Europe information
External Relations

Commission of the European Communities
Directorate-General for Information

THE EUROPEAN COMMUNITY AND INDIA

CONTENTS PAGE

JUNE 1981

THE EUROPEAN COMMUNITY AND INDIA

Of the 72 developing countries which have established diplomatic relations with the European Economic Community (*) India stands out in many ways. It is the second most populous nation in the world, with some 680 million inhabitants according to the 1980 census, and a land area roughly twice that of the 10-nation EC. Its size has not prevented India's political institutions, modelled on those of the West, from functioning normally, so that it has the distinction of being the world's largest democracy.

India is also a major industrial power, producing a wide range of manufactured products for both the home market and for export. It has a workforce which, expert in the traditional arts such as weaving, is rapidly acquiring the skills needed to develop the most technologically advanced industries - petrochemicals, electronics, nuclear power... On 31 May 1981 India successfully launched its own space satellite, the second to be put into earth orbit from Indian territory in ten months.

But India is also one of the poorest countries in material terms, with an estimated per capita income of $ 190 (as compared to an average of $ 212 for other low income countries in the Asia/Pacific region). According to India's own official estimates, some 40 % of its population is living below the poverty line, despite impressive advances in agricultural production. This is partly because the country remains subject to the vagaries of the monsoon. However, it was able to cope on its own with the severe drought in 1979, thanks to the huge stocks which had been built up.

The EC's relations with India reflect the country's economic situation and its place on the world stage. In the recently concluded negotiations for a commercial and economic co-operation agreement, the Community acceded to India's wishes that the new agreement should mark a fresh advance in the Community's relations with the non-associated developing countries. But India also remains the largest single beneficiary of the EC's programme of development assistance for the non-associated countries.

The first phase - the Six and India

The first formal link between the European Economic Community and India was forged nearly two decades ago when, in 1962, the Indian Government established diplomatic relations with the six-nation Community (**) and appointed an ambassac to the EC. The intervening years have witnessed a remarkable development in relations between them, to the point where the EC has emerged as India's principal trading partner and India as one of the main beneficiaries of the instruments devised by the Community to help developing countries raise the living standards of their people.

(*) The European Community (Belgium, Denmark, Federal Republic of Germany, France, Greece, Ireland, Italy, Luxemburg, Netherlands, United Kingdom) has about 270.000.000 inhabitants.

(**) Belgium, Federal Republic of Germany, France, Italy, Luxemburg and the Netherlands.

During the first phase of this relationship, which lasted some 10 years, India was primarily concerned with securing better access to the Community market for its exports. For historic reasons its commercial and financial ties were with the United Kingdom, but a greatly expanded import programme, aimed at accelerating the pace of economic development, had resulted in trade deficits with the EC.

It was in order to correct this imbalance that India sought tariff and other concessions from the Community. Its initial request was for the implementation of the tariff reductions which the Six has agreed to in the course of the abortive 1961/63 negotiations for Britain's entry.

The result was a Community decision to suspend its tariffs on tea in bulk, certain spices and East India kips on an autonomous basis. Again at India's request the EC opened zero-duty tariff quotas for handloom fabrics and handicrafts. Following the negotiation of self-restraint agreements covering jute and coir products, the EC partially suspended its tariffs on those products.

A third such agreement, covering cotton textiles, was negotiated at about the same time. Although a bilateral agreement like the others, unlike them it was concluded under an international agreement, the Long-Term Arrangement on International Trade in Cotton Textiles (LTA), which had been adopted by the contracting parties to the GATT in 1962.

Another international decision, this time in UNCTAD, was the basis of the Community's decision to introduce its own generalized system of preferences (GSP) in 1971. Both India and the EC had played an important part in the UNCTAD agreement and it is only fitting, therefore, that Indian exporters should be among the main beneficiaries of the Community's scheme.

The second phase - relations between the enlarged Community and India

The second phase of EC-India relations began in 1973 with the Community's enlargement, following the entry of the United Kingdom, Ireland and Denmark. During the negotiations for enlargement, the Community had accepted a Joint Declaration of Intent on the Development of Trade Relations with Ceylon, India, Malaysia, Pakistan and Singapore (JDI), under which the enlarged EC declared itself ready "to examine with these countries such problems as may arise in the field of trade with a view to seeking appropriate solutions". This Joint Declaration of Intent was annexed to the Act of Accession, which demonstrates the importance the Community attached to it.

The Joint Declaration of Intent also noted that the question of India's sugar exports to the EC, after the expiry of the Commonwealth Sugar Agreement, "must... be settled in the light of this Declaration". The promise was redeemed in fact by granting India an annual quota of 25,000 tonnes at the same guaranteed price as is offered to the sugar exporting countries under the Lomé Convention. (In practice, this is very close to that paid to EC producers).

The enlarged Community redeemed another, much older pledge, when it concluded a 5-year Commercial Co-operation Agreement (CCA) with India in December 1973. (At the time of the 1961/63 negotiations for Britain's entry the two sides had agreed to conclude a comprehensive trade agreement with India following enlargement). The CCA, which reflected an advance on the traditional bilateral trade agreement, was to set the pattern for the agreements between the EEC and the other South Asian countries.

Under the CCA with India, the two sides undertook to "consolidate, deepen and diversify their commercial and economic relations to the full extent of their growing capacity to meet each other's requirements on the basis of comparative advantages and mutual benefit".

The Joint Commission which was set up to promote the development of two-way trade was active in a number of areas, including joint project planning (the development of reciprocal trade); tobacco cultivation (an EC survey into cultivation, curing and marketing practices was conducted in India); engineering goods (the examination of possibilities for sub-contracting and component-supply contracts with European manufacturers); leather (the examination of possibilities of improving Indian production facilities, with European collaboration, if necessary); and cattle feed (the organization of a steady flow of oilcakes of satisfactory quality from India to the EC).

The third phase - a new co-operation agreement

This may be said to have begun with the signature of the new 5-year Commercial and Economic Co-operation Agreement on 23rd June 1981. A non-preferential agreement like the first, it too is based on the principles of comparative advantage and mutual benefit. But it represents a considerable advance on the 1973 agreement.

In its preamble, for example, the new agreement calls for "closer co-operation across the whole range of commercial and economic endeavour". (The earlier agreement limited economic co-operation to trade matters). However, as the EC's competence is a function of the Community's progress to full economic union, this co-operation is to be achieved "in an evolutionary and pragmatic fashion".

The provisions for commercial co-operation have been strengthened. In order to expand and diversify their trade the two sides will promote trade and industrial delegations; foster the organization of fairs and exhibitions; encourage their commercial organizations to co-operate with each other and, generally help their economic operators identify sectors and products in which each side enjoys comparative advantage and support market development programmes based on such identification.

The two sides have also undertaken to foster economic co-operation in all fields of mutual interest. They will take steps to promote industrial co-operation, including the transfer of technology, through concerted measures at Community and national levels and mutually beneficial investment, consistent with their laws and policies.

The new agreement also affords a stronger legal basis for technological and scientific co-operation than the earlier CCA. It provides for joint programmes of research and development and specifically refers to co-operation in the fields of energy sources and conservation, energy-related technology and environment protection and improvement.

Under the provisions on development aid, the EC will intensify its support for India's development programme. This support will include both direct concessional transfers, through the Community's own programmes in favour of non-associated developing countries, and help in securing funds from semi-public institutions, in accordance with the rules and policies of the latter. In addition, financial institutions on both sides will be encouraged to co-operate with each other.

The successful implementation of the new co-operation agreement will depend, as in the previous agreement, on the Joint Commission, made up of representatives of India,on the one side, and the European Commission, assisted by Member States representatives on the other. The Joint Commission's terms of reference have been reinforced, however, most notably as regards recommandations for the use of Community funds and such other funds as may be put at its disposal jointly by the two sides for expenditure on relevant studies and activities.

The two sides clearly felt that by enabling the Joint Commission to use possible future budgetary allocations the degree of financial economy which would result would increase its effectiveness. Such a provision should be seen, therefore, as further evidence of the political will of both parties to develop their relationship as far and as fast as possible.

Such limitations as the two sides may experience in the achievement of their objectives are likely to arise from the fact that the Common Market economies are essentially free market economies. Governments, in other words, can best set the stage, creating the political climate which encourages economic operators - a term which includes public sector enterprises, of course - to work together. The agreement recognizes this: hence its provisions for bringing together economic operators as well as bodies such as chambers of commerce - in the case of the latter through the eventual creation of an EC/India Business Council for example.

At the level of governments there should be greater exchange of information and more consultations under the new co-operation agreement. The two sides have agreed to exchange available information regarding changing trends in industrial production, for example, so that both can adjust to them, with a view to achieving "optimal overall economic growth". They will also hold consultations on any problems adversely affecting their trade and economic relations and consult and co-operate with each other in the solution of international problems.

Under the terms of a protocol annexed to the new agreement, its provisions for trade, economic, scientific and technological co-operation apply also to matters covered by the Treaty establishing the European Coal and Steel Community.

TRADE

The following table shows the evolution of trade between India and the EC in 1973 and between 1976 and 1980.

Development of trade between the EC and India

(U.S. $ million)

	1973	1976	1977	1978	1979	1980
EC - Imports	806	1,156	1,873	2,045	2,471	2,501
EC - Exports	832	1,275	1,584	2,370	2,709	3,195
Trade balance	+26	- 289	- 289	+ 325	+ 238	+ 694

Source: Statistical Office of the European Communities.

Between 1973 and 1980 the EC's imports from India increased by 210 %, while its exports rose by some 280 %. The Community's trade surplus, a modest $ 26m. in 1973, stood at nearly $ 700m. in 1980. Even so, in 1980 exports to India represented just 1 % of total extra-Community exports and imports only 0.7 %.

The picture is very different when seen from the other side. An estimated 26 % of India's total exports are currently to the EC, as compared to some 13 % to the United States and 10 % each to Japan, the Soviet Union and the OPEC countries. Within the Community, the United Kingdom remains the major market for Indian goods, with just over 7 % although its share has been declining steadily. Germany's share, on the other hand, has been rising and is now just under 6 %.

The EC no longer is India's major supplier; following the 1979/80 rise in oil prices it currently shares this distinction with the OPEC countries. Each has roughly 27 % of India's total imports. Within the Community, the United Kingdom and the Federal Republif of Germany each has about 7.5 %. This is roughly comparable to the share of Japan (7 %) but lower than those of the Soviet Union (8.4 %) and the United States (10 %).

As one would expect, agricultural products account for approximately one-third of the Community's total imports from India, and consists mainly of tea, oilcakes, unmanufactured tobacco, coffee and crude vegetable materials. Manufactured products account for the rest, but these are heavily concentrated on a relatively small number of products or product groups. They include leather, cotton and jute fabrics, clothing, carpets, diamonds and metal manufactures.

The Community's exports to India consist mainly of machinery of all kinds, transport equipment, chemicals and other manufactured products. However, they also include foodstuffs and vegetable oils for relatively large amounts. Some of these shipments are under the EC's food aid programme, while others represent commercial transactions.

The 15 % rise in the EC's exports to India in 1980 was due in large measure to the liberal import policies followed by New Delhi. Even so, this was less than the overall rise in EC exports to all developing countries (up 20 %).

Imports from India declined by 2 %, despite the fact that imports from developing countries as a group rose by 30 %, with numerous non-oil exporting countries participating in the increase (e.g. Pakistan, Sri Lanka, Thailand, the Philippines and South Korea). These percentage changes, incidentally, are on the basis of Community statistics expressed in European Currency Units (ECU).

GENERALIZED SYSTEM OF PREFERENCES (GSP)

One of the key intruments of Community policy towards the Third World is its Generalized System of Preferences (GSP). Although an instrument of commercial policy, it is the necessary complement of the EEC's policies in the fields of financial and technical aid. Through the GSP the Community can give developing countries better access to its market for their manufactured products, thus helping them industrialize. It can also use the GSP to contribute to a more balanced trade between industrialized and developing countries.

The origins of the GSP go back to a resolution of UNCTAD-II calling for "a mutually acceptable and generalized system of preferences" in favour of developing countries. In June 1971, the contracting parties to the GATT agreed to waive the most-favoured-nation clause for a 10-year period, so as to make it possible for the industrialized countries to introduce their preferential schemes. A month later the EC led the way with a GSP scheme which, although autonomous - i.e. not open to negotiation - was also non-reciprocal, inasmuch as beneficiary countries were not required to grant the EC tariff concessions in return.

India is one of the major beneficiaries of the Community's scheme, which is currently open to 123 countries and 24 dependent territories. At the time of it first enlargement, in 1974, the 9-nation EC clearly saw in the GSP an intrument which could off-set the loss of Commonwealth preferences to India and other Asian countries, even while helping them build up their exports to other EC countries.

The Joint Declaration of Intent annexed to the Treaty of Accession to the EC of the United Kingdom, Denmark and Ireland specifically notes that in seeking appropriate solutions to such trade problems as may arise, the effects of the GSP scheme will be taken into account.

From the beginning the EC has used the GSP to help Indian exporters secure easier access to the Community market for a growing list of products, which today includes packaged tea, castor oil, prawns and shrimps, hilsa fish, a variaty of seeds (e.g. badian, coriander, cumin), saffran, shellac, jute goods, footwear and sports goods. A major concession to India was the decision to include flue-cured Virginia tobacco, which became the first unprocessed agricultural product to be brought into the Community's GSP.

A major objective to the GSP, as stipulated in UNCTAD Resolution 21 (II), is to help developing countries increase their exports of manufactured products. The rise in India's exports to the EC of a wide range of such products, including electrical and other machinery, components and subassemblies; of chemical products, such as dyestuffs, pharmaceutical and resins; of leather manufactures and travel goods indicates that this objective is being met to a large extent in India's case.

Some 43 % of the EC's imports from India of manufactured products already enter the Community duty free, while 95 % of the remainder are covered by the GSP. As a result of the EC's offer on tropical products in the Tokyo round, implemented in 1978, the percentage of agricultural products entitled to duty free entry will have almost doubled to 73 %, while most of the remainder will benefit from tariff reductions under the GSP.

In 1981 the Community extensively remodelled its GSP scheme, following the decision to continue generalized preferences for a further 10-year period. The new scheme offers greater security to beneficiary countries through a system of guaranteed quotas. It has also been greatly simplified: there are only two catagories of manufactured products - sensitive and non-sensitive. The result is greater transparency.

All non-sensitive products, which make up the great majority, of course, are subject only to statistical surveillance. As for the sensitive products, the 1981 list contained 128 items. In the case of 64 of them, imports from the most competitive countries were restricted by means of so-called country quotas. Although a major GSP beneficiary, only one of India's export items was restricted in this way in 1981, in keeping with the Community's policy of favouring the poorer developing countries.

During the negotiations for the new co-operation agreement, India asked that EC tariffs on jute and coir products, which have been totally suspended under the GSP, be bound at zero. It expressed the fear that given the autonomous and temporary nature of the GSP, the tariffs on these products could be re-introduced. In a Declaration annexed to the new agreement the EC confirmed that it was not its intention to withdraw jute and coir products from the GSP "in the foreseeable future".

The Declaration concluded: "The Community is prepared, in the course of its endeavours to improve the system of Generalized Preferences, to take into account the interests of India in the extension and strengthening of its trade relations with the Community".

The deteriorating economic climate in the EC has inevitably reduced the possibility of further improvements to the GSP. Even so, attempts have been made each year to ensure fresh concessions - however modest in scope - for the poorer countries.

TRADE PROMOTION

Tariff preferences in themselves are not enough; exports, especially of new items, must be promoted, often vigorously. The Community therefore operates a programme of technical and financial aid which seeks to help developing countries undertake trade promotion.

India has received the largest allocations under the EC's trade promotion budget. The Community is contributing some $ 2 million over a 3-year period for the Indian Trade Centre, which was formally opened in Brussels on 29 February 1980 by Vice-President Wilhelm Haferkamp, of the European Commission, in the presence of the Commerce Secretary to the Government of India and the Ambassador of India to the EC. The establisment of a trade centre was one of the recommendations of the massive Smallman Report on Indo- EC economic complementarity, jointly commissioned by India and the EC.

The Centre's activities are directed by Indian advisors and cover a number of sectors, including engineering goods; electronics; leather and leather goods; jute and coir products; textiles and agricultural products. In 1980 a marketing seminar organized by a European marketing consultant was attended by all advisors and senior researchers. In the electronics field a seminar to coincide with the Electronics Components Fair in Munich was organized by the Centre, which also co-ordinated the visit to India of a leather delegation.

The 1980 Trade Promotion Programme included visits to India by four European trade delegations, the commissioning of eight expert studies and Indian participation in ten trade fairs. A notable event was the conference on co-operation in the construction, consultancy and equipment-supply sectors held in Paris in November 1980, with the participation of well over 200 Indian and European businessmen and industrialists. Some 30 Indian participants, representing the Indian engineering industry, went on to visit a number of other Common Market countries as an official delegation.

Under the 1981 Trade Promotion Programme India was expected to take part in six specialized trade fairs, including the International Carpet Fair (Harrogate) and the Footwear Fair (Bologna). The EC was being requested to supply experts in a variety of fields, including engineering packaging, furniture design, processed and packaged foodstuffs and computer software. Two workshops were planned for India, to be attended by European carpet manufacturers and operators in the engineering and contracting sectors.

CO-OPERATION IN SCIENCE AND TECHNOLOGY

At India's request an Action Defining Committee was set up and held its first meeting in New Delhi in 1977, when discussions focussed on three major areas: new energy sources; environmental research and remote sensing and management of scientific and technical information.

Although the CCA has proved an inadequate basis for such co-operation, legally speaking, contacts nevertheless have been established at both the personal and institutional level. Indian scientists and policy makers took part in three conferences on solar energy organized by the European Commission. A joint coal gasification study was begun in 1978 with some $ 100,000 provided by the European Commission. In this connection scientists from both sides have visited existing facilities in the EC and India.

The European Commission is confident that, following an exploratory phase (1977-80), EC/India co-operation could progress more rapidly. The situation will have changed from a legal viewpoint with the entry into force of the new co-operation agreement. It will not be enough, however, simply to reconvene the Action Defining Committee. Experience has shown that funding is needed for the effective implementation of co-operation in research and development.

SECTORAL AGREEMENTS

<u>Jute and coir</u>

A new 4-year jute agreement came into effect on 1 March 1980. It provides for an elimination of all quantitative restrictions on imports of jute manufactures from 1 January 1984. The EC meanwhile has continued the total suspension of all tariffs on jute goods through its GSP scheme (which means that industrialized and state trading countries cannot benefit from it).

The new agreement requires India to limit exports of two categories of fabrics: those from 150 cms. to 310 cms. in width and decorative fabrics, but the ceilings will be increased progressively.

A new 2-year coir agreement came into force on 1 January 1981. As in the case of jute, the Community has continued the total suspension of its tariffs on coir products in the framework of the GSP.

Textiles and clothing

India ranks third among the EC's suppliers under the Multifibres Arrangement (MFA). The following table shows the evolution in imports since 1973:

EC: Imports of textiles and clothing from India
(U.S. $ million)

	1973	1975	1976	1977	1978	1979
Yarn	14	10	25	29	20	26
Cotton fabrics	59	26	84	95	79	137
Clothing	38	72	166	209	235	336
TOTAL	111	108	275	333	334	499
		(1,000 tonnes)				
TOTAL			76.9	70.9	53.9	74.5

Source: Statistical Office of the European Communities.

The three items covered by the table accounted for 30 % of India's exports to the EC of manufactured products in 1979. Clothing exports have also recorded one of the fastest growth rates, especially between 1975 and 1976, when they jumped by 155 % in value. During 1976 exports of both cotton fabrics and household linen more than doubled in volume, while exports of shirts tripled, rising from 7 million to over 21 million pieces.

From India's point of view this record level of textile and clothing exports in 1976 was doubly welcome: it not only earned the country additional foreign exchange but also placed it in a favourable position for the 1977 bilateral textile negotiations. The purpose of these negotiations was to renew the earlier self-restraint agreements with established suppliers under the Multifibres Arrangement and to conclude similar arrangements with new ones.

In setting the new self-restraint ceilings the negotiators took 1976 as the reference year for all the Community's bilateral agreements. As the ceilings are fixed in either tonnes or pieces, the decision favoured India, whose exports peaked in 1976. The Community moreover granted especially favourable treatment to handloom and folklore products.

In 1978 the EC's imports from the MFA countries as a group remained unchanged; the reasons for the substantial decline in imports from India must be sought, therefore, in that country. Between 1978 and 1979 Community imports from all MFA countries rose by some 17 %, but the increase from India was 38 % (admittedly after a very poor year).

A more detailed examination of import figures suggests that quotas have been unevenly utilized. As regards the highly sensitive products, for example, the 1980 quota for cotton yarn was hardly used while in the case of women's blouses the utilization rate reached 70 % (see Table below). The on the whole relatively low utilization rate suggests that Indian exporters have tended to concentrate their marketing efforts on a small number of Community countries.

Utilization by India of its 1980 Community quotas

Item	Utilization (as percentage of quota)
Cotton yarn	23 %
Cotton fabrics	60 %
T-shirts	96 %
Women's blouses	69 %
Men's shirts	50 %

The fact that quotas are expressed in volume rather than value means they are unaffected by inflation. What is more, India can increase its earnings by selling products with higher added value. It apparently has been slow to do so, however.

Following an exchange of letters in May 1980, India and the EEC agreed to extend their bilateral agreements until the end of 1982, when nearly all the other bilateral agreements concluded by the EC will expire.

AID

Given the sheer size of the Indian economy, it is hardly surprising that the Community's relations with that country are seen largely in economic, or more specifically commercial, terms. The fact remains that India is the largest single recipient of Community aid.

Although the sums involved are small in relation, for example, to the aid extended bilaterally by individual member States, the EC's aid programmes are more varied, covering as they do trade promotion; disaster relief; training programmes; food aid; financial support for rural development projects; and those implemented by non-governmental organizations.

The bulk of the aid is provided under the EC's food aid programmes and its expanding programme of aid to non-associated developing countries (principally countries in Asia and Latin America).

Food aid goes largely to support Operation Milk Flood, an ambitious project which seeks to help some 10 million families through the increased production and marketing of milk. Under Operation Flood I the EC made available, mainly through the World Food Programme (WFP) some 126,000 tonnes of skimmed milk powder (SMP) and 42,000 tonnes of butteroil, valued by the WFP at just over $ 150m. in 1975.

Operation Flood II is on an even larger scale. Its overall cost has been estimated at $ 550m., of which roughly half is to be met through the sale of Community food aid. Starting in 1978, the EC is to supply some 186,000 tonnes of SMP and 76,200 tonnes of butteroil over a 6-year period. The estimated cost of the Community (at internal prices and including transport charges) has been put at 500 million European Currency Units (or roughly $ 600m.).

The EC's contribution is regarded by the European Commission as a prime example of how food aid can be used to promote long-term rural development. What is more, it represents, exceptionally, a pluriannual commitment in food aid in conjunction with the World Bank's contribution.

In recent years the EC has also supplied some 5,000 tonnes of SMP annually to non-governmental organizations for their nutritional and social projects in India.

Project aid

Project aid is provided under the non-associates programme. It is in the form of grants and is focussed on rural development. India's share currently amounts to some 20 % of the total: in 1980 it came to 32 million European Currency Units (approximately $ 44m.).

Moreover Community aid is relatively flexible and can also cover part of local costs.

In the last two years the EC has tried to ensure quick disbursement of its project aid. Since 1979, for example, the bulk of the aid was used to supply fertilizers worth some $ 35m. annually. The counterpart funds were used by the Indian government to finance rural development projects, including the construction of warehouses for the storage of foodgrains and fertilizers, construction of regulated rural agricultural markets, etc.

Aid is also given to India under the reserve fund for disaster relief. In recent years this has been used to finance the construction of cyclone shelters and flood prevention structures along the East Coast. It is planned to continue this programme,which is of demonstrable utility and direct humanitarian benefit for the population in cyclone-prone areas of South India.

Besides project, food and emergency aid the Community is channelling financial assistance to mini-projects executed by non-governmental organizations (NGOs), such as the Red Cross, Oxfam, etc. In India's case the annual allocation to NGOs varies between one and two million dollars.

Finally it is worth mentioning that in one or two cases India has provided training to other developing countries under Community-financed aid programmes.

The advantages are obvious at a time when consultancy costs are escalating and therefore such "triangular co-operation" may grow in importance. There are no restrictions, it should be pointed out, on India providing technical aid or taking part in tenders relating to projects financed by the EEC under its programme of aid to the non-associate countries.

"Cheysson Fund" and "Special Action Programme"

In 1975, when the plight of the developing countries most seriously affected by the rise in oil and other commodity prices was a matter of international concern, the EC allocated about 40 % of its direct aid under the "Cheysson Fund" to India. (It represented about $ 75m. out of a total fund of $ 187m.). In addition, India received a substantial allocation from the United Nations Emergency Fund, to which the Community contributed $ 63m.

From the Special Action Fund, initiated in 1978, India was allocated $ 50m. out of the total of $ 430m. contributed by EC member States. $ 45m. were provided for the Agricultural Refinance and Development Co-operation destined for lending to farmers, training programmes, etc. and $ 5m. were attributed to rural electrification.

PROMOTING BUSINESS CONTACTS

The speed with which economic and commercial relations between the EC and India develop depends ultimately on the activities of their economic operators - a term which covers businessmen and industrialists as well as traders and investors. Governments can only help by creating a suitable climate, providing fiscal and other incentives and generally smoothing the path of their economic operators.

Ironically, the biggest obstacle to increased trade between the EC and India is perhaps mutual ignorance. Most European businessmen know relatively little about economic conditions in India; their Indian counterparts are equally unaware of the possibilities offered by large areas of the EC. In both cases information tends to be second-hand;it is frequently based on hearsay and is often out-of-date.

As mentioned earlier, India has one of the lowest per capita incomes; but it also has some 60 to 80 million people who are living in a consumer-oriented society, with production and distribution systems similar to those to be found in the industrialized countries. A population of this size can support a developed economy.

Although many aspects of the Indian economy are covered by regulations, most of these are published in a form accessible to the public. The country's import and export policy, for example, is announced in Parliament each spring and is immediately published - in book form, as it is rather voluminous. When doing business in India it helps, therefore, to have a local partner.

A major objective of India's trade policy has been to reduce the country's dependence on imports. To this end the import of goods considered non-essential is severely restricted, when it is not banned. But at the same time the Government has liberalized imports of items needed to strengthen the country's production base and enable available production capacity to be fully utilized.

This means that in principle firms can import raw materials and machinery not available locally. This is particularly the case as regards firms that produce for export markets and must obtain supplies at world prices in order to remain competitive. Imports of spare parts has also been liberalized.

Under the policy for 1981/82 imports of capital goods have been further liberalized, especially as regards machines needed by the electronic and film industries. Imports of machinery are also allowed where local production is inadequate. Imports are banned, however, once local production is felt to be adequate.

Tariffs on industrial equipment tend, therefore, to be relatively low. However, import duties are used for revenue raising purposes also as they are easy to collect.

India's trade policy is strongly oriented towards exports. To encourage investment in firms manufacturing for export markets the Government has set up the Santa Cruz Electronics Export Processing Zone and the Kandla Free Trade Zone.

As a major industrializing nation, India cannot allow itself to fall behind in the matter of technology. Imports are allowed in order to update technology acquired at an earlier stage and to prevent the technological gap from becoming too large.

Foreign investment is welcome, both as a source of capital and as a means of acquiring modern technology and managerial skills. It is especially welcome in high-technology and export industries. While joint ventures are favoured by the authorities, foreign investors are treated on a basis of equality with Indian investors. There are no restrictions on repatriation of either capital or dividends.

All Indian embassies in the EC capitals have commercial counsellors attached to them. India also maintains a number of official agencies in Common Market countries, such as the Indian Investment Centre in Dusseldorf (which advises on the country's investment policy and helps find local partners); the India Trade Centre in Brussels (which promotes exports of a wide range of goods); the Indian Engineering Export Promotion Council in London and Düsseldorf (which promotes exports of industrial products and arranges industrial tie-ups)...

All member States have embassies or other diplomatic representation in New Delhi and frequently consulates in one or other major city.

Banks are an important source of information. Major British, German, French and Dutch banks have branches in India, while the major Indian banks are established both in the United Kingdom and certain other Common Market countries.

Some of the bigger Indian firms maintain offices in London and elsewhere in the EC, while a growing number of manufacturing firms and export houses are taking part in European trade fairs. Unfortunately very few European firms take part in Indian trade fairs. It has been suggested that the EEC set up its own technological information centre in India, to make information about European technology more readily available to Indian firms.

*

* *

CONCLUSIONS

From even so brief a survey the conclusion which emerges is that the Community's relations with India are both extensive and continuously evolving. They are not as intensive, however, as one might imagine, given the economic and political importance of the two sides.

The new commercial and economic Co-operation agreement represents an advance on the earlier agreement, and therefore offers the EC and India the legal framework in which to extend and intensify their relationship. Given the size and variety of India's industrial plant and its pool of scientific manpower - one of the largest in the world - the scope for industrial, scientific and technological co-operation obviously is considerable.

Implementation of the new agreement could be held back, however, because of the slow progress within the EC itself towards a common industrial policy, for example, or a Community policy on investment promotion and protection in the developing countries. On the other hand one should not forget that EC-India economic co-operation is complementary to activities between individual member States and India which will continue in future.

However given the growing interdependence between member States, increased co-operation between European economic operators with Indian partners would in all probability lead to demands for a reinforcement of relations at the Community level. In view of the Indian tendency to encourage economic and commercial links in a political context, a more intensive relationship will require a recognition by the two sides of the need to give their relationship a political dimension.

EUROPE INFORMATION " EXTERNAL RELATIONS"

The following copies of "Europe Information" are still available, and may be obtained from:

Spokesman's Group and Directorate-General for Information
Documentation Service, Bur. Berl. 2/84
Commission of the European Communities
Rue de la Loi 200
B - 1049 Brussels