



## India- European Union Relations

**For Prelims:** [European Union](#), [Indo-Pacific](#), [Foreign Direct Investment](#), [Gulf of Guinea](#), [Intellectual Property Rights](#), [Schengen Area](#), [EU-India Trade and Technology Council](#)

**For Mains:** India's Foreign Policy, India's Relations with European Union, Indo-Pacific Region.

[Source: TH](#)

### Why in News?

As democracies, India and the European Union face increasing pressure from authoritarian regimes, making their cooperation crucial. The [EU - India partnership](#) is key to addressing the needs of people across Europe and the Indian subcontinent, offering immense potential but facing issues with consistent delivery.

### What Defines the India-EU Relationship?

- **Shared Values:** Both India and the EU emphasize [democracy](#), [multilateralism](#), and [prosperity](#).
- **Economic Synergy:** India provides the **EU access to a growing market** and acts as a strategic partner in the [Indo-Pacific](#), while the EU contributes investments, technology, and market access, supporting India's economic growth.
  - Sectors like [green technology](#), textiles, and electronics offer opportunities for EU investment and collaboration.
- **Trade and Economic Relations:**
  - **Bilateral Trade:** In 2023-24, India's trade in goods with the EU stood at USD **137.41 billion**, making the **EU India's largest trading partner in goods**. **Bilateral trade in services** was valued at USD 51.45 billion in 2023.
  - **Foreign Direct Investment (FDI):** The EU is a major investor in India, accounting for 17% of total [FDI](#) inflow, contributing to significant employment opportunities.
- **Maritime Security:** The EU's **Enhancing Security Cooperation in and with Asia (ESIWA)** initiative strengthens security cooperation with Asia, including India, to secure sea lanes, as the [Indian Ocean](#) is a vital route for the EU.
  - India's naval expansion to counter [China's presence in the Indian Ocean](#) aligns with the EU's goal to enhance its security role.
- **Military Exercises:** The [first India-EU joint naval exercise](#) in the [Gulf of Guinea](#) in 2023.

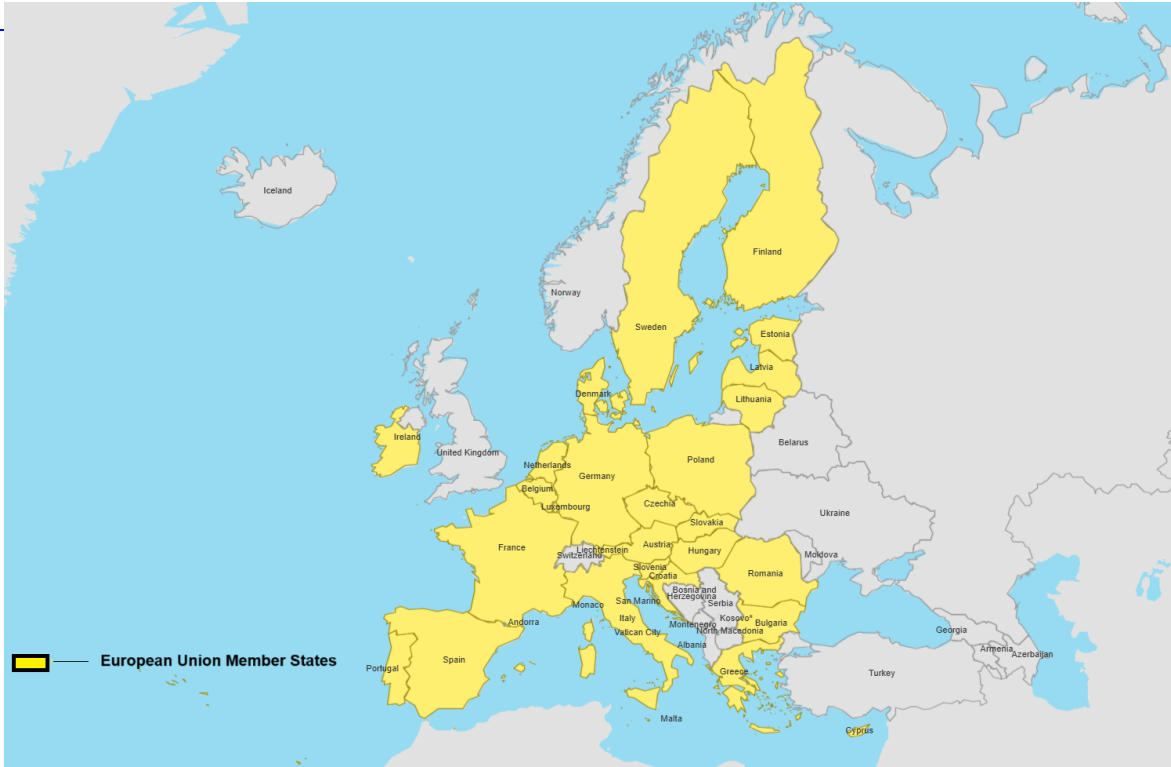
### Key Facts About European Union

- **Founded:** In 1951 after the [Second World War](#) (1939-45) by six countries (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands).
- **Current Member States:** 27 countries (Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia,

Spain and Sweden).

- The UK joined the EU in 1973 and left (**brexit**) in 2020.

- **Demography:** In EU, Germany has the largest population, France is the largest by area and Smallest Country is Malta.
- **Open Borders:** The **Schengen Area** allows free movement for most EU members, excluding Cyprus and Ireland.
  - Four non-EU countries (Iceland, Norway, Switzerland, and Liechtenstein) are also part of Schengen.
- **Single Market:** Goods, services, capital, and people circulate freely within the EU.
- **Climate Goals:** Aim to become **climate-neutral by 2050, reduce emissions by 55% by 2030.**



## What are the Challenges in India-EU Relations?

- **Geopolitical Differences:** The EU envisions a comprehensive partnership, including trade, security, and **human rights cooperation**, while India prioritizes strategic **autonomy and avoids deep alliances**.
  - India's neutral stance on **Russia's invasion of Ukraine** contrasts with the European Union's approach, which has imposed sanctions against Russia and faced difficult relations due to Russia's attacks on Ukraine and assaults on democracy.
    - This creates a trust deficit and complicates policy-level coordination between India and the EU.
  - India views **China as a strategic competitor** due to border disputes and economic rivalry, while **Europe continues significant trade with China** despite concerns over its human rights and economic practices.
    - This contrast hinders a unified approach on **Indo-Pacific policies**.
- **Economic and Trade Barriers:** FTA negotiations between India and the EU, initiated in 2007, have faced delays due to disagreements.
  - **Stricter EU intellectual property rights (IPR)** norms conflict with India's focus on affordable generic pharmaceuticals.
    - Additionally, the **EU's insistence on stringent labor and environmental**

standards like [Carbon Border Adjustment Mechanism](#) poses challenges for India's domestic industries.

- **Defence and Strategic Divergences:** India's dependence on **Russian defence systems** **limits** deeper collaboration with Europe on advanced military technology.
  - Despite projects like submarine collaborations with France and [C-295 Aircraft with Spain](#), EU-India defense ties lag behind those with the US or Russia.
  - The lack of a dedicated strategic dialogue and the EU's restrictive approach to knowledge sharing further hinder cooperation, while **Russia supports joint manufacturing with India**.
- **Technology and Innovation Gaps:** India prioritizes **affordable technology**, while Europe focuses on **sustainability and advanced manufacturing**.
  - China's dominance in emerging technologies like [Artificial intelligence](#) and [Quantum computing](#) poses a threat, but the lack of coordinated response hinders joint progress.
- **Structural Barriers:** Divergences among EU member states complicate a unified foreign policy approach toward India. This **fragmentation hampers effective collaboration**.

## What is the Need for Strengthening India-EU Relations?

- **Countering Authoritarianism:** As democracies, India and the EU face increasing pressure from authoritarian regimes, particularly **China for India and Russia for the EU**.
  - Strengthening ties would help both sides form a united front in **defending democratic values** and opposing autocratic expansionism.
- **Economic Growth:** A successful FTA between India and the EU would boost trade and investment. The **EU is the largest economic bloc** and by 2030, **India is projected to be the third-largest economy**.
  - They offer each other market access, technological exchange, economic growth and create alternative supply chains to reduce dependency on China.
- **Technological Collaboration:** India's rise in tech innovation and the EU's R&D capabilities can drive joint initiatives in **AI, quantum computing, biotech, and space**, countering China's dominance.
  - Strengthening collaboration through the [EU-India Trade and Technology Council \(TTC\)](#) can align strategies on emerging technologies, boosting cybersecurity, green tech, and clean energy.
    - India's [sunrise sectors](#) can help revive manufacturing in Europe, benefiting both regions.
- **Environmental Action:** India and the EU can drive global climate action through joint initiatives on clean energy, **carbon reduction**, and sustainable development, leveraging [India's renewable potential](#) and the EU's environmental leadership.
  - India and the EU can jointly invest in green technologies like solar power, electric vehicles, and **sustainable agriculture**, contributing to global sustainability.

## Way Forward

- **Unity Against Authoritarianism:** A shared understanding of the **rising authoritarianism as a threat to democracies** can unite India, Europe, and the US.
    - This alignment can drive collaborative efforts to address global challenges across the Atlantic and Indo-Pacific through initiatives like the [Democracy Summits](#).
  - **Leveraging the TTC:** The EU-India TTC presents an opportunity to align technology agendas, similar to the [US-India initiative on Critical and Emerging Technology](#), fostering high-level collaboration to drive innovation and advancements in key sectors.
  - **Strategic Economic Partnership:** Beyond an FTA, India and the EU can explore joint ventures in sectors like **pharmaceuticals, technology, renewable energy, and critical raw materials**.
    - Additionally, similar to the [India- European Free Trade Association \(EFTA\) Trade and Economic Partnership Agreement \(TEPA\)](#), the EU could sign a similar agreement with India to promote free trade and economic integration.
  - **Defence:** India's defense partnerships with the US, Russia and [Quad membership](#) can be complemented by **EU's investment in India's defense sector** and advanced technologies for regional security.
-

**Drishti Mains Question:**

Discuss the role of the EU-India partnership in addressing global authoritarianism and analyze how their trade relations can be strengthened.

**UPSC Civil Services Examination Previous Year's Question (PYQs)**

**Prelims:**

**Q. Consider the following statements: (2023)**

**The 'Stability and Growth Pact' of the European Union is a treaty that**

1. limits the levels of the budgetary deficit of the countries of the European Union
2. makes the countries of the European Union to share their infrastructure facilities
3. enables the countries of the European Union to share their technologies

**How many of the above statements are correct**

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

**Exp: (a)**

- The Stability and Growth Pact is a political agreement that sets limits on the fiscal deficits and public debt of the Member States of the European Monetary Union (EMU). **Hence, statement 1 is correct.**
- These guidelines are intended to ensure sound management of public finances within the EMU in order to prevent one Member State's irresponsible budgetary policies from spilling over and undermining the economic stability of the entire euro area
- The European Union Stability and Trade Pact does not make any provision related to sharing of infrastructure and technology.
- **Hence, statements 2 and 3 are not correct.**