



## A STUDY ON TRADE RELATIONS BETWEEN INDIA AND THE EUROPEAN UNION

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## ABSTRACT

For the last 60 years India and the European Union have been trading partners it is one of the longest-running trade bilateral relations ever held between two countries. The trade was first started after the joint political statement which was introduced in 1993. After several years of trade India and the European Union became strategic partners in 2004. The next year a joint action plan was introduced which stated the India-EU trade relationship. The trade agreement between India and the European Union on which both parties are working since 2007 is Broad-Based Trade and Investment Agreements (BTIA). The EU is India's third largest trading partners they traded goods amounted for 88 million Euros in the year 2021. The EU is the second largest market for the Indian exporters to sell goods after China and USA. In the past few decades the trade between India and EU has increased more than 30%. The EU is also one of the leading investors in the Indian markets. In the past few years the EU has a FDI of more than 86.3 million Euros. There are around 6000 companies in India which is currently working in India and is providing funding to various new ventures in India. The main reason to establish an FTA is to have a transparency between each other as a friendly countries. As of now India's trade regime and regulatory environment remains relatively restrictive. The exit of UK (BREXIT) from the EU has also created a huge impact on the trade between India and EU as UK was one of the leading importer of the Indian goods in the European Union. But for no India and UK are also separately working on a free trade agreement. The two of the countries which introduced the idea of trading with India was France and Germany.

KEYWORDS : India, European Union, Trade, BREXIT.

## INTRODUCTION

European Union and India marked a 60<sup>th</sup> anniversary of the bilateral relationship in 2022. It is the longest held trade relation between European Union and any Asian country. As they enter in the 61<sup>st</sup> they wants to make there relation more strong and exceptional.

As per the accounts India is on the 14<sup>th</sup> place of the total exports that held in the financial year of 2021-2022. The country exported total goods of amounted \$403 Billion for the same year. 1.77% of the world's total merchandise export has held from India in the same year. The country also has a 4 % share of the commercial services exports for the same year.

EU is one of the largest held partnership in the world. It is the 4% of the world's total population. It comprises of 27 member countries which allow others and themselves too trade around the region freely and with the same currency (euro). The trade between India and EU has increased year after year. India is one of those countries which runs in surplus in trades and services with EU. India became the 10<sup>th</sup> largest partner with EU in trade with comparatively occupying the 2.05% of the total trade that occurred in the financial year of 2021. The total business held between the country during that period was of € 429 billion which is amounted 35% more as compared to the trade that held in the previous years. The trade of amount \$21.62 billion is been held till now for the financial year 2023 which makes India the third largest exporter for the European Union.

A continue negotiation is going on between the EU and India that comprehensive Free Trade Agreement should be established. Which is also known as the Broad-based Trade and Investment Agreement (BTIA), since 2007. The FTA aims to cover and protect the trade in goods, services, investments, intellectual property rights, public procurement, competition policy, sustainable development and dispute settlements. But from 2013 the negotiation is been stuck due to the differences over the market access of goods and services, data security status for IT services, protection of geographical indications (GIs), social and environmental standards, among other

issues. In the fall of 2020s during the EU-India summit certain that a High level dialogue on trade and investments to continue the negotiation on the FTA. In the summers of 2021 the leaders of the EU and India agreed to resume the negotiation for a mutually beneficial FTA for both the parties.. they also agreed to introduce the negotiation for the stand alone investments protection agreement (IPA) and a separate agreement on GIs.

The trade relation between India and European Union is critical for the growth of the economy of both the regions. It also has a strategic implication for their cooperation on the global issues like climate change, security, multilateralism and regional integration. The agreement of FDI also helps both the region to diversify and deepen their relationship by disentangling the current problem and to already work on the upcoming problems. It will also help them to unravel their potential opportunities. But from several year the negotiation also faced several hurdles that need to be jumped and overcome with the help of political will, mutual trust and compromise. The triumph of the FTA would establish a milestone in the association between the two of the largest and major democracies and economies of the world.

## Literature Review

Jain, R. K., & Pandey, S. (2010) the trade between India and European Union twitches with a joint political statement of 1993 and 1994 cooperative agreement where the grounds of the bilateral partnership was formed. In the beginning of 2004s the India and the European Union became the "strategic partners". In 2005 a joint action plan was introduced which was later been revised on a regular period of time. From the very beginning the France and Germany jointly acted as major part of EU-India trade. They are also one of the major importers of the Indian goods in the European market.

Gasiorek, M., Holmes, P, Robinson, S., Rollo, J., Shingal, A., Mukherjee, C. ... & Simi, T. B. (2007). The EU is one the largest trading partner with the Indian goods with the trade of estimated value of € 88 million for the financial year 2021. As in context of India's trade it is the 10.5% of the total trade of the

country for the whole year a few steps back from USA (11.6%) and China (11.4%). The second largest destination for the Indian exporters in the whole world is European Union after the USA and China (18.1% and 4.5% respectively). There is a rapid growth in the trade between EU and India of 30% in this decade as compared to the previous decade. Which is much more as compared to trade that held between any other countries. The EU invested in India a sum of €87.3 billion in the point of foreign direct investment for the year 2020 which is getting higher year by year as in 2017 it was only of € 67.4 billion. Which makes EU the leading foreign investor in India. But still it is much low as compared to the investment of the EU in China which is more than €200 billion and of €263 billion in Brazil.

Meunier, S., & Nicolaïdis, K. (2013). The EU always wanted a sound, transparent, open, and non-discriminatory business environment for European companies trading with India, including the protection of their investment and intellectual property. The main aim of the involvement is to unlock the potential trade which is been untouched by both the countries in the aspect of trade and investment.

Larsén, M. F. (2017). Technical barriers to trade (TBT) and sanitary and pshyo-sanitary (SPS) measures makes India's trade environment still much restrictive and deviates from the internationally agreed standards. And also discriminates from the legislative and administrative restrictions from India. This restriction affects various factors like including goods. Services, public procurement and investment. (According to the European commission website dated 1/09/2023)

Jain, R. K., & Pandey, S. (2012). The EU tries all the possible ways to trade with India. Which consist of FDIs and trade. Which helps them to use fare market practices with India which helps them to get proper market access and also to forecast the future investments. As to encourage the respect of their multilateral obligations under the World Trade Organization (WTO). The key instrument in this respect is EU-India high level dialogues on trade investment established in 2021. Which was finalized in the EU-India summit in 2020. As well as the Eu-India trade commission which was established in 1997 partnership and trade agreement between EU and India. With its specialized working groups and dialogues.

Roy, A., & Mathur, S. K. (2016). India is the third largest sources of FDI for UK. The exit of UK from the European Union has done a great impact on both the parties. The exit has also impacted India's trade with the United Kingdom. There are over 800 Indian businesses running in the UK. The BREXIT will impact there working directly. The main reason which will impact the business in the UK is the fluctuation in the exchange rate that's going to occur after the exit. The Agreement of broad trade and investments would not remain the same as UK was one of the main negotiator from EU to negotiate with India. As the result of BREXIT the Indian government has to separately deal with the UK government for the upcoming trade and ginvestments. The UK and EU account for 23.7% of the rupee effective exchange rate. The BREXIT will result in the excessive outflow of foreign portfolio investment, which is directly going to weaken the Indian rupee.

Gaurav, A., & Mathur, S. K. (2016). For now both the countries are working to negotiate on the bilateral negotiation on trade, investment protection and geographical indications. An assessment report has been discussed on the topic of the impact of agreement and the negotiation between both the countries and what will be the potential impact of the agreement.

Abhyankar, R. M. (2009), Jain, R. K. (2011). The removal of the tariff and non-tariff can be very beneficial for both the countries. The removal will make the market access of the

goods much more contented and easy indorsing investment flows, strengthening intellectual property rights protection, fostering sustainable development and creating a level playing field for businesses.

(According to European commission website dated 1/09/2023). With the help of information gathered collectively from the European commission and the Ministry of External Affairs of India it is stated that a determined FTA has a power to increase the European exports to India by 57% and the India exports to EU by 68% in the next upcoming 10 years. The FTA possibly will boost GDP growth, employment generation, and consumer welfare and poverty reduction in both regions.

**Objective of the Study**

1. To investigate India's trade dependency on the European Union as a trading partner and vice-versa.
2. To study India's major trading countries in the European Union

**Hypothesis of the Study**

H<sub>0</sub>. There is no dependency of the European Union on India's trade.

H<sub>1</sub>. There is a dependency of the European Union on the India's trade.

**Data Analyses**

Firstly the researcher collected the data of total exports from India and the exports to European Union from the Ministry of Commerce. And also the data of total imports from European Union to India. Now when the data is gathered. With the help of trend analyses the researcher calculated the data for the next 5 years. And made a graph for the data.

Years	EU Countries	India's Total Exports
2014	24558042.74	189634841.8
2015	23412111.93	171638440.4
2016	25987513.28	184943355.3
2017	28299370.09	195651452.8
2018	33443902.5	230772619.4
2019	31865538.19	221985418.1
2020	30586019.27	215904322.1
2021	48473959.07	314702149.3
2022	60147299.89	362063094.9
2023	15008401.87	85479212.05
2024	41808661.22	253822066.9
2025	43559651.28	260466535.4
2026	45310641.34	267111003.8
2027	47061631.4	273755472.2
2028	48812621.46	280399940.6

Years	EU Countries	India's Total Import
2014	27021181.61	273708657.8
2015	25343264.04	249030553.8
2016	25969180.51	257767536.7
2017	27758603.22	300103343.4
2018	35551908.85	359467461.2
2019	31878723.42	336095445.6
2020	29397598.84	291595770
2021	38313232.62	457277458.9
2022	48141292.83	573395859.6
2023	16281758.77	175229305.7
2024	34762189.74	405130400.8
2025	35525192.51	419269175.7
2026	36288195.29	433407950.5
2027	37051198.06	447546725.3
2028	37814200.84	461685500.2

The graph (figure1) of the exports shows that the export for the year 2014 was of more than 2 billion dollars. But the exports of the next year the amount reduced as compared to the previous year. For the next four years the Indian exports increased

constantly and reached at the milestone of more than 3.5 billion dollars. But for the span of two years of 2019-2020 the Indian exports seen a huge down fall as compared to previous years in 2019 the total exports to EU calculated was of 3.15 billion dollars and for the next year the main reason for the downfall of the exports was COVID-19 virus both the region saw a mass downfall of trade during the year. The exports saw a constant increase in the trade from the next year to present. The trade with EU also saw the all-time high in the year of 2022 which was approx. 6.2 billion dollars. Till now India has exported an amount of 1.6 billion dollars. And will see a constant growth in the next upcoming five years and will also see a much more all-time high as compared to the exports compared to 2022. The figure shows that 9-10% of the total exports of India is to EU.



Figure 1: Trend Analysis Graph For Exports

As shown in the Figure 2, India is regularly importing from the EU from the previous decade. In the year of 2014 India imported goods amounted of 2.7 billion dollars and for the next 5 years there was a constant increase in the imports from the EU. In the year of 2020 there was a decrease in the imports from EU the amount was of 2.15 billion dollars. And then it increased in the next year to 3.2 billion dollars till now for the year 2023 India's total import is of 1.62 billion dollars and from now will have a constant growth in imports approx. of 3.5 billion dollars. The figure shows that 10-12% of the India's imports comes from the EU.

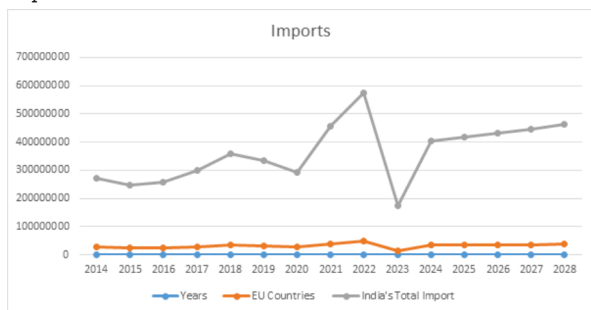


Figure 2: Trend Analysis Graph For Imports

Regression helped the researcher to identify the dependence of the variables on each other. The table of regression is shown below.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.970 <sup>α</sup>	.941	.937	3091641.769

α. Predictors: (Constant), India total exports

Figure 3: Model Summary

As shown in the figure (3). The high R-squared value (0.941) shows that the India's total exports is seen as the momentous portions of the reform in the dependence variable. The value of (0.937) adjusted R-square also indicates that the model is a good fit while considering the number of predictors. The average amount is shown with the help of standard error of estimate (3091641.769). That is the final value shown from the projected value. As the result of the above observation the data of India's total exports has a very aggressive explanatory

power (high R-squared) is a very worthy fit (adjusted R-squared close to R-squared) and reflects a low standards error of the estimate. It also recommends that the changing variable of the India's total exports advocates that it can predict variations in the dependent variable which is analysed in the regression.

ANOVA <sup>α</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2147695761658254.500	1	2147695761658254.500	224.696	<.001 <sup>b</sup>
	Residual	133815483596888.080	14	9558248828349.148		
Total		2281511245255142.500	15			

α. Dependent Variable: EU countries

b. Predictors: (Constant), India total exports  
Figure 4: Table Showing Values Of ANOVA

As shown in the figure (4).The sum of square (2147695761658254.500) is represented as the variation in the depended variable (EU Countries) detailed with the help of regression model. Degree of freedom (DF) shows that as the number of predictors in this model (India's total imports) on the other hand Mean Square (2147695761658254.500/1= 2147695761658254.500) is reflected as the mean square for the regression. It is calculate by the sum of square divided by the degree of freedom. It is shown as the variance of the freedom. (224.696) is reflected as (F) variable is helps us to know that the figure is statistically correct. The higher the F is the more significant the model is. P-value (sig.) <.001 (indicated as "<.001<sup>b</sup>") the value is very close to the value of zero. This means to the regression model is significant. As the result the ANOVA table indicates that the regression model of India's total exports as a predictors is highly significant (very low p-value). It explains the significant value amount of the variance in the dependent value (EU Countries). The sum of squares for the regression helped the researcher to understand the amount of variance explained by the model and the unexplained variance respectively.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.977 <sup>α</sup>	.954	.951	1662561.742

α. Predictors: (Constant), India Total Imports

Figure 5: Model Summary

As the figure (5) shows. The high R-squared value (0.954) shows that the India's total imports is seen as the momentous portions of the reform in the dependence variable. The value of (0.951) adjusted R-square also indicates that the model is a good fit while considering the number of predictors. The average amount is shown with the help of the standard error of estimate (1662561.742). That is the final value shown from the projected value. As the result of the above observation the data of India's total imports has a very aggressive explanatory power (high R-squared) is a very worthy fit (adjusted R-squared close to R-squared) and reflects a low standard error of the estimate. It also recommends that the changing variable of India's total imports advocates that it can predict variations in the dependent variable which is analyzed in the regression.

ANOVA <sup>α</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
Regression		748798467257610.100	1	748798467257610.100	270.900	<.001 <sup>b</sup>
	Residual	35933450083315.070	13	2764111544870.390		
Total		784731917340925.200	14			

α. Dependent Variable: EU Countries

Figure 6: Table Showing Values Of ANOVA

As shown in the figure (6) .The sum of square (74879846 7257610.100) is represented as the variation in the depended variable (EU Countries) detailed with the help of regression model. Degree of freedom (DF) shows that as the number of predictors in this model (India's total imports) on the other hand Mean Square (748798467257610.100/ 1=74879846 7257610.100) is reflected as the mean square for the regression. It is calculate by the sum of square divided by the degree of freedom. It is shown as the variance of the freedom. (270.900) is reflected as (F) variable is helps us to know that the figure is statistically correct. The higher the F is the more significant the model is. P-value (sig.) <.001 (indicated as "<.001<sup>b</sup>) the value is very close to the value of zero. This means to the regression model is significant. As the result the ANOVA table indicates that the regression model of India's total exports as a predictors is highly significant (very low p-value). It explains the significant value amount of the variance in the dependent value (EU Countries). The sum of squares for the regression helped the researcher to understand the amount of variance explained by the model and the unexplained variance respectively.

## DISCUSSION

with the help of the following test the researcher can now finally say that the null hypotheses which says that  $H_0$ . There is no dependency of the European Union on India's trade. Is cancelled and here is a very significant impact of the European trade on the Indian trade. But also with this the research also denotes that there is a very high dependency of India in the European Union's trade the main reason for this is both the regions trade with each other very frequently and is very impactful on each other's economy. And in the next few years there will be an enormous growth in the trade of these two regions.

## CONCLUSION

The main reason for the development of these researches are to help the reader to get the proper idea and the knowledge of what is the impact of these regions on each other in the context of trade and business one country can be labour intensive and other can be capital intensive. But in the end evry country needs each other's help to develop there county. Thus, this paper shows that how is the trade between India and the European Union started and how is it working in today's time and how it would be working in the next coming years. How are the countries affecting each other's economy and how would be the trade between these two countries in the next coming 4-5 years.

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