashmir.
4. On Ukraine crisis, many EU nations have criticised India's stance.
5. On climate change, demands for greater commitment from India.

India-EU on China:

Convergence:

1. Shared threat about China and instability in the Indo-Pacific.
2. EU considers China as a systemic threat and a challenge for European unity and solidarity.
3. Both are opposed to China's revisionism and debt-trap diplomacy.

Divergence:

1. EU looks at China more as a market and less as a threat.
2. Both you and China aim to cooperate in tackling climate change.

3. EU looks at Russia as a bigger threat compared to China

Indo-Pacific:

1. Both India and EU agree on Free, Open, Peaceful and rule-based order in the Indo-Pacific.
2. ASEAN's centrality is common to the EU's and India's respective Indo-Pacific commercial connectivity agendas.
3. The new German government considers the Indo-Pacific a priority.
4. It has deployed naval ships on patrol in the Indo-Pacific region and its Air Force would be participating in pitch black exercise in Australia.
5. In 2021, French naval ships and submarines were present in the East Asia. France sees itself as a resident power in the region, and was the first EU country to develop an Indo-Pacific strategy.