

## HISTORY OF INDIA-EUROPE TRADE RELATIONS

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### ABSTRACT

Trade relations between India and Europe can be traced from ancient times but the formation of British East Company can be considered as real beginning of trade between the two. Till independence there was drain of wealth from India to Britain because India was colony to Britain. Till 1970 Indian trade was mainly with Britain but with the formation of EEC, a new era in Indian trade with Europe was started. The volume and intensity of trade reached at new height with the formation of European Union. Trade relations between the two were institutionalized after 2000.

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The genesis of Indian trade relations with rest of the world can be traced from ancient times. India had very favourable relations with other ancient civilizations i.e. Mesopotamia, Roman Empire and Egypt. The Indian spices, textile especially silk and cotton were very popular in the entire world and had huge demands for them. The demand and popularity of Indian products made trade favourable and India was considered as

‘Golden Sparrow’. Pliny was admirer of precious Indian stones and called India land of precious stones. During ancient times Gupta period is considered as golden period in history of Indian trade. During that India was called as blind well where the wealth from other parts of world brought in form of profit of trade and use to put in but couldn’t be extracted out from it because trade was in favour of India. Such is India’s glorious trade history and it can be said that trade existed in our country from times immemorial.

India-Europe trade has a glorious history. In modern times the trade relations between India and Europe can be traced from 15th century. The Indian products specially textile, spices, silk and stones were much demanded in European markets. European traders were very keen to make trade relations with India because European Traders earned huge profits of Europe by trading with India. Britain officially started trade with India by forming East India Company in 1600 A.D, a historical moment in India-Britain trade relations and this company later became the political ruler of India. Britain has been the major trading partner of India since seventeenth century. East India Company

of Britain proved to be a milestone in the history of India-Europe trade relations because many other European countries formed trade companies to trade with India by getting inspiration from the volume and trade intensity of East India Company with India. As a result, volume and intensity of trade grew at a very fast speed between India and Europe. Although this resulted in economic and political rivalry of European countries in India because every European country wanted to establish their trade domination. So India had the hub of trade in Asia and attracted the entire Europe for trade activities. However, major portion of Indian trade remain restricted to England till independence.

Till independence Europe, especially Britain had a dominant trade partner of India, on other side it can be stated Europe exploited India as a colony and huge wealth was drain from India to Europe. India was left miserable at the time of independence. There were no industries, infrastructure and capital to develop economy. The major task for Indian leadership was to reconstruct the economy and transforming it from traditional agrarian to industrial economy. Newly emerged states had two alternatives for extension of their economic activities, either to join the capitalist bloc headed by USA or communist bloc headed by former Soviet Union but due to geographical compulsion India couldn't join any of the blocs. So it decided to remain Non-align but with a tilt towards Soviet Union and in this arrangement the role of Europe was very limited. This arrangement was well managed during cold war period. Former Soviet Union not only provided huge financial assistance but also facilitated

major trade partnership. This relationship between the two continues to prosper throughout the cold war period.

India lost a very trustworthy friend and trade partner with the demise of Soviet Union. It was the end of the era of Cold War. Now Russia couldn't hold that relations with India due to its internal contradictions. So in absence of these cordial relations, India had to search for new trade partners. In post cold war period the nations are in a process of realigning their economies. With the 'The End of Ideology' the process of integration of economies at global level has begun. India is also not exception to it. India launched its economic reforms in July 1991 to integrate its economic activities at global level. Till 1990s, India's economic policy was traditionally ridden and highly bureaucratized and was heavily influenced by the criterion of self-sufficiency. The quota permits raj system was its major characteristics of Indian economy but in post cold war period, it was near to impossible for such economy to survive. So it has to open and to liberalise it. In this changed scenario India need a vast economy as trading partner to meet the needs of fast growing Indian economy. So in this process of realignment Europe again came on forefront because of the integration of Europe. It provided ample opportunities for India because European Union became the biggest economy in the world and only it could meet the requirements of fast growing economy of India. The results of post cold war economic reforms in Indian economy can be seen in growth of its economy from 3.5 percent in 1990 to 6.5 percent in 2001. Its economy has transformed itself from an

entirely highly closed and highly bureaucratized to liberalised and open which became suitable to operationalise in the high-tech global market, with significant innovative and research capabilities and a diversified industrial and technology base.

Although EU became the largest trading partner of India but India's trade relations with the Europe in post independent period can be traced back from 1962 when diplomatic ties were materialized between the two for the first time. The first institution for European integration was European Economic Community (EEC). India had its earlier economic interaction with Europe through this institution. India and EEC started to cooperate in various economic areas to boost not only the trade between the two but also cooperated to strengthen the economies of the both. This can be clearly manifested in the relaxations given by the EEC to boost Indian economy. In EEC relaxed some duties on export goods such as: tea, spices, hides and skins. In 1971 a new economic development came in form of Generalized System of Preferences (GSP). Several types of tariff concessions were extended from both sides under GSP scheme. Another positive step between the two was Joint Declaration of Intent and it was a progressive and revolutionary step to enhance the trade relations. Joint Declaration of Intent (JDI) was issued at the time of Treaty of Accession which facilitated Britain's entry into the EEC on 1<sup>st</sup> January 1973. JDI was issued with the objective to strengthen the trade relations of Europe with Asian countries especially with India by resolving the problems and by removing grey areas. This Agreement

of 1973 cleared the path for signing new agreement in form of Comprehensive Economic and Commercial Cooperation Agreement (1981). So these were some positive steps by EEC and India to extend and strengthen not only the trade ties but also to boost economies of both sides.

Another landmark in India Europe trade relations came in form of European Union. Whole European market got integrated after formation of European Union and it provided more opportunities for India to extend its trade and economic activities with the entire Europe. India-EU relations reached at new height with signing of agreements on Partnership and Development in 1993. The relationship diversified from trade and industry to scientific research and environmental protection. This agreement brought a structural change in India-EU relations. Now relationship was not confined only to trade level but relationship was at the governance and institutional level. It provided opportunities to both the stake holders to come together at various levels.

The trade relations got momentum with the commencement of first summit between India and EU on 28<sup>th</sup> June 2000 at Lisbon and two more summits were held after this summit. It can be considered as a historic moment for India-EU relations because it was new beginning between the two. Both committed for new strategic partnership and to work together for strengthening trade and economic relations between the two. Both India EU made joint declaration for new Strategic partnership in 21<sup>st</sup> century. They not only declared to enhance trade but also work to strengthen economies through liberal economic reforms. Both got convinced that

the process of economic reforms in India in form of liberalization, privatization and globalization will bring sustainable growth and will extend economic activities with EU and this will provide ample opportunities to make constructive and beneficial partnership between the two.

The first EU-India Summit culminated into ministerial meetings as an annual feature and both agreed to summon such meetings once in two years and also agreed to hold Summits on regular basis. They also agreed to institutionalize the summit level relationship. Such arrangements between the two reached at a commitment that EU will consider India as the major trading partner in this multi polar world economic system. These Summits recognized that need of the hour is to build a positive and constructive relationship and both were aware about the potential of each other and to meet the requirement of economies of both. They considered themselves capable of strengthen global institutions to meet the challenges of present times.

India's trade volume increased considerably due to size of economy and being the largest country of South Asian region. India can meet the requirements of vast economy of EU and EU also recognized India as an important partner for the EU. More than 35 per cent of Indian exports are destined for the EU, while over 40 per cent of Indian imports come from the EU member states. In 2001, Indian exports reached around 13 billion, against 12.6 billion of imports from this

Though, India started trade with Europe in post independence period through the economic institution of Europe (EEC) and got the benefits of Generalized

System of Preference (GSP) and enhanced its trade with European countries but the real momentum came after when Britain became the part of EC because India had real volume of trade with Britain only. Real time growth in trade and other economic activities can be seen only after 2000 with the culmination of Summits between India and EU. These summits broadened the base of trade and other economic activities between the two. During this period both focused their attention on economic issues in bilateral, multilateral and regional basis. Both institutionalized their economic relations in terms of summit and ministerial level talk to further strengthen their economic relations. Both focused on bilateral talks to deepen their relations which culminated in form of a Broad-Based Trade and Investment agreement. This corresponds to their respective policies of signing bilateral trade and investment agreements. In addition, the new areas are opened for trade and investment from both sides i.e. investment, trade in certain services and the removal of non-tariff barriers and because of such agreements India emerged as priority partner for EU. Free Trade Agreement was signed between India and EU to facilitate the negotiations and to enhance trade and investment especially in goods sector. first sight, FTA between the EU and India promised to be easy to negotiate, because there is very little overlap between sectors, especially in goods trade.

Although India-EU trade and economic activities are on the rising side but still there are certain grey areas which are hurdle in growth of India-EU trade and must be addressed to strengthen trade links

between the two. EU market is very protective in textile and India's major product in European market is textile but EU is not ready to easy access to Indian textile products because they have apprehension that it will destroy the domestic market. EU always force India to liberalise it's agricultural to walk in this area but Indian Government is very much concerned about its agricultural sector. India is stronger in service sector and wants more access in this sector in European market but EU is not ready to give access to India. EU demands to access in goods sector and wants to include 90 percent of trade in this sector but India is struggling because of its domestic compulsions.

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