

# India and European Union Trade (2016-2021)

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**Abstract:** *The paper examines the potential for trade shift between India and Europe and the possibility for each economy to develop the following liberalization. India is Europe's biggest cooperation partner, and it serves as the foundation for a variety of collaborations. This article examines the evolution of trade flows between the economies of the two nations in a world where they are fully competitive. This research looks at cross-border European and Indian industries to see how easy it is to conduct business in another nation. The flow of commerce between India and Europe following liberalization is discussed in this research. As can be seen, both India and Europe offer a plethora of possibilities for each other that are still to be explored. There is a lot of mutual advantage in expanding on their relationship. This assessment was undertaken to determine the tone of these discussions. It aims to create the groundwork for a long-term relationship between these two dynamic or promising economies by highlighting the desirability of both nations for investment and business via various channels. This also demonstrates support for the growth of bilateral ties between India and Europe in various areas and the establishment of a laissez-faire economy following the new global economic order.*

**Keywords:** India and European Union Trade

## I. INTRODUCTION

INDIA and European Union seem to have much to offer each other in the shape of trade complementarities, investment opportunities and political influence. In 1960, As far as global issues were concerned, both India and the EU were deemed, natural partners. But after the 1990s, the cooperation between India and the EU was enlarged, and the relation was institutionalized.

Traditionally, we go back to the early 1962 India-EU diplomatic relations; among the developing nation, India was the first country to establish diplomatic ties with the EEC (EEC). India's trade reforms, implemented in 1991, have resulted in large increases in bilateral trade between the two countries. Policymakers in India realized that opening up the economy was critical to achieving quicker and more sustainable growth. In reality, rising exports of goods and services have increased India's foreign trade volume faster than GDP. Indians saw the EU as an economic superpower and a tough trade negotiator in global trade discussions, largely accepted in India. Most of Europe is a mysterious continent to Indians, a tourist destination only available to a select few in society. (Chaudhari et al., 2012).

Since India is the world's most populous democracy, the European Union (EU) has selected it as one of its ten strategic partners in the worldwide community. There can be no denying the significance of this Asian superpower to the EU, both economically and politically. With a total trade volume of 72.7 million euros in 2013, India ranked as the country's 10th most important trading partner. It's also a valuable ally when it comes to cutting-edge concerns like energy or science. The fact that all 28 EU member states have embassies in Delhi is no accident.

Indian-EU strategic cooperation has not lived up to expectations despite lofty promises. For example, the most important subject on the bilateral agenda, the India-EU Free Trade Agreement (FTA), has been negotiated for seven years and 12 rounds. Still, an agreement has yet to be reached. However, the relationship has not yet been produced as planned in other areas of cooperation where it bears enormous potential (Winand et al., 2015).

### 1.1 India's – Eu Trade Agreements

Through the holding of leadership summits, many protocols have been established to promote commerce b/w the European Union and India. Mechanical engineering, Telecommunications, computer technology, biotechnology, food

processing, power and energy, and textiles and apparel were selected as areas of emphasis. India has signed the following major trade agreements with foreign nations.

- South Asia Free Trade Agreement,
- Thailand- India FTA,
- Agreement on Regional Comprehensive Economic Partnership (RCEP) among ASEAN + 6 Countries, India-Asean Comprehensive Economic Cooperation Agreement,
- Broad-based Trade and Investment Agreement between India and the EU (BTIA),
- Global System of Trade Preferences

Trade talks, protocols, and summits between the EU and India have thoroughly examined the measures necessary to increase trade in all sectors discussed above within a certain time frame. The BTIA negotiations between India and the European Union's 27 member states began in June 2007 but have run into several obstacles since then. To resolve their differences on various contentious topics, the two sides started talks on May 13. They were joined on May 15 by their senior negotiators to achieve a final stance on the proposed trade agreement.

The trade agreements aim to open up new possibilities like:

- Expanding the reach of products and services by entering new markets.
- Increasing the number of investment options.
- Lowering the cost of doing business by eliminating almost all customs charges.
- Increasing trade efficiency: by streamlining the customs clearance and establishing simultaneously create and sanitary standards.
- We can make our policy environment more predictable by adopting common commitments on trade-related problems, including rights related to intellectual property, competition regulations, and the framework for government buying choices (Mishra & Janaswamy, 2019).

## **1.2 Challenges and Futuristic Framework**

The commerce between the EU and India must be measured against the world's finest growth rates. Examples from China and the United States need to be given more consideration. Fascinatingly, the EU and India have agreed to establish free trade agreements (FTAs) in their post-2005 protocols. They must make certain that these FTAs are effective and comprehensive. The EU and India have finally recognized that economic cooperation between them should not be governed by form but rather by contention. Boosting commerce in value-added products like gems and jewelry, turnkey projects, power production, transport, information technology, and biotechnology (Bremberg, 2020).

## **II. LITERATURE REVIEW**

**(Woolcock, 2019)** This research study aims to determine the EU's position in the world's a trade and investment system. EU leadership in international trade and investment is a major priority to safeguard an open, rules-based system when it is facing its most severe test since the adoption of the General Agreement on Tariffs and Trade (GATT) more than 70 years ago. It is necessary to achieve this through the (re)establishment of a broad political consensus on the scope and goals of the EU's a trade and investment policy, which can only be achieved through the full participation of member state governments and stakeholders in a well-informed dialogue.

**(Tsimaras, 2019)** An examination of the framework of India-EU relations shows that ties are anticipated to grow in the next years, and policies & laws will be interwoven and impacted in both sides in a huge variety of socio-economic sectors. As a result, the ultimate aim is to ensure the prosperity of all Indians and EU citizens in the years to come. For this reason, the EU-India relationship will be strengthened by regulations and laws that govern bilateral agreements, treaties, and joint sessions and summits.

**(Gaurav & Mathur, 2015)** This research aims to assess India's relative bilateral trade costs with the European Union using Novy (2013)'s micro-founded measure of trade costs. This approach has the benefit of just requiring observable trade data to calculate the trade costs. According to the findings, the tariff equivalent between India and its main EU trade partners fell by 20 percentage points between 1995 and 2010, with Malta and Latvia seeing the biggest drops. To a large

extent, Novy's model shows that the decrease in relative bilateral trade costs may explain this trade increase, but this is partly offset by the decline in multilateral resistance terms, which has shifted trade away from South and Southeast Asia and North America to other regions.

**(Samimi & Jenatabadi, 2014)** The goal of this research was to find out how globalization affected the development of the OIC nations. The research also examined the impact of complementing policies on internationalization growth. According to the results, in nations with more educated employees and sophisticated financial institutions, the beneficial impact is greater. According to our findings, the impact of economic globalization varies by country's socioeconomic level. Globalization will only help countries if their income levels are enough. The effects of economic globalization are felt both directly and indirectly, thanks to complementing changes.

**(Chaudhari et al., 2012)** This study's primary objective is to examine the challenges encountered by Indian exporters while shipping to the European Union. This study was based on an empirical examination of how Indian exporters perceive obstacles. In addition, a study of the literature was conducted to identify the challenges encountered by exporters. SPSS software was used to analyze the data. Study shows exporters have strong feelings about the main obstacles to export: government laws, customs and licensing procedures, technical standards and health rules, sanitation and phytosanitary measures, and certification. Common obstacles would also encourage non-exporters to start exporting, which will boost Economic growth.

### III. RESULT AND DISCUSSION

**Table 1:** The Export between India and Europe from 2016-17 to 2020-2021

Import-export Years	F-value (Import-export)	Sig. value	T – value	Std. Error difference	Significant/ Non-significant
2016-2017	0.176	0.676	-0.206	415039.5374	Not Significant
2017-2018	0.705	0.405	-0.394	483065.5740	Not significant
2018-2019	0.104	0.049	0.115	509740.0653	Significant
2019-2020	3.799	0.053	1.055	37321.05	Significant
2020-21	0.118	0.033	0.100	475058.2382	Significant

This result table shows a statistically significant difference between India and Europe's export data every year. The 2016-17 sig value is 0.676, which shows that the sig value is greater than 0.05. Here 0.05 sig value is prefixed, which shows the sig value is significant or non-significant. Since a definition (also called alpha) must be set, the alternative hypothesis will be either rejected or accepted. This value is usually set to 0.05.

In the 2017-18 year, the sig value is 0.405, which is non-significant. That GDP is not increasing. In this case, the recession is shown negative, but after 2018-19, the sig value is 0.049, which is under the significant value. This immediate response to economic reforms demonstrates Europe's continuing interest & confidence in this country's perspective. The economic reform perspectives would have a beneficial impact on bilateral relations. Showing the positive result in the case of export. In the year 2019-20, the sig value is 0.05, which is under the significant value and also in the year 2020-21, the sig value is 0.033 which is under the significant value.

**Table 2:** The Import between India and Europe from 2016-17 to 2020-2021

Import Years	F-value	Sig. value	T – value	Std. Error difference	Significant/ Non-significant
2016-2017	0.020	0.889	-0.132	500248.586783	Not Significant
2017-2018	1.062	0.030	0.474	608739.3641	Significant
2018-2019	0.104	0.049	0.115	509740.0653	Significant
2019-2020	0.148	0.702	1.055	654354.032067	Not Significant
2020-21	0.118	0.732	0.188	596962.766623	Not Significant

This result table shows a statistically significant difference between India and Europe's import data every year. The 2016-17 sig value is 0.889, which shows that the sig value is greater than 0.05. Here 0.05 sig value is prefixed, which shows the sig value is significant or non-significant. Since a definition (also called alpha) must be set, the alternative

hypothesis will be either rejected or accepted. This value is usually set to 0.05. In the 2017-18 year, the sig value is 0.030, which is non-significant. That GDP is increasing. In this case, the recession is shown positive, but after 2018-19, the sig value is 0.049, which is under the significant value. This swift response to economic changes shows Europe's continued interest in and trust in this country's future. The prospects for economic change would be good for bilateral ties. You are demonstrating a good outcome in the instance of import. In the year 2019-20, the sig value is 0.702, which is under the not significant value and also in the year 2020-21, the sig value is 0.732, which is under the not significant value.

#### **IV. CONCLUSION**

In this paper, we first presented the new quantitative trade model framework that we used to conduct counterfactual simulations and assess the effect of an EU-India trade deal. Working toward a fair, open, transparent, non-discriminatory, and predictable regulatory and commercial climate for European businesses dealing with or investing in India, including protecting their investments and intellectual property, is a major EU goal in its trade ties with India. The goal is to help unlock the latent potential of two-way commerce between India and the EU. Both of these countries are key nations in this increasingly interconnected economy. In recent years, India's GDP has risen at a rate of more than 8% each year. India, on the other hand, is Europe's most populated country.

Indian firms have a great opportunity to cooperate with European corporations in defense, science and technology, and logistics and create stronger ties between small and midsize enterprises in both nations. Many more projects, visits, activities, and agreements are expected in the years ahead. Europe's businesses would want to access India's vast market potential in retail, electronics, autos, aviation, and entertainment. We are confident that the scope of cooperation and Eu investment in all of these areas will greatly expand shortly.

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