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An EU-India Strategic Partnership

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1. INTRODUCTION

India is metamorphosing dramatically and fast. Recent elections have shown its unique vitality, as those who felt left out of the striking economic development used their votes in a genuine demonstration of democracy.

The need for a new Strategic basis for the EU-India Partnership

India has also made important progress in a number of crucial foreign and domestic policy areas, *inter alia* by:

- entering into ground-breaking peace negotiations with Pakistan which will, if successful, bring enormous benefit to the whole region;
- forging new alliances with global players such as US or China;
- engaging reforms along its strong democratic path.

India is attracting growing interest and attention as a regional and global leader and in the region and engaging increasingly on equal terms with other world powers. The relationship with the EU, in particular, has developed exponentially in scope and intensity in recent years. India and Europe have a long shared history but have never had more in common, in terms of shared vision, goals, and challenges than we do today. The EU Security Strategy paper identifies India as one of five countries with which the EU should endeavour to develop a future strategic partnership.

The formal basis of the current EU-India relationship is the Co-operation Agreement¹, a wide-ranging 3rd generation agreement which entered into force in 1994 and the Joint Political Statement that was signed simultaneously with the EC-India Co-operation Agreement in December 1993. In 2000, the EU-India partnership took a quantum leap with the decision to hold regular Summits. Since then, there has been a huge year-on-year increase in the number, frequency and intensity of our contacts.

The relationship has now outgrown its existing framework: at the 4th EU-India Summit in November 2003, it became quite clear that both sides see the need to develop a partnership with greater strategic edge. The last communication on India dates back to 1996. Our many and varied joint activities need a new approach to provide greater coherence, focus and vision.

Aim and approach of the strategy

This strategy therefore identifies the key challenges and opportunities for EU-India relations in the coming years and against that background examines, sector by sector, how the current activities can be streamlined and new actions launched with a view to building ever more effective strategic alliances. The communication sets out proposals for a new concept of co-operation that will provide both the impetus for a new departure in the EU-India relationship and a set of directions for it to follow subsequently.

¹ EU-India Co-operation Agreement (OJ L 223 of 27.08.1994).

The starting point is that a new strategy for the Union's relations with India shall be a partnership based on equality and trust and guided by the following principles and objectives:

- in agreement with EU policies, to support Indian policies that promote peace, stability, democracy, human rights, rule of law and good governance, in its region and world-wide, *inter alia* by fighting terrorism and illicit trafficking.
- to co-operate at home and world wide with India on fighting poverty, inequality and social exclusion and on sustainable development, environment protection, and climate change.
- to enhance economic interaction between the EU and India and secure together a strengthened economic order.

This approach is set out on the following pages in a series of steps:

First, the paper provides a factual description of India today, the context that will form the background for the proposals to strengthen the Strategic Partnership.

Second, the contours of the partnership are dealt with from all the various angles, i.e. international cooperation, economic and development cooperation, mutual understanding and institutional architecture.

Each section analyses the current situation in a specific sector and the reasons that advocate enhanced cooperation. It then sets out the Commission's proposals for actions that either reinforce current efforts or launch new initiatives.

Third, the conclusion proposes a concrete follow-up mechanism to implement this strategy and factor in the various reactions to it.

2. INDIA TODAY: THE STATE OF PLAY

A rapidly expanding economy, India is engaging more and more with other players internationally, in multilateral fora, within its own region and on a bilateral basis.

2.1. India, an emerging international player

The 21st century requires governments to tackle complex international issues such as **strengthening the international legal order** and **countering terrorism**. India has raised its profile in dealing with these matters both in international fora, such as the UN and the ASEAN Regional Forum, and in bilateral talks on terrorism with the EU, US and Russia. It is the sponsor of a draft UN Comprehensive Convention on Terrorism, a major provider of UN peacekeepers and police forces, notably in Bosnia-Herzegovina, and has already significantly contributed to humanitarian relief and reconstruction in Afghanistan.

In other multilateral fora, such as the WTO Doha and Cancun meetings and the Johannesburg World Summit on Sustainable Development, **India remains a developing world leader**. In the United Nations, India has been a staunch supporter of strengthening multilateralism and the UN role.

However, India is not always in the inner circle of the key 'clubs': a contender to assume a permanent seat in the UN Security Council, it is not part of either ASEM or APEC.

Recent years have shown a **spectacular upturn in India's foreign policies**. The relationship **with the US Administration**, previously strained by memories of Cold War divisions and the nuclear issue, has been considerably strengthened, India is now viewing strong co-operation with the US as necessary to defend its strategic interests. Security collaboration between both powers has been particularly active on counter-terrorism (identifying financing networks, sharing intelligence and so on), military-to-military co-operation and the development of a strategic dialogue.

India is also **'looking East'**, and asserting its role in Asia. The India-ASEAN Summit in 2003 in Bali illustrated this, with India acceding to the 'Treaty of Amity and Co-operation', and signing two agreements, one on terrorism and one on economic co-operation, which has led to the negotiation of a free trade agreement. India is an active member of the ASEAN Regional Forum (ARF). **Bilateral relations with China** have improved considerably in recent years. PM Vajpayee's visit to China in June 2003 was seen as a breakthrough, emphasizing increasingly business-like relations between both countries. They are holding talks to resolve their border dispute.

India's trade relies heavily on the WTO regime, since it has signed few bilateral or regional trade agreements.

2.2. A Major Regional Actor

India's giant size dominates the Sub-Continent. India makes up around 78% of the South Asian population, is responsible for 70% of the region's trade with the EU and its political and military clout is overwhelming.

Arch rivalry and three wars with Pakistan prevented significant progress on SAARC² and SAFTA³ until the recent Islamabad Summit in January 2004. The agreement reached at the Summit to begin implementation of a free trade area in 2006 therefore came as a remarkable political breakthrough.

Relations between India and Pakistan have gone through very difficult times in the last decade. The escalating arms race between the rivals reached a new dimension in May 1998, when India conducted underground nuclear tests and, in response, Pakistan conducted its own tests. Both sides were heavily criticised by the international community.

On 14 July 2001, the Agra Summit raised hopes for an end to the impasse, but the talks ended without agreement, with Kashmir as the main deadlock.

The two states again came to the brink of war in Spring 2002, raising concerns and tension worldwide.

The recent thaw in relations, culminating in a forward looking joint declaration in Islamabad on 6 January 2004, has therefore come as a huge relief and offers genuine hope for a resolution, finally, to this long-standing series of disputes.

² South Asian Association for Regional Co-operation.

³ South Asia Free Trade Area.

Regarding other crises in countries of the region, India has also responded to requests to take a more pro-active approach to the peace processes (e.g. Sri Lanka) and to provide support to neighbouring governments fighting insurgency (e.g. Nepal and Bhutan).

India is committed to the reconstruction of Afghanistan. It is supporting the International Community's work for a broad-based democratic system in the country.

2.3. A burgeoning economy

The Indian economy, long seen as lagging behind its East Asian neighbours, seems ready to follow China in a sharp breakout. Growth is expected to surpass 7% in 2004, led by the service sector, making India the second-fastest-growing economy in Asia (after China). India's great advantage in the global marketplace – that it has a large pool of low-wage, educated, English-speaking university graduates – has made it the preferred global hub for software development and business process outsourcing.

Although economic growth has varied over past years, India's recent achievements in growth performance have been impressive. The economy has benefited greatly from more market-oriented and open policies. These benefits, however, have not been spread evenly amongst the people of India. The vast bulk of the population still live on less than \$ 2 a day. India still needs to push ahead with bold reforms. India's fiscal deficit has expanded alarmingly; the combined state and central government deficits have grown from 7.6% of GDP in 1996 to nearly 10% this year. This has diverted resources away from public infrastructure, public health, education and social protection, towards debt repayment. Agriculture still accounts for nearly a quarter of GDP, and the country's predominantly agrarian population, as well as the economy as a whole, remains at the mercy of the monsoon. Impressive GDP growth rates seem to lead to only relatively limited numbers of jobs created concentrated mainly in high-skill level professions. Progress is needed to ensure more effectiveness of public services through administrative reforms.

The SAARC Summit decision of 6 January 2004 to set up a free trade area (SAFTA) has raised the prospects of enhanced intra-regional trade within the region.

2.4. A social and economic kaleidoscope

India remains a country of great ethnic, religious and cultural diversity. While Hindus represent 81.3% of the total population, Muslims count for 12 %. Christians, Sikhs, Buddhists and Parsis are also part of this diversity. Communal tensions often rise to the surface; Gujarat, notably, went through a terrible wave of violence in 2002.

India is prospering. However, the transformation is not evenly spread across the country: some regions have improved their lot much more than others. Big states in the North, where growth has traditionally been slower, also have the fastest growing population. The Southern, more socially advanced states seem to have benefited more from economic prosperity and reforms. There is increasing concern about the risk of economic fragmentation and a growing divide between the states dominated by a traditional economy and those with a strong infusion of competition and market forces.

Cities in India are growing at a tremendous rate: 31 cities have more than one million inhabitants and only India has 3 mega-cities of more than 12 million. Meanwhile, 60% of the workforce is still employed in the agricultural sector. Besides traditional seasonal migration,

there is an increasing emigration of the rural population towards the cities. For the time being poverty remains primarily a rural problem.

The EU must factor this great diversity into its policy approach towards India.

2.5. EU-India Relations post-Lisbon: A Significant Change in Pace

The first EU-India Summit in Lisbon on 28 June 2000 was a milestone in EU-India relations, a manifestation of the EU's will to engage India as a major player in an increasingly multi-polar world. Since then, there have been major steps forward in EU-India cooperation on political, economic and development issues.

The strength and structure of the EU-India political dialogue has been regularly upgraded, with yearly Troika Ministerial Meetings, Senior Officials Meetings every six months, and regular Summits. Since Lisbon, four Summits and a huge number of formal and informal interactions at Ministerial and Senior Officials levels have strengthened the relationship significantly. Between June 2000 and February 2004, there were 12 visits to India by Commissioners and the High Representative for CFSP. The additional impetus given to the EU-India partnership is also reflected in the establishment of political Working Groups on Consular Affairs and Terrorism and the adoption of a Joint Declaration on Terrorism. The EU-India Round Table, which has met six times since its inception following the Lisbon Summit, has also added a valuable civil society dimension to the relationship.

In the field of economic co-operation and trade, in 2001 India and EU concluded an Agreement on Scientific and Technological Co-operation, deepening and broadening co-operation in this area to all the fields where their scientists feel they can work together. In the same year, the Joint Initiative on the Enhancement of Investment and Trade was introduced. In line with the recommendations of the Joint Initiative, an EU-India Trade and Investment Development Programme has been launched. Three more major projects are on the way. First, the EU and India have finalised a Customs Co-operation Agreement that will simplify customs procedures and provide a legal basis for mutual administrative assistance. Second, negotiations are launched on a Maritime Transport Agreement. It is a tool to develop our shipping relations, to enhance the global efficiency in the transport sector and improve conditions for trade. Third India will co-operate in the Galileo programme. Overall, the EU has retained its position as India's number one trading and investment partner. On the international front, the EU and India have been developing a dialogue on multilateral trade issues around multilateral trade negotiations under the Doha Development Agenda.

Since the Lisbon Summit, development co-operation has taken on a new direction with the adoption of an EC Country Strategy Paper (CSP), which sets out the programming priorities for EC development co-operation with India for the period 2002-2006. While support for the social sectors health and education is ongoing, with commitments of nearly half a billion €, the CSP has created an innovative approach by concentrating development activities with two reform-minded Indian states Chhattisgarh and Rajasthan. Another innovative feature of the CSP is the commitment of € 33 million in 2005 for a Scholarship Programme for Indian students.

3. A STRATEGIC PARTNERSHIP: ANALYSIS AND PROPOSALS

The EU and India already enjoy a close relationship, based on shared values, objectives and challenges and respect for each other as international global players and regional leaders. Both now want to put a greater strategic edge on the partnership. This will entail dialogue on ways of enhancing cooperation, on a sector-by-sector basis.

3.1. Improving International Cooperation

Both India and the EU are now important actors on the global stage, so the focus of their relationship is shifting towards a wider political dimension. Given that the EU and India are increasingly regarded as forces for stability in the world and see each other as major players, the key priority for their partnership must be promoting peace, security and democracy in the world

3.1.1. Multilateralism

India and the EU share the view of a world order based on multilateralism. Both are staunch defenders of the central role of the United Nations and active participants in the whole range of multilateral activities and institutions. Our close cooperation on the Indian Draft UN Comprehensive Convention of Terrorism is exemplary. The same is true of our joint commitment to the Kimberley Process to combat trade in conflict diamonds⁴; both sides work closely and successfully together in this very important and innovative international initiative. The EU and India also share commitments to a significant number of conventions in the areas of human, civil and social rights. Both sides are party to the Kyoto Protocol and various other environment treaties and conventions and both believe in the crucial role of WTO.

Reform of the UN is a topic of major interest to India, which aspires to a permanent seat in the Security Council.

The activities of the UN High-Level Panel for Threats, Challenges and Change are of particular importance in the context of UN institutional reform and restructuring. A continuous exchange of views on progress of work and the implementation of the likely outcome is essential.

There remain differences of opinion between us regarding other topics on the international agenda, however. This holds true for Indian doubts about the merits of the International Criminal Court and the Ottawa Convention on the ban of anti-personnel land mines. The EU also believes that India should facilitate the access to UN Human Rights Special Rapporteurs.

Overall, we should seek to strengthen our overall cooperation with India in a strategic alliance for the promotion of an effective multilateral approach for addressing issues ranging from strengthening the role of the UN Security Council in dealing with conflict prevention or terrorism, to tackling ever-present challenges such as poverty or human rights violations.

⁴ The Kimberley process is a unique initiative by government authorities, the international diamond industry and NGOs to stem the flow of 'conflict diamonds'. India's commitment is crucial, since it is the world's biggest processing centre for diamonds (while the EU is the biggest trader). India is an active member of the Kimberley Process Working Group on Monitoring, which is chaired by the EC.

The EU should invite India to:

- *Discuss negotiation objectives, strengthen co-ordination of positions, harmonise positions in the preparation, negotiation and implementation of major multilateral conventions and conferences (e.g. on security, trade, environment, development, human rights) and facilitate bridge building with other UN members.*
- *Hold regular dialogue meetings in UN sites on thematic issues as well as ad hoc coordination in the framework of important meetings.*
- *Hold continuous dialogue on organisational and institutional restructuring and reform of the United Nations, in particular on the progress of work of the UN High-Level Panel on Threats, Challenges and Change and on the implementation of its likely outcome.*
- *Work closely to promote effective multilateralism, especially in the areas of implementation of international obligations and commitments and on identifying ways to strengthen global governance.*

3.1.2. Conflict prevention and post-conflict reconstruction

In its new strategy for EU-UN relations, the European Commission emphasises that – particularly as a Union of 25, after 1 May 2004 – the EU should work to strengthen the UN’s position as the cornerstone of the multilateral system and global security architecture.

India is an important partner in this context. Among the longest serving and the largest contributors of troops to UN peacekeeping activities, since the Korean War more than 67,000 of India’s personnel have participated in 37 out of the 56 UN peacekeeping missions. India also receives ever more requests for police officers and has sent police contingents to Bosnia and Kosovo, among other trouble spots. Three years ago, India set up a Centre for United Nations Peacekeeping in New Delhi⁵, which organises national and international seminars and training, and builds data and case studies.

Both sides see post-conflict reconstruction as a sector in which strengthened co-operation should be explored. Some EU Member States already co-operate with India in the training of police forces in Afghanistan.

Based on their respective experience and their shared approach to peace-building, peacekeeping and post-conflict reconstruction, the EU and India could valuably explore means of formalising regular cooperation. They could also usefully evaluate the potential UN role of regional organisations, in particular where prevention, crisis management and regional implementation of international obligations conflict are concerned.

The EU should seek to engage with India in:

- *Dialogue at senior officials level about conflict prevention and post-conflict reconstruction, in order to identify and develop specific areas for co-operation in the following sectors:*

⁵ A joint initiative by the Ministry of External Affairs and the Ministry of Defence and the Armed Forces.

- *training for the civilian components of peace-keeping missions;*
 - *seminars and other activities designed to facilitate conflict prevention or post-conflict management in sensitive areas of the world;*
 - *EU/India collaboration in support of UN conflict prevention and peace-building efforts, including support for improved analytical capacities, development of comprehensive preventive strategies and greater co-operation between the EU & India components in UN peacekeeping missions.*
- *Consultations about preparations for major UN debates about peacekeeping, conflict management etc. and in the preparation of major peace conferences.*
 - *Joint sponsorship of a UN-level conference on conflict prevention, peace-building and post-conflict management.*
 - *Initiating a region-to-region dialogue on the contribution of regional integration to conflict prevention, with an exchange of views and experiences.*
 - *Co-operation on conflict prevention and post-conflict projects in other regions of the world.*

3.1.3. Non-Proliferation of nuclear weapons

The EU believes that the multilateral treaty system provides the legal and normative basis for worldwide non-proliferation efforts. The corner stone of our policy, as defined in the EU Strategy against Proliferation of WMD, adopted on 12 December 2003, is to make multilateral agreements universal.

For its part, India emphasises both what it considers as its legitimate need for defence and, beyond that, its commitment to and acknowledged record of accomplishment in non-proliferation.

There is a strong common belief that we could and should act together to avert the huge potential threats posed by the proliferation of weapons of mass destruction and related material, equipment and expertise.

An important line of action in this respect would be to reinforce the consistency and effectiveness of export control measures, in particular for dual use goods. EU and Indian experts met to discuss dual use technology export regulations in 1999 and this valuable experience could be repeated to good effect today, at a time when proliferation by non state actors has become a major concern. There is scope for closer cooperation on a range of related non-proliferation issues. As suggested by the High Representative, political dialogue on these issues should be reinforced.

The EU should seek to:

- *Organise experts meetings with India on dual use technology export regulations.*
- *Strengthen dialogue with India on non-proliferation and other weapons of mass destruction issues.*

3.1.4. The fight against terrorism and organised crime

India and the EU have been and continue to be the targets of terrorist acts and, since 11 September 2001 in particular, both have been prominent in calling for enhanced international co-operation on this front.

In addition to the existing political dialogue at all levels (including a COTER Troika/ Working Group), the EU should consider ways to cooperate more concretely with India, for example by exploring the possibility of direct contacts between Europol and the relevant Indian agencies.

Europol can enter into strategic cooperation agreements with authorities from partner countries to strengthen joint efforts in fighting international organised crime and/or terrorism. These agreements are based on a list of priority countries drawn up by the Council. India should be considered in this context as a potentially reliable partner for the exchange of strategic and operational information in combating terrorism and, possibly, organised crime, in particular criminal trafficking.

The EU could also explore the possibility of enhanced technical cooperation with India in security-related areas. One obvious area for cooperation would be the fight against money laundering, an area where India is also vulnerable, despite its strict foreign exchange laws that make such illegal activities difficult. Another area for cooperation could be the combat against drug trafficking and the prevention of the diversion of precursors.

Over and above the bilateral domain, the EU should seek to work with India to develop strengthened cooperation in the UN framework in the fight against terrorism.

The Commission proposes that:

- *The Council reflects on the opportunity of including India in its list of 'priority countries' for the negotiation of a 'strategic cooperation agreement' with Europol.*
- *The EU initiates a dialogue with India on cooperation on document security as well as civil aviation and maritime security.*
- *The EU seeks to cooperate with India in the fight against money laundering through experts meeting and exchange of information and expertise.*

3.1.5. Migration

In recent years international migration has become a growing reality in the context of increasing globalisation. Worldwide over 175 million people live in a country other than the one for which they hold a passport and alongside the continued process of globalisation, this number will continue to grow. The impact of this global mobility of people has many dimensions, of one which is the increase of migrant remittances and their contribution to the economy, in many cases the second largest source of external funding, close to foreign direct investment and well ahead of official development assistance.

In the case of India, its diaspora⁶ accounts for an estimated 20 million people spread over 130⁷ countries in five continents. They are thought to have a combined income of USD 160 billion, which is roughly equivalent to 35% of India's GDP. Remittances reached USD 18.2 billion in 2003⁸, which also helped increase India's foreign exchange reserves.

Next to these and other positive aspects, global migration also has problematic dimensions, e.g. those related to human trafficking and illegal migration.

These issues have been addressed with in the Commission Communication on the integration of migration into the European Union's relations with third countries⁹ and relevant Council Conclusions¹⁰.

The Commission proposes that the EU suggests a dialogue on migration with India on:

- *The main causes of migration from and towards India and the EU.*
- *The main aspects related to legal migration, including aspects related to labour migration and the movement of workers.*
- *An effective and preventive policy against illegal immigration, smuggling of migrants and trafficking in human beings including the issue on how to combat the networks of smugglers and traffickers and how to protect the victims of such trafficking.*
- *Integration and fair treatment of third country nationals.*
- *The fair treatment, free of any discrimination, of Indian workers in the EU Member States.*
- *Migrant remittances.*
- *The return and re-admission of illegally residing persons.*
- *Visa issues, identified as being of mutual interest and*
- *Other migration related subjects that would be of interest to the EU and India.*

3.1.6. Democracy and human rights

The promotion of human rights, governance and democracy world wide is a key priority of EU foreign policy. India provides the Developing World with a model of a democracy. It zealously protects its democratic processes through its own means, such as ensuring effective monitoring of elections through the mobilisation of officials and ensuring a system of 'non-partisan bureaucracy'. Its Election Commission has been greatly admired, most recently for its work in Jammu & Kashmir, Gujarat and the national elections. The 2004 elections have demonstrated that democracy has not just lasted, but matured and grown stronger with age.

⁶ Composed of both NRIs (Indian citizens not residing in India) and PIOs (Persons of Indian origin).

⁷ It numbers more than a million in eleven countries, while as many as 22 countries have a concentration of at least 100,000 ethnic Indians.

⁸ Reserve Bank of India, balance of payment figures. This figure is in increase of 30% compared to 2002.

⁹ COM(2002) 703 final.

¹⁰ May 2003.

India and the EU share a joint commitment to international Human Rights treaties and protection mechanisms. The partners should therefore seek to ensure that this joint commitment is reflected in a more dynamic manner on the agenda of bilateral relations.

The EU has a strong interest in enhancing dialogue and co-operation with India on human rights issues of common concern, such as the functioning of UN Human Rights mechanisms (the Commission on Human Rights, Special Rapporteurs and Working Groups, reporting mechanisms, etc.), the International Criminal Court and adherence to major international human rights treaties.

In line with their common belief that full respect for human rights is the best guarantee for sustainable economic development and social stability, the two partners should hold regular exchanges of views, in a mutually-respectful and constructive manner, on issues such as: gender discrimination; minorities' rights, in particular caste-based discrimination; religious freedom; the death penalty; the fight against terrorism; environmental rights and corporate social responsibility. Both partners should build upon the commitment made at the Athens ministerial meeting in January 2003 to address human rights through a regular dialogue at expert level in Delhi, as well as at Senior Official and Ministerial level.

The EU welcomed India's hosting of the Fourth "World Social Forum" in January 2004 in Mumbai. As the world's largest democracy, and given the development challenges that it is currently addressing, India represents in many respects a "laboratory of change", in which solutions that may be of great relevance to other parts of the world are being pioneered. The EU, with its strong commitment to human rights and development assistance, is interested to learn from India's experience and expertise in this area.

The EU should:

- *Engage India on important human rights topics, i.e. the International Criminal Court, abolition of death penalty, Convention against Torture, gender discrimination, child labour, labour rights, Corporate Social Responsibility and religious freedom.*
- *Seek increased cooperation with India on initiatives of common concern at yearly meetings of UN Third Committee and Commission on Human Rights.*
- *Benefit from India's specific experience to promote democracy and governance in developing countries, where aspects of India's model could present an added value.*
- *Invite the Indian Government to start regular human rights discussions with the EU within the 'Athens' agreed format, including Senior Officials and Ministerial Meetings.*
- *Explore the possibility of funding projects in India under the European Initiative for Human Rights and Democracy.*
- *Intensify consultations between the EU Heads of Missions (HOMs) in New Delhi on Human Rights. Instruct HOMs to produce regular factual human rights reports with recommendations for the preparation of the EU-India human rights dialogue.*
- *Look for possible synergies and joint initiatives (e.g. co-sponsoring of projects) between India and the EU to promote human rights in third countries.*

3.1.7. *Peace, prosperity and stability in South Asia*

South Asia presents a convergence of the biggest development challenges of the new century: poverty, overpopulation, civil wars, and environmental problems. The Sub-continent has also remained peripheral to the main economic poles: Europe, Asia Pacific and the Americas. Prospects now look brighter, however, with the recent decision of the SAARC Summit to move forward the regional integration process and with the thaw between India and Pakistan.

India, with its unique position in the region, has a particular potential vocation to become the driving force for greater regional peace and prosperity. It has the means to do so through peaceful resolution of tensions, development co-operation and by easing and enabling bilateral trade with its smaller partners in the region. India enjoys a special relationship with each of its neighbours because of its size, its commitment to democracy and its economic and military might.

For decades, however, India-Pakistan relations have dominated South Asia's political and economic development. Wars and tensions, alternating with short periods of detente and thaws, have prevented both countries and the entire region from developing their full potential.

With the new emphasis on confidence building measures that began in Spring 2003 and the initiation of a composite dialogue process¹¹ from early 2004, there are high hopes that a turning point has been reached, with both sides seeming committed to working towards a resolution of all outstanding issues. Peaceful relations between two of the sub-continent's main actors would undoubtedly help to stabilise the region, develop trade and economic growth and so contribute to increased welfare in South Asia and beyond.

The EU is a constant supporter of all initiatives to bring peace and stability to South Asia. In particular, it has consistently encouraged dialogue between India and Pakistan, condemned all forms of terrorism and violence and expressed its readiness to support a peace process. Kashmir is a bilateral issue with international implications. As such it should be solved primarily between India and Pakistan. However, the EU can offer its own unique experience as an example of building peace and forging partnerships that will stand the test of time because they are rooted in established structures for cooperation.

Europe's contribution to the development of South Asia has been growing constantly (42% average increase of development assistance in 2000/2003 compared to 1996/1999). Like India, it has also been increasingly involved in peace and democracy actions in the region, particularly in Afghanistan, Sri Lanka and Nepal. Development policy and other co-operation programmes are the most powerful instruments at the Community's disposal for treating the root causes of conflict. The EU now puts political and social stability and democracy concepts at the heart of its assistance programmes to the region. While EU's bilateral relations with each country in South Asia will continue to be the mainstay of relations, EU will need to reflect on further developing its strategic approach to the region.

¹¹ Composite dialogue: The 'composite' character of the process means discussions on eight identified items in parallel: Jammu & Kashmir; peace and security (incl. nuclear CBMs), terrorism, economic cooperation, cultural exchanges, the disputed border areas of the Himalayan Siachen glacier and Sir Creek near Gujarat, as well as Indian plans to dam the Wullar lake in Kashmir.

In their political dialogue, the EU and India have gained openness and confidence: this is particularly true in addressing regional issues and both partners generally consider that more should be done in this respect.

On a case-by-case basis the EU should invite India to increase co-operation in addressing regional concerns through

- *Consultations between our respective Heads of Missions in the (third) country concerned.*
- *Joint co-operation in prevention of conflict and post-conflict projects.*
- *Common initiatives (demarches, organisation of peace conferences, second track activities, promotion of human rights...).*

The EU should devise a regional approach. It should:

- *Explore the possibility of formulating a South Asia strategy paper focusing on how the EU could contribute to peace, security and prosperity in the region and suggesting the best ways and means to support regional integration.*
- *Explore the possibilities of enhanced regional participation in programmes designed to strengthen mutual understanding and civil society co-operation between EU and India.*

3.2. Strengthening the Economic Partnership

India's economy is a giant waking, snapping the cords that bind it and transforming itself into **an international powerhouse**. Recently posted economic growth rates of 7-8% are predicted to continue over the next few years. India has developed an astonishing capacity in new technologies and is capturing an estimated 55 % of the \$19.5 billion IT and software services business being delocalised worldwide. Outsourcing is becoming a major business and other sectors such as pharmaceuticals, telecommunications and the motor industry are also booming.

Much of this can be attributed to the skills of the Indian people and a series of reforms that have unlocked their entrepreneurial potential. Much credit should also be given to the positive environment afforded by the opening up of world markets through the multilateral trade system and the effects of growing globalisation. Both have provided India with opportunities for increased access to the international market, particularly in the services sector.

At a time when the European public is raising questions about its manufacturing disappearing to China and its services to India, this strategy offers an **opportunity to assess Europe's prospects with regard to this rapidly changing trend in its economic relationship with India**.

In the first instance, the growing interdependence between economies is essentially positive, if steered in the right direction, because it means greater efficiency in the allocation of resources and a powerful incentive for innovation. Second, the development of outsourcing activities in India will contribute to a growing consuming middle-class¹², an investment

¹² As an example the number of registered motor vehicles grew by 31% between 1999 and 2002 from 44.8 million to 58.8 million in India.

boom,¹³ and increasing expenditure on infrastructure, particularly in areas such as telecommunications, road-building, ports, airports, energy and so on. This implies vast potential opportunities for the European industry. Third, the development of the Indian economy will involve additional Indian investment in Europe, a trend that is developing exponentially in the IT sector and expanding to other sectors from auto-components to financial services.

The **EU cannot afford not to engage with this emerging market**. To a degree, we do already. Bilateral trade and investment flows have grown substantially over the years. The EU is India's largest trading partner and main source of foreign inward investment and total EU-India trade has increased from €9.9 billion in 1991 to €28 billion in 2003. However, India ranks only as the EU's 14th trading partner, accounting for only 1.6% of EU exports and imports, behind countries such as China, Brazil and South Africa. India receives only 0.2% of the EU's FDI outflows. Volumes of trade and investment are clearly below their true potential.

In order to boost trade and investment and ensure that the benefits of globalisation are spread evenly, it is crucial that both sides play the game by the rules. So, the EU would expect a greater market opening on India's side, notably through a resolute commitment to the positive conclusion of the Doha Development Agenda negotiations. It also expects India to pursue with determination the reforms needed before the Indian domestic market can be regarded as fully open to competition, including from foreign companies, and which are necessary for long-term growth.

For this to happen, **further changes are needed**. Although the process of change is "locked in" and happening gradually, as a democracy of giant dimensions India often faces politically sensitive challenges when tackling internal reforms, so there is a tendency to stall, backtrack or not pursue necessary reforms. The Government of India therefore needs to keep pushing ahead with economic and administrative reform, as well as major improvements in infrastructure. Tax and duty systems need to be simplified made transparent and non-discriminatory, high tariffs need to be tackled and effective IPR protection has to be ensured. Numerous non-tariff barriers need also to be addressed, e.g. excessive technical regulations and sanitary and phytosanitary standards requirements need to be simplified and made compliant with international standards. Remaining restrictions on foreign direct investment need to be removed. Tackling governance, in particular bureaucratic harassment and poor service delivery, is also essential to improve the investment climate. *The Commission would be ready to offer technical assistance in all these areas when required by the Government of India.*

The Indian economy also needs a comprehensive makeover so that it can better cater to the needs of the 470 million strong Indian labour pools. Agriculture still accounts for nearly a quarter of the economy and 600 million people rely on it for their living. Manufacturing industry needs modernisation, privatisation, investment and fewer bureaucracy: India's manufacturing sector is less than half the size of China's and India's penetration of world markets in industrial products stagnated during the 1990's.

¹³ European exports to India in Information Technology hardware doubled between 1998 and 2002 with € 150 million in 2002.

With these provisos, India is still regarded as being a hard place in which to do business. To a degree, this is misleading. EU companies investing in India acknowledge complex and dispiriting entry conditions but are generally content¹⁴ once operations are underway. Cross-sectoral studies¹⁵ of India's investment potential show great opportunities in sectors such as Information Technology, Telecommunication, Biotechnology or Power & Energy.

Further **economic growth will be crucial for India** in its continued fight against poverty and trade must naturally play an important part in this. The European market is crucial to Indian exporters because of its size, its relative proximity and traditional links. It is one of the most open export markets in the world, in particular for Indian exporters: out of a total of some 10,300 tariff lines, Indian exports are subject to either zero or reduced tariffs on 9,100 lines. The EU has made a substantial contribution to promote exports and support economic development through its Generalised System of Preferences (GSP), which offers preferential access to the EU market for developing countries. India should soon rank as the number one GSP beneficiary with € 6,2 billion in preferential exports to the EU (2002), including € 2,4 billion for textiles/garments and € 509 million in agriculture. The new GSP scheme that will come into operation in 2006 will take due account of India's needs and achievements.

Realising the full potential that lies within an increased interaction between the EU and Indian economies requires intensified co-operation and resolute action on many fronts. India and the EU are united in the vision that trade, investment, increased competition, industrialisation are key factors in economic development, but that this development must take place taking into account wider societal needs (environment, consumer protection, social and economic cohesion etc.). The EU and India should therefore pursue a number of cross-cutting issues, e.g. industrial policy, good governance, competition, environment, trade and investment, and dialogues in sector of key and mutual interest. No economic relationship would be complete without a strong involvement of business and ensuring a fruitful scientific and technological co-operation.

In this context India should take all necessary legislative measures in order to apply the Framework Agreement signed with the European Investment Bank which will pave the way for a meaningful contribution to the financing of investment projects of mutual interest.

3.2.1. Strategic policy dialogue

Given the many similarities that unite them, such as their democratic systems, multicultural diversity and decentralised structures, the EU and India will continue to have ever more reasons to develop strong policy dialogues on themes of common interest in the future and within the framework of a common commitment to sustainable development. Environmental policy, for instance, is already attracting particular attention, but new areas such as competition policy, industrial policy and governance will also become increasingly prominent.

¹⁴ According to a detailed survey of European investors in India conducted in 2001 under the Joint Initiative, most investors felt well rewarded for their investment: 48% said they have been successful, 32% very successful and only 6% said that their operations in India had been either a failure or unsuccessful. (Source: IndiaFDI Survey).

¹⁵ Sector studies carried out under the EU-India Joint Initiative for Enhancing Trade and Investment (see http://europa.eu.int/comm/europeaid/projects/asia-invest/html2002/publications_india.htm)

Regulatory and industrial policy

Regulatory reform is a sensitive issue where different experiences and practices should be of mutual interest and benefit to EU and India. Industrial Policy should be an element of a new dialogue in this area. We should focus on potential candidates for co-operation and initiate contacts between specific agencies and services.

Regulatory co-operation dialogue on industrial products, including a large consultation component, will have the advantage of strengthening the efforts and actions in the main sectors of common interest. Initial sectors for the dialogue, should be the more promising ones with a clear potential to be exploited, namely pharmaceutical and biotechnology, textiles and clothing, electronic commerce, food industry and automotive sectors.

The EU and India would benefit from a dialogue on the strategic implications of the rapid growth of global sourcing. India, as a leading country in offshore outsourcing services, has a vast economic potential in this field. We should encourage drawing up and promoting best practices, developing partnerships, and helping EU and Indian companies to better understand the challenges.

Good governance practices are increasingly a global issue that requires more effective and transparent consultation of civil society/stakeholders and improved dialogue with larger actors such as India. Collaboration could take the form of exchange of good practices and discussions on benefits and the results of mechanisms such as the Impact Assessment System¹⁶.

Competition: India recently adopted a radically new competition law, involving a new Competition Commission. The new system is to be phased in over 2 years, but is currently undergoing a constitutional challenge. The EU does not yet have bilateral relations with India about competition matters, but does have contacts in discussions in multilateral fora.

Since India is developing a framework for exchange of information and experiences, the EU could provide technical assistance to support the implementation of India's recently adopted competition law. We should then envisage establishing closer cooperation with India when its new competition regime is established.

The EU should:

- *Establish a new **dialogue on industrial policy and regulatory co-operation** to contribute to the improvement of the competitiveness of business on both sides, and to enhance mutual understanding of regulatory frameworks.*
- *Identify together strategic sectors in order to develop regulatory dialogues and to tackle challenges related to the process of economic reform.*
- *Promote exchanges on good regulatory practices and good governance with the reinforcement of bilateral consultation mechanisms and with the analysis of recognised international experiences on better regulation (e.g. OECD).*

¹⁶ Communication of the Commission on Impact Assessment - COM (2002) 276 final.

- *Cooperate with the Government of India in the implementation of the new Competition Law.*

Environment

India is still much focused on the development of its own economy, but is also expressing a growing interest in preserving its environment and contributing to global solutions. It is an active contributor to the main international instruments, such as Kyoto and the UN Convention on Biodiversity.

India faces the full range of environmental problems, from water pollution, air pollution, and solid and toxic wastes, to soil degradation, deforestation, wetland and biodiversity loss. Climate change could have devastating consequence on a country like India, especially on some of its low-lying coastal areas.

- Water management: The availability of fresh water will be the most pressing challenge for India over the coming decades. Untreated water from urban settlements and industrial activities and run-off from agricultural land carrying chemicals are primarily responsible for the deterioration of water quality and the contamination of lakes, rivers, and groundwater aquifers.
- Land degradation: Rapid land degradation, due to poor land use practices and management, is having a very negative effect on India's environment and economy, giving cause for much concern. The country has set itself ambitious targets, for instance to increase the country's forest cover from 21% to 25% in 2007 and then up to 33% in 2012.
- Biodiversity: India's biodiversity (it is a member of the Group of Like-Minded Mega-Biodiverse Countries) threatened by such things as habitat destruction, over-exploitation, pollution and species introduction.
- Air pollution: Air pollution is widespread in India, in particular in urban areas where vehicles are the major contributors and in a few areas with a high concentration of industries and thermal power plants.
- Climate change: India will increasingly contribute to worldwide CO₂ emissions, the result of high economic growth and an energy mix dominated by fossil fuels.

The EC-India Joint Working Group on Environment has met twice since 2001. These meetings have covered a wide array of international topics and have allowed exchange of views on respective policies. They have provided a good platform to engage with India in support of multilateral protection of environment. The current dialogue is constructive and the common objective is clearly to strengthen it and to increase co-ordination in international fora and promote sustainable development.

The EU should:

- *Invite India to hold meetings on a yearly basis of the Joint Working Group on Environment and develop high level visits.*
- *Invite India to work with the EU to promote co-operation on global environmental challenges with a view to building mutual understanding, in particular:*

- *The UN Conventions on Biological Diversity – an alliance could be forged on “protected areas” and a constructive dialogue developed on “Access and Benefit Sharing” (ABS);*
 - *The UN Framework Convention on Climate Change and the Kyoto Protocol¹⁷;*
 - *The Montreal Protocol on Substances that deplete the Ozone Layer.*
- *Invite India to organise an EU-India Environment Forum, including civil society and business, and exchange views, know-how, information on technologies and on research and analyses of specific themes (e.g. hazardous waste, chemical pollution, groundwater engineering, water treatment & sludge management, governance and environment).*

3.2.2. Strategic sectoral dialogues

In some areas, often those with a considerable research intensity, the dialogue with India has made considerable progress and is progressively extending to policy areas, such as public and corporate governance, infrastructure and international co-operation. To continue and extend this progress, there is need for strategic sectoral dialogues in a number of defined areas based on specific architecture, in order to create a genuine partnership with strong business support.

The EU should initiate or reinforce specific sectoral dialogues in areas where there are particular strengths and interests on both sides. Dialogue could focus on such issues as the regulatory framework, exchange of experience, formulation of best practices, developing common positions, international co-operation, with business taking an active role.

Information and communication technologies

The Indian IT industry’s exports to the EU rose from €850 million in 1999 to €2160 million in 2003. Europe accounts for 20% of Indian software exports. The wider European market is regarded by the Indian IT industry as a significant opportunity, although India’s IT industry has concentrated much of its activities on the UK, given the advantage of a shared language.

The EU and India have an **extensive Information Society dialogue**, based on the “Joint EU-India Vision Statement on the Development of the Information Society and Information and Communication Technology”, which was adopted at the 2nd Summit in New Delhi in 2001. On the research side, six priority sectors were highlighted at the occasion of the last EU-India Information Society Dialogue: internet security, next generation mobile wireless, migration from IPv4 to IPv6, languages technologies, Open Source software and high capacity research and education network (e.g. possible connection of the European network GEANT to its Indian counterpart ERNET). On the policy side, an in-depth dialogue is being developed on regulatory frameworks for the information society (internet governance, privacy, security) and for electronic communications (e.g. mobile aspects, universal service) both to exchange best practices and to address market access concerns.

EUROINDIA 2004 (Delhi, 24-26 March 2004) provided a forum at which 900 European and Indian organisations participated including many SMEs, shared and compared their innovations, technologies, applications and products conducive to networking and forging

¹⁷ dialogue suggested on the use of flexible mechanism and building mutual understanding on the post 2012 framework.

research and business contacts; and a formal dialogue was held by the European Commission and the Government of India.

Transport

India's infrastructure needs modernisation and the Central Government and the states have been devoting substantial efforts to upgrading roads, energy, airports, ports and other sectors.

The EU has developed a **close working co-operation** with the Indian authorities in civil aviation and port management, in both of which we are currently operating very successful programmes together.

The **Maritime Agreement**, which is being negotiated, will provide a legal framework for the development of maritime relations and the activities of EU and Indian shipping companies. It will define the framework for the supply of shipping services and the presence of EU and Indian shipping companies in both regions. It will also lead to a fruitful structured dialogue and cooperation in areas such as safety and security training and employment of seafarers as well as ports development

Cooperation on **air transport** should be enhanced. We should envisage a sectoral dialogue leading to a comprehensive **agreement** with India in areas such as market regulation and access, research, air traffic management, and aviation security and safety. An important feature of such an agreement would be the inclusion of amendments to bilateral agreements between EU Member States and India to bring them into conformity with EU law. The possibility of extending and deepening our regulatory and industrial co-operation activities should also be examined.

Discussions and collaborative activities in ***Sustainable Energy & Sustainable Surface Transport***, associated in particular with the automotive sector should also be pursued.

Energy

India's current energy policy is based on its enormous indigenous coal production. However, domestic coal alone cannot meet the demand for electricity and appropriate quality standards. Consequently, the Government is considering a range of alternatives: imported coal, renewables (i. e. hydro and wind power as commercial energy sources) and nuclear energy (1.7 % of total energy consumption in 2001).

The EU is willing to cooperate on a wide range of prospective activities. In order to establish strong cooperation with India, The EU proposes the setting up of an **energy panel** guiding jointly run working groups on different fuel chains (fossil, renewables, nuclear) and horizontal issues such regulatory, financial, political and social aspects.

Biotechnology

The EU is the world's second largest centre of biotechnology research activity after the USA. Indian biotechnology has been advancing rapidly in the past few years. Its next challenge is to successfully integrate the Indian biotechnology industry into the global biotechnology innovation system. This would be easier if administrations from both sides, chambers of commerce, biotechnology and pharmaceutical companies and research institutions have to work more closely together. Opportunities for partnership exist in areas such as **new discoveries, preclinical/clinical trials and bio-informatics**. There is considerable research

and business interest in collaboration particularly in agribiotechnology, food safety and pharmaceuticals.

Radio Satellite Navigation

EU and India are engaging in close co-operation on Galileo, the European global satellite navigation system. Galileo's technological revolution will benefit users worldwide in such varied areas as land and maritime transport and aviation, telecommunication, agriculture, fisheries, environment and exploitation of natural resources. Co-operation in Galileo shall encompass the spatial elements in collaboration with the European Space Agency and the Indian Space Research Organisation. Cooperation will in particular cover regulatory, industrial and market development issues.

Space

Since the Commission has adopted a space policy¹⁸, new opportunities exist for building a partnership with India. A wider dialogue could now be opened in areas such as Global Monitoring for Environment and Security (GMES), satellite telecommunications, as well as in space science and technology. The Commission intends to organise an international conference on Space in February 2005 to which India will be invited to contribute. *In order to reinforce sectoral dialogues the EU should invite India to work together to:*

- *Promote further co-operation in economic sectoral matters taking into account mutual interest.*
- *Further develop the current dialogue on **information society**.*
- *Develop new co-operative actions particularly involving government and administrations, the private sector, and civil society in areas such as policy formulations and exchanges of regulatory practice, network security, cybercrime and critical infrastructure protection; standardisation and pilot projects in the social priority sectors such as health and education and "government on line". Examine the possibility of an extension and deepening of co-operation in the **transport infrastructure field** in the next Strategy Paper for India.*
- *Conclude a **Maritime Agreement** and develop a sectoral dialogue.*
- *Engage in a sectoral dialogue, leading to negotiation of an **air transport agreement**.*
- *Engage in a sectoral dialogue on **energy**, in particular with regard to matters such as:*
 - *clean coal technology;*
 - *hydropower;*
 - *new and renewable energies.*
- *Engage in a dialogue on **biotechnology** with regard to such questions as regulatory framework, discussion of best practice in funding, research, public control, environmental concerns, customs and excise, technical exchange programmes, infrastructure support institutions.*

¹⁸ COM (2003) 673, 11 November 2003

- *Expand dialogue and co-operation on **space** matters.*

3.2.3. *Boosting Trade and Investment*

Trade and investment is a cornerstone in the EU-India relationship. The EU and India need to address the specific issues that can either promote or impede bilateral trade and investment in a multi-tiered dialogue.

There has been some progress. The regular **contacts under the Co-operation Agreement** have resulted in formulation of a list of priority issues on both sides. An overview of these bilateral issues shows that progress has been made. The **EU-India Joint Initiative for Enhancing Trade and Investment (JITP)** has identified business's recommendations for action in 8 sectors and on general trade and investment matters. According to a recent study¹⁹ over 75% of the JITP recommendations have led to concrete action, but the rate of success has not been uniform across the sectors. A €13.4 million Trade and Investment Development Programme (TIDP) is being launched which will take forward some of the issues raised by the JITP. These efforts need to be strengthened and streamlined, and should also reflect developments at the regional and multilateral level.

The Commission considers, therefore, that **a more strategic and comprehensive approach** is required, one that will address challenges pro-actively and so enable the EU and India to tap the full potential of their trade and investment opportunities. Such an approach should encompass action at multilateral, regional and bilateral levels, as set out in the following paragraphs.

i. The Multilateral level

The multilateral trading system can potentially bring the greatest gains to everyone. Both the EU and India have benefited from gradual trade liberalisation and the establishment of multilateral rules within the context of the GATT and now the WTO. The EU and India are both key players in the WTO and stand to gain further benefits from a successful conclusion of the Doha Development Agenda (DDA). So, the EU and India both have a clear responsibility and common interest in working together for the successful conclusion to the negotiations: every effort should be made to achieve that aim at both political and technical levels. It is only through the DDA that the whole range of trade interests of a WTO member like India can be addressed and that really significant developmental and economic benefits can be unlocked.

While India's recent bilateral free trade initiatives constitute welcome signs of a determination to implement reforms and further open up the Indian market, the EU hopes such initiatives will remain complementary to India's commitment to the DDA and will not be perceived as an alternative to progress in the multilateral trading system.

Both the EU and India reconfirmed the importance they attach to the WTO and the DDA during the November 2003 Summit in New Delhi: both are committed to working closely together as partners and allies in driving forward the DDA agenda as a matter of first priority.

¹⁹ "EC-India Joint Initiative to Enhance Trade and Investment Follow-up on Recommendations" report produced for the European Commission under the Asia-Invest programme.

The Commission therefore proposes that the EU:

- Seek to achieve greater convergence with India on the key substantive issues that will be crucial to the outcome of the DDA, but where there have been significant differences between the two so far. These could include: the rules area, including the Singapore Issues, GATS (including Mode 4), Agriculture, Non-agricultural market access and Geographical Indications.
- *Invite India to engage in a strengthened dialogue on substantive issues where considerable progress had already been made in the run-up to the Cancun WTO Ministerial Conference. Such progress should not be lost. This could include: Special and Differential Treatment, Implementation and, Regional Trade Agreements. Seek to engage in a strengthened dialogue to reinforce India's efforts to achieve full compliance with WTO rules, in particular with regard to trade defence instruments and the TRIPs Agreement.*

ii. The Bilateral level

Besides working together in the WTO, the EU and India should intensify bilateral co-operation on issues that have a substantial impact on trade and investment. Both sides should work towards establishing a comprehensive and consistent framework to promote regular dialogue and effective regulatory co-operation, building on the results of the Joint Initiative and existing co-operative actions. The EU and India should decide, as a common purpose, to identify and explore common initiatives that could form part of a unified action plan to boost the bilateral trade relationship.

The Commission proposes that the following topics should be covered in the EU's cooperation with India:

Investment: *The partners should hold a dialogue on investment-related issues at international, regional and bilateral level with the aim of creating an attractive, predictable, stable and reciprocal EU-India investment climate. This should build on the recommendations from the Joint Initiative, with the central involvement and input of business and academia.*

IPR *The dialogue would aim to achieve a common understanding on TRIPS and other relevant international agreements and enforcement issues. The dialogue should also explore reinforced co-operation on protection of geographical indications, both multilaterally and at bilateral level, e.g. through a bilateral agreement.*

Trade defence instruments: *The EU should encourage India to engage in an expert level dialogue with the aim of discussing implementation practices and compliance with WTO rules.*

TBT/SPS: *The EU should reinforce co-operation with India through exchange of information on legislation, certification, inspection and accreditation procedures, by identifying obstacles to trade and by seizing opportunities to simplify administrative requirements and procedures. In this context, we should encourage co-operation between the European and Indian organisations responsible for standardisation, testing, certification, inspections and accreditation. We should also explore the possibility of exchanging best practices between Member States and Indian authorities on market surveillance and inspection activities. The*

EU proposes the establishment of an EC-India Officials Working group on Technical Regulations, Standards and Conformity Assessment

Customs co-operation: *We should seek to ensure that the EU-India agreement is exploited to the full in the search for solutions to problems facing EU and Indian companies. This should include issues related to paperless customs processing and higher levels of security.*

One stop shop: *The EU and India should establish a facility to provide the private sector with comprehensive information and advice on various trade and investment issues, such as customs procedures, duties and taxes, standards and technical regulations, investment rules, IPR protection and so on. This could also include other elements: a facility to promote investment opportunities and SME matching services to promote joint ventures. Towards this end, the EC has established a Trade Helpdesk while, under the EC-funded Trade and Investment Development Programme, Investment Facilitation Desks and an EU-India Trade Web Portal are to be established which will also serve to encourage networking between Chambers of Commerce. The creation of EICCs (Euro Info Correspondence Centres associates to the European Euro-Info Centres network) is also being explored.*

Trade and sustainable development: *A dialogue on promoting the contribution of trade and trade liberalisation to sustainable development, in particular through encouraging trade flows in sustainably produced goods. Further develop mutual understanding of issues such as labelling and sustainable impact assessment. Furthermore, better use of the Sustainable Trade and Innovation Centre (STIC) should be made to disseminate information and to support capacity building.*

*The Commission also proposes that the EU invite India to cooperate in setting up a **joint study group** of officials, with close involvement of business and academia, to undertake an in-depth examination of all issues and draw up proposals for the trade and investment chapter of the Action Plan.*

iii. The Regional level

The Commission is also keen to encourage regional cooperation, leading to “South-South” trade and economic development.

India’s trade activity with its immediate SAARC neighbours, except for Pakistan, is currently based on a set of bilateral agreements (or future agreements). In practice, this means a free-trade agreement with Sri Lanka, a preferential agreement with Nepal and an FTA under negotiation with Bangladesh. The recent agreement on a South Asia Free Trade Agreement may change that and raise the volume of exchange above the current low figure of 3.9 % of total exports of SAARC. In 1996, the European Commission signed a Memorandum of Understanding with SAARC, based on the EU's unique experience of economic integration, the main focus of which is technical assistance. Work is in progress under this agreement to explore the possibilities of strengthening cooperation on trade liberalisation.

The European Commission proposes that the EU should:

- *Invite SAARC to develop co-operation on trade and economic integration.*
- *Support SAARC with technical and other assistance.*

- *Move towards the negotiation of a Cooperation Agreement with SAARC.*

3.2.4. *Boosting business-to-business co-operation*

The Joint Initiative for Enhancing Trade and Investment has done much to foster better understanding of the opportunities and obstacles in these sectors. Launched in February 2001, at the 11th EU Joint Commission, it has addressed India's perceived low levels of FDI and trade flows. It has allowed business to discuss openly the obstacles to investment and trade and, in the Business Summits, put their views and recommendation directly to the political leadership and insist on follow-up action by governments.

This should be developed further at the level of business leaders to promote a strategic discussion on improving business links. Where there is a mutual interest, business-to-business dialogues should be encouraged. Sectoral associations, chambers of commerce and industry federations also have a role to play in creating a climate conducive to the promotion of investment.

The Commission proposes that the EU facilitate:

- *The creation of a 'business leaders' Round Table that will concentrate its discussions on targeted objectives.*
- *The development of networks of institutions in support of sectoral industrial co-operation and investment promotion.*
- *The development of business dialogue in all areas of possible interest, including IT, biotechnology and pharmaceuticals, electronic commerce, outsourcing, textiles and clothing, retail sector, audiovisual/cultural, tourism and the motor industry. In some areas, such as biotechnology and telecommunications, a business dialogue should take place in parallel with the necessary strategic dialogue.*

3.2.5. *Building on synergies in science and technology*

The EU and India began cooperation in the Scientific & Technological sectors in the mid-1980s and this has now led to more than 100 joint-research projects. There is enormous potential for EU-India collaboration in many new and emerging high-tech areas, such as biotechnology, information and communication technologies, nanotechnology, sustainable energy and transport. Research collaboration over the past two decades, mainly focused on sustainable development key themes (health, agriculture, natural resources management) has clearly established the practices of policy dialogue and partnership as landmarks for S&T Cooperation. India is a "target country" for collaboration under the international dimension of the EU's Sixth Framework Research Programme.

The **Scientific and Technological Cooperation Agreement (S&TA)**, which entered into force in October 2002, provides a legal framework for EU and Indian scientists' participation in each other's programmes, IPR protection and enhanced policy dialogue and convergence. It is a key policy instrument for the expansion of both the scope and volume of our joint research fields in areas such as food safety, biodiversity, climate change and human health as well as joint-research in support of poverty alleviation and the promotion of bi-regional EU-South Asia S&T Cooperation, which targets regional development issues. .

At the 4th Summit, the EU and India agreed to co-operate in developing **GALILEO** and to negotiate an agreement to formalize India's equitable participation in the Programme, which is the first satellite positioning and navigation system specifically designed for civil purposes. GALILEO will generate new, large markets and provide the critical advance in technology for Europe to be a global competitor in this sector. In joining the undertaking, India offers both tremendous potential for cooperation and precious support.

We should actively explore other areas of collaboration, for instance, developing research collaboration on fusion energy would be useful in –ensuring long term and sustainable energy supplies.

The EU should:

- *Promote participation by Indian researchers in the RTD Framework Programme and participation by EU scientists in Indian research, by establishing further contacts between the research organisations and individual researchers on both sides through the existing information mechanisms²⁰*
- *Seek to ensure active Indian participation in the development of the 7th Framework Programme.*
- *Explore with India other scientific and technical collaboration possibilities.*

3.2.6. *Finance and monetary affairs*

India is developing a greater presence in international financial discussions. Its monetary policy will also, like that of China, gain increasing importance in the global economy. India not being part of ASEM – which includes Finance Ministers meetings – it currently has no way of interacting with the EU on monetary and finance policies.

The Commission proposes that the EU:

- *Invite India to establish regular consultations at Ministerial Troika level on matters of common interest in the financial area, such as the international financial architecture, more effective implementation of existing supervisory principles and regulations in the financial sector, combating fraud, money laundering etc.*
- *Encourage contacts between EU and Indian financial and monetary policy makers.*

3.3. Development Cooperation

The EU is committed to work with India to tackle poverty, in particular in the context of achieving the Millennium Development Goals, tackling social and economic exclusion, climate change and the impact of globalisation. There is also a shared commitment towards a better integration of the three pillars of sustainable development – that is, social, economic and environmental development – and for the political and practical follow-up of the 2002 World Summit on Sustainable Development. India's Tenth Plan²¹, which pursues these goals,

²⁰ See the CORDIS website dedicated to research and development (<http://fp6.cordis.lu/fp6/home.cfm>) and the Researchers Mobility Portal (http://europa.eu.int/eracareers/index_en).

²¹ The Government of India's 10th Five Year Plan for the period 2002-2007.

has given the private sector a pivotal role in which the role of the state is seen as complementary to the market (a departure from the old state-planning), increased emphasis on improved governance and service delivery, as well as strengthening of the productive base.

India is also becoming an atypical actor in an evolving development policy: it is both recipient and donor, a user of developmental innovations and an exporter of inspiring concepts, such as generic medicines and new biotechnology solutions.

The Indian context

Since the 1970s, India has significantly improved the well being of its people. Human development indicators show remarkable progress over the last 30 years: average life expectancy at birth has increased from 49 years to the current 63 years and infant mortality has reduced from 146 in 1950 to the current average of 68 per 1,000 live births. In ten years time, literacy rates have improved with enrolment figures rising from 68% in 1992/93 to 82% in 1999/2000.

However, poverty is still widespread. As stated in the 2003 UNDP Human Development Report, 35 per cent of the Indian population lives on 1 \$ a day and 80% on less than 2 \$ a day. With the economic growth rate having reached 8% in the last quarter of 2003, India is one of the best performing economies in the world and there are indications that it has the potential to sustain this rapid growth. However, the benefits of this growth and economic development have yet to reach the large majority of India's population.

Moreover, rates of unemployment and underemployment are high, and vast disparities in per capita income level persist between and within India's states. Human development indicators remain poor, particularly for tribal people and scheduled castes. The Government has adopted several measures for the welfare and development of these vulnerable categories, but more is needed to ensure that their socio-economic level reaches that of the general population. Minimal safety nets are required for the least fortunate, as well as access to essential public services such as elementary education, basic health care, and access to essential medicines, drinking water, road transport and sustainable energy. The EC is concerned about the threat posed by the spread of AIDS in India which will require a strong political commitment and firm response in terms of information, preventive measures and treatment.

As the World Bank has pointed out in its recent Country Assistance Strategy Concept Note (CAS) (Oct. 2003), one of India's key challenges is to make **more effective use of its public resources**. More efforts are needed to complement the country's impressive economic reforms by institutional reforms aimed at increasing investment in human capital, enhancing the legal and regulatory framework, improving the quality of public governance and developing sound fiscal policies. Tax revenue must be expanded to allow for increased social expenditures and to promote better access for all the basic public services. While India has the resources to invest in its social sectors (expenditure on social services as a percentage of GDP is currently about 6.5%), there is a lack of experience in making delivery of services fully inclusive of the public as a whole.

Another key challenge is India's growing **regional disparity**, which is a cause for serious concern. The CAS paper shows that a growing gulf has emerged between the richer and poorer states within the country, with poverty increasingly concentrated in the country's slower developing states.

New approaches to co-operation: focusing on social and economic exclusion

The EU, as one of the world's major grant donors, must help India to overcome these challenges. The 2001-2006 Country Strategy Paper for India forecasts €225 million in grants for India, of which almost 80 % will be dedicated primarily to poverty reduction. In particular, it focuses on two Partnerships supporting social reforms and governance with the Indian states of Rajasthan and Chhattisgarh.

It is obvious that these funds are not sufficient by themselves to provide the critical mass to resolve India's resource needs. However, our development policy towards India should also support the Government's key objective of building up the economy; the EU, being India's biggest trading partner, has also a particular role to play in this respect.

India's main social and economic cohesion objective is to counter disparities between states, sectors and communities – a central plank of the 10th plan. The most urgent need seems to be a more qualitative approach, aiming at improved service delivery and better distribution of wealth. Sectoral reform support will probably remain a key element of EU policy for India's efforts to promote substantial progress in elementary education and health. But concentration on the most economically 'backward' states under an overarching agenda of improved governance, as identified for Rajasthan and Chhattisgarh, may prove a viable model for the future.

India's determination to take proper account of the most vulnerable members of its society, such as Dalits, tribals, landless agricultural labourers, seasonal migrants and nomadic groups, child labourers, widows, disabled and homeless people, deserves support. As well as supporting improvement of India's systems of economic governance, the EU could, for example, share its experience of social security systems.

EU cooperation in India

In order to reduce the administrative burden of managing a myriad of projects from a large array of donors, India has drastically reduced the number of bilateral donors in the last year and there are now only 6 bilaterals left (US, Russia, Japan, UK, Germany and the EC). This will require increased co-operation with those donors still present in India and especially among the EU Member States. This will provide an opportunity for the EU to take concrete steps forward to harmonise its policy and procedures, which may also generate useful lessons for harmonisation in other countries. The inevitable reduction in soft loans and grants that this will mean for India should lead to identification of more strategic interventions to help India to reform its institutions and continue to propose sound policies.

Cooperation with civil society and non-state actors will remain an important facet of EU cooperation in India.

The EU and India tackling development together

India has contributed significantly to our understanding of development and has an important role to play in demonstrating the effective use of aid. Since March 2003, India has positioned itself as an emerging bilateral donor under the 'India Development Initiative' and this could pave the way for a fruitful EU-India dialogue on optimal implementation of development co-operation in third countries. India's experience of administering aid from a 'South-South perspective' can be an interesting learning exercise for EU Development Co-operation.

Similarly, EU's experience in sustainable development and participatory development models could be a useful tool for India.

The Commission proposes that the EU:

- *Develop EC co-operation so that it is innovative and complements India's Development Policy; special attention should be given to improved governance and environmental sustainability.*
- *Strengthen co-ordination with other EU donors. The European Commission will, in particular, offer additional co-operation with member states no longer maintaining development programmes in India.*
- *Identify social and economic cohesion as a possible priority topic for a future development strategy, based on the experience gained in the State Partnerships and in the sector support programmes. EU development co-operation could increasingly focus on helping to formulate inclusive policy frameworks and help create conditions for marginalised groups to fully participate in society.*
- *Share its experience of social security systems with India, to support improvement in the services afforded the poorest and marginalised.*
- *Support the promotion and better implementation of OECD guidelines on multinational enterprises for EU companies operating in India.*
- *Support the ratification, implementation and promotion of the fundamental ILO conventions, especially the ones related to freedom of association and child labour.*
- *Share its own experience, develop a dialogue with India on social and economic cohesion and regional policy, possibly involving civil society.*
- *Organise seminars and training for India's civil servants (to which member states' contributions would be welcome).*
- *Discuss with India – and encourage civil society debates - on development and globalisation.*
- *Fully recognise India's wish to become a bilateral donor and be ready to co-operate with India in development projects in third countries.*

3.4. Mutual Understanding

The EU and India have many common denominators: champions of democracy and the rule of law, important actors on the world stage, regional leaders and important economic partners, they are also bound by strong cultural ties. These underpin the relationship and so should be strengthened and promoted along with other areas of cooperation.

Parliamentary exchanges

The European Parliament and the Indian Parliament (that is the Lower House, or Lok Sabha) have much in common. Both represent multi-ethnic, multi-cultural and multi-lingual

electorates, so understand the need for a healthy dialogue and respect for different identities. The EP Delegation for relations with the countries of South Asia and the SAARC, in particular, has good links with the Indian Parliament, and organises inter-parliamentary meetings. The first EP-India meeting took place in November 1981, and the tenth on 17-20 April in 2000, in New Delhi. These occasions reflect the commitment of both sides to strengthening inter-parliamentary relations.

The European Parliament has also been active on the Kashmir issue and set up an ad hoc South Asia delegation within its Foreign Affairs Committee.

So, there has been traditionally a good understanding between both Parliaments and a great interest in each other's activities, although formal visits, concrete exchanges and other interaction has been less than might be expected, given that the two Parliaments are at the heart of the democratic process in two such close partners and global leaders.

Besides high-level meetings, both parliaments should reflect on the scope for holding regular, institutionalised working meetings between the EP Delegation on South Asia and the SAARC and an institutionalised or ad hoc counterpart of select members of the Indian Parliament. This could facilitate informal contacts between parliamentarians for further discussions on more specific topics.

The European Commission:

- *Calls on the European Parliament to enhance contacts and discussions with the Indian Parliament across the board.*
- *Encourages the institutionalisation of regular meetings between Lok Sabha and EP delegations, alternately organised in Europe and India.*
- *Suggests that the EP and Lok Sabha reflect together on new ways to widen and strengthen relations between two democratic pillars of two close partners.*

Academic exchanges

Every year, approximately 19 million Indian students are enrolled in high schools and 10 million students in undergraduate degree courses across India. The best will subsequently look at the possibility of post-graduate study abroad and they will turn first to the United States. They will also consider the United Kingdom and Ireland, which have developed a substantial and growing Indian presence in their universities, but the rest of Europe is still a long way behind these academic destinations.

The Commission has already put in place instruments to facilitate academic contacts and exchanges between the EU and India. It funds a European Studies Programme at the Jawaharlal Nehru University in New Delhi, the 'Asia Link'²² programme provides for

²² A Programme promoting regional and multilateral networking between higher education institutions in Europe, South and South East Asia and China. 9 Indian institutes participated in the first two calls for proposals.

contacts between universities and the Economic Cross Cultural programme²³ also aims to increase mutual knowledge and visibility among universities.

The Commission is developing a Scholarship Programme (worth €33million)²⁴, that will focus on postgraduate studies for Indian students. In order to make this project successful it will be essential to alert academic boards and universities in Europe to the possibilities it affords. During the preparation phase ways to implement the programme in a cost effective and efficient way shall be identified.

This scholarship programme should be structured to ensure optimum synergies with ERASMUS MUNDUS, and become operational as of academic year 2005/2006. ERASMUS MUNDUS is a major new EU scholarship programme, which will provide a large number of postgraduate scholarships to students world-wide. In addition, the Marie-Curie Actions of the 6th Framework Programme for Research and Development target doctoral candidates as well as more experienced researchers and professors.

The European Commission will:

- *Promote enhanced knowledge of and Indian participation in relevant scholarship and other programmes.*
- *Encourage Member States to support a wider participation in the Scholarship programme by promoting it in their universities and through the identification of possible centres of excellence.*
- *Encourage Member States to establish additional or complementary national activities, such as scholarships, language courses, cultural activities...*
- *Encourage the development of European Studies in Indian Universities as well as of Indian Studies in European Universities.*

Culture

The relationship between the EU and India is at once very old yet dynamic and entirely modern. Historically, Europe and India share a common linguistic heritage and a significant cultural base. Today, Bollywood, Indian music and fashion are increasingly popular in Europe. Meanwhile Indian society is opening up to western trends, particularly through the Internet, though the European culture may not receive as much attention as it deserves compared with other sources. The very robust Indian Diaspora in Europe, which makes an important economic, social and cultural contribution to the EU, has built strong bridges between our cultures and may help in creating new balances and focus of interest. Increased tourism will contribute to developing cultural exchange

There is a clear need to promote co-operation in the cultural field. There was great enthusiasm for the performances arranged as part of a cultural week to accompany the last Summit in New Delhi. EC-sponsored European film festivals are a regular feature in Delhi. This could be extended to other cities. European participation in Kolkata's annual book fair could also

²³ In the call for proposals in 2003, nine projects were selected in the fields of 'University and Studies'. A second call is under way at the time of this Communication.

²⁴ equivalent to roughly 1000 scholarships.

serve as platform. All disciplines should be considered, including music, dance, and the fine arts. Those EU Member States who have cultural institutes in India could be encouraged to cooperate and jointly become the driving force of a European cultural presence in India and look for possible cooperation with Indian institutes.

Cultural cooperation and intercultural dialogue should not only be fostered on the bilateral level, but multilaterally as well. Both India and Europe are outstanding examples of cultural diversity. We would therefore make natural partners to promote this value together internationally. We should seize the opportunity of the ongoing preparation of a UNESCO Convention to work together in support of cultural diversity worldwide.

The European Commission will seek to:

- *Ensure that the Cultural Week becomes a fixture of future Summits and will encourage Member States to back similar events.*
- *Consider how to contribute to the preservation of cultural diversity and the promotion of the dialogue among cultures at international level, in particular in the framework of the elaboration of a UNESCO Convention on cultural diversity.*
- *Examine possible joint action to increase awareness of European culture in India – and vice-versa.*
- *Encourage Member States and other stakeholders to make full use of EC programmes (MEDIA, Culture 2000) to promote EU films and other arts in India and to support cooperation between European and Indian cultural institutes.*
- *Promote an ‘artists residency programme’, which will finance works by Indian and European artists, and so reinforce the cultural dimension of our exchanges.*
- *Foster dialogue between European and Indian cultural industries to promote cooperation in the field of co-production, circulation of cultural works between Europe and India and vice-versa and in training professionals.*

Visibility

Both India and the European Union are multi-faceted, complex entities, but the public perception of each other is generally two-dimensional and stereotyped. There have already been initiatives to redress this misunderstanding: the European Commission regularly organises seminars for journalists in India, and invited Indian correspondents to Brussels to prepare for the 4th Summit. There are frequent, structured information events and excellent focused publications. An increasing number of high profile visible visits to India by Commissioners help to give the EU a human face. Yet the problem remains: with the exception of a very few *cognoscenti* the EU, if it is known at all, is understood to be an amorphous, restrictive body that determines textile quotas and imposes anti-dumping duties.

Some progress has been made as a result of the high political content of the 4th EU-India Summit in New Delhi and greater interest, particularly at Government level, in the EU’s political role which, as already noted, now take primacy in its partnership with India. Press coverage of the Summit was also considerably better, both qualitatively and quantitatively, than that of earlier events. But a great deal remains to be done to shift the focus of Indian

public opinion away from trade to the many other facets of the European Union and it is time for the EU – and India – to take concerted action on this front.

Given this state of play, **a new strategic approach is needed**. Many of the key factors in this drive to improve mutual knowledge and understanding can already be identified:

- the key role of the media in informing public opinion;
- enhanced personal contacts between future opinion and decision makers;
- exchanges between civil society organisations, representatives of business and academia;
- intensification of cultural interaction.

It is also clear that the central pillar of this approach must be to ensure that the EU is seen as one entity speaking with one voice. If this is to be achieved, then both from a pragmatic point of view and in line with current policy and thinking about the role of EU Communications and Information actions, close cooperation and coordination between the European Parliament, the Member States, the Council Secretariat, the High Representative and the Commission will be crucial.

For its part, India would also be expected to devise its own strategic approach. Co-ordination of the two would make a huge contribution to better visibility of India in the EU, the EU in India, and of the relationship between them on both sides.

The European Commission will:

- *Ask member states' diplomatic and cultural representatives in Delhi to report on current EU visibility and contribute their thoughts on the potential elements of an awareness-raising and communication strategy.*
- *Launch a research project to analyse EU visibility in India and the means to address current misunderstandings and lack of knowledge.*
- *Use the research findings as the basis for reflection on:*
 - *the identities of the EU's key target public audiences - which will need to be further defined and broadened on more systematic basis;*
 - *the key messages to pass to them;*
 - *the best instruments with which to reach them and;*
 - *how best these instruments can be deployed within existing constraints.*
- *Encourage the EU to speak and act as one in India.*
- *Encourage the Member States and the European Parliament to cooperate with and/or complement the Commission's own communications activities.*
- *Encourage a strengthened exchange of information between Member States and the Commission on high level visits to India.*

- *Seek to ensure that all high level visitors to India from EU countries and institutions contribute to promoting EU image and importance for India²⁵.*
- *Reinforce the resources available for information and communication work in India.*
- *Encourage the Government of India to visit EU institutions at ministerial level as often as possible.*

3.5. Institutional Architecture

The 1994 Cooperation Agreement, the Joint Political Statement made in 1993 and the Lisbon Summit of 2000 have, thus far, defined the main contours of the institutional architecture of EU-India relations.

Over time and on that basis, the evolution of our partnership has created a complex structure of meetings at different levels, covering virtually all areas of interest and cooperation, from political, economic, trade and development cooperation to an important civil society component in form of the EU-India Round Table.

While keeping this structure, which has proved its worth, it is now time to have a fresh look on the way it is organised. The aim should be to focus on in-depth exchanges on substance in each meeting, and adapt each level of interaction to its specific objectives.

The EU and India should look together at ways to **enhance the effectiveness of the entire structure** and streamline it with a view to reaping the maximum benefit from each area and level of interaction. The basic rationale should be that each level ‘clears the way’ for the strongest possible strategic and political impact at the next level up: so, Summits, Ministerial and Joint Commission meetings should be given a more strategic edge, technical issues having been cleared at the level of Senior Officials, Sub-Commissions and working group meetings. This institutional approach has been tried and tested within the EU itself.

The format of meetings should also be rethought to enhance their visibility and offer the right structure for free-flowing discussions. The brainstorming held between Indian and EU administrations in Delhi in October 2003 should serve as an example on how an informal setting and comfortable atmosphere generate deeper confidence and understanding. The brainstorming experience should be renewed and could, occasionally, cover specific themes.

A strategic partnership between two democratic international players would also not be complete without enhanced **informal and formal interaction with and between civil societies**. This aspect, although recognised as a crucial element by both sides, remains to be deepened.

The **EU-India Round Table** conceived at the Lisbon Summit, in June 2000, is a successful example of what can be done to create and strengthen dialogue. Since its inauguration in January 2001, it has developed into a useful and efficient forum for dialogue between civil society representatives from both sides²⁶. In bi-annual meetings (so far six have been held), it

²⁵ E.g. reference to the EU and its role in speeches, joint participation in EU events, visits of EU/EC financed projects etc.

²⁶ The Round Table is organised by the European Economic and Social Committee and co-chaired by its President on the EU side.

discussed a broad variety of prominent subjects ranging from e.g. investment, WTO, sustainable development to the role of media in promoting and strengthening civil society. It officially submits non-binding policy recommendations to the Government of India and the European Institutions. Perhaps even more importantly, it has become a channel of constant informal interaction between representatives of EU and Indian civil societies.

Hence, India and the EU should devise mechanisms and initiatives to complement the Round Table in other areas. Business representatives, think tanks and NGOs should be given the means to meet and interact on a broad scale.

The Commission proposes that the EU and India should together explore ways to streamline the existing institutional architecture, such as the following:

- *Summits and ministerial meetings should focus on a limited set of strategic priorities.*
- *Summits should give overall guidance for the future development of the relationship and concentrate on central issues only.*
- *The role of the Joint Commission should be strengthened to steer the whole process in economic areas, co-operation and sectoral dialogue.*
- *Clear objectives should be established for working groups and sub-Commissions and regular reviews of the progress made towards achieving them. Objectives should be modified, working groups closed down and new ones started up as needed.*
- *Draft biennial meeting calendars should be drawn up, to ensure that meetings are held in appropriate sequence.*
- *EU and Indian missions should meet regularly and work together in UN sites.*
- *Regular formal meetings should be organised between EU Heads of Mission and Indian Ministers.*
- *The concept of brainstorming sessions between administrations should become a regular feature of informal dialogue and interaction.*
- *EU Missions in Delhi and Indian ministries should be encouraged to organise brainstormings, workshops and seminars on specific themes²⁷ involving civil society representatives, such as think tanks or academics.*
- *The Round Table should be fully integrated into the institutional architecture. Co-chairs should be invited to present the Round Table's non-binding policy recommendations at Summit meetings.*
- *New mechanisms to enhance interaction between civil societies should be set up, namely between businesses, think tanks and NGOs.*

²⁷ In particular evolving around those themes developed in this Communication.

The Commission suggests furthermore:

- *Strengthened focus on EU-India relations, including regular in-depth dialogue in the Council.*

4. CONCLUSION: IMPLEMENTATION AND FOLLOW-UP

As this analysis shows, India and the EU present impressive potential opportunities for each other in all areas. Neither side can afford to ignore the huge benefits deriving from an ever-closer relationship. This strategy therefore highlights both the specific areas of cooperation that are needed to forge a genuinely strategic partnership and the specific actions needed to achieve this. On a more general level, streamlining institutional mechanisms would add increased efficiency and coherence to the existing framework.

The series of concrete proposals for action will require serious consideration and engagement by all institutional actors. The Commission therefore invites the Council, the European Parliament and the European Economic and Social Committee to endorse the main thrust of the document.

The main thrust of the strategy as it may result from Council Conclusions could subsequently be presented for discussion and consideration at the 5th EU-India Summit in October 2004.

The need for a new departure was mooted in New Delhi in December 2003 and India has already indicated informally at the 4th Summit that it would respond to such a Communication with a policy paper of its own. The Commission looks forward to receiving India's constructive and forward-looking contribution.

This could give rise to an in-depth discussion at a brainstorming seminar involving all main stakeholders from both sides. This meeting should be informal and produce non-binding guidelines on the new way forward in EU-India relations.


The new strategy could take the form of an **Action Plan** and a **new Joint EU-India Political Declaration**, to be endorsed at the 6th Summit in India in 2005. This policy statement would reflect the new dynamics of the relationship without changing the basic institutional framework.

The Commission therefore hopes that this strategy will be the starting point of a joint reflection that leads to a firm and visible up-grading of the EU-India relationship from the existing dialogue between good friends to a truly strategic partnership between two major international players.

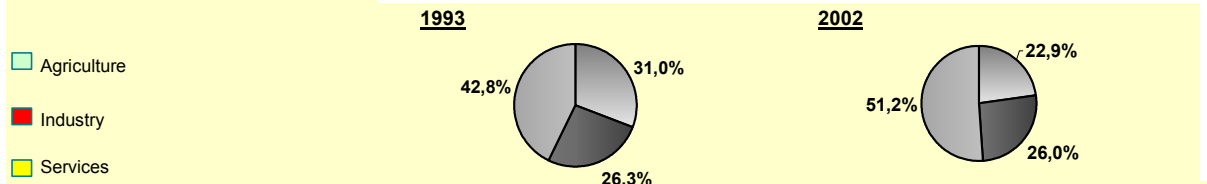
Last but not least, it should be pointed out that the strategy presents a very broad and ambitious framework of actions. The success of the strategy will depend upon the engagement and resources that the Commission services, the Council, the European Parliament and Member States administrations will commit for its implementation.

APPENDIX

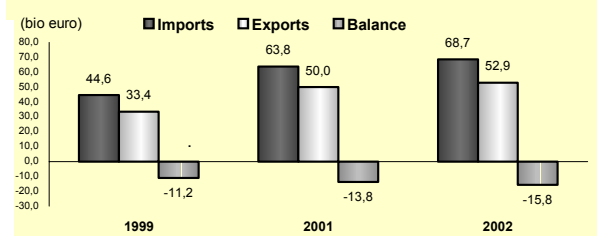
INDIA

Population:	2003	1.069 Mio				
Area: (1000qkm)	2003	3.287				
Gross Domestic Product	2003	509 Bn euro				
GDP Per Capita	2003	476 euro				
Real GDP (% growth)			2000	2001	2002	2003
Inflation rate (%)			5,4	4,0	4,7	7,4
Current Account Balance (% of GDP)			4,0	3,8	4,3	3,8
			-1,1	-0,2	1,0	0,5

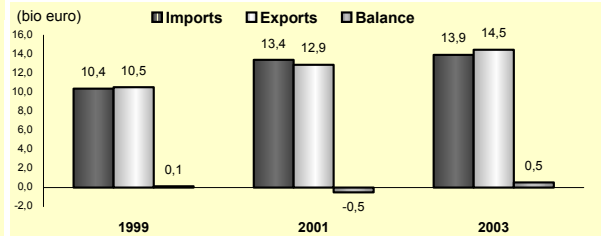
GDP BY SECTOR



INDIA MERCHANDISE TRADE WITH THE WORLD



EU25 MERCHANDISE TRADE WITH INDIA

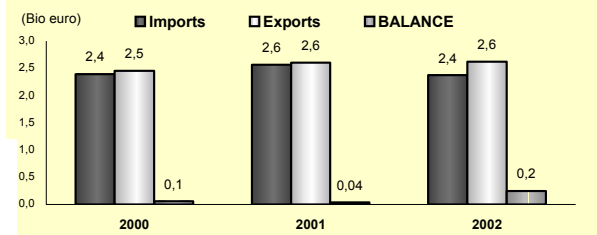


SHARE OF THE WORLD* (%)	1999	2001	2003	SHARE OF EU25 Total (%)	1999	2001	2003
Imports	1,1	1,1	1,3	Imports	1,5	1,4	1,6
Exports	0,9	1,0	1,1	Exports	1,6	1,5	1,7

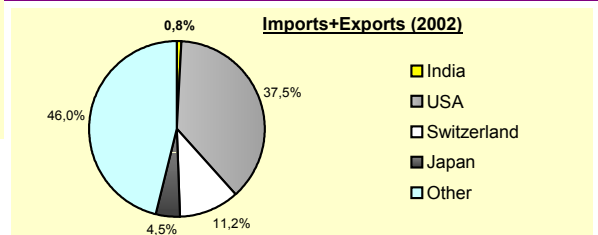
EU25 MERCHANDISE TRADE WITH INDIA BY PRODUCT (2003)



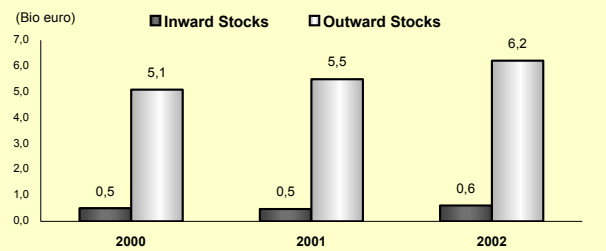
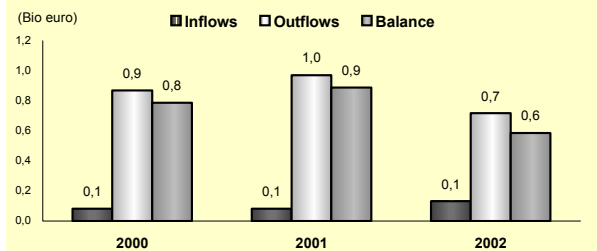
EU25 TRADE IN SERVICES WITH INDIA



INDIA SHARE OF EU25 TRADE IN SERVICES



EU25 FOREIGN DIRECT INVESTMENT WITH INDIA



EU25 TRADE WITH MAIN PARTNERS 2003 (Mio euro)

IMPORTS				EXPORTS				IMPORTS+EXPORTS			
Rank.	Partners	Mio euro	% World*	Rank.	Partners	Mio euro	% World*	Rank.	Partners	Mio euro	% World*
	World*	936.269	100,0		World*	876.984	100,0		World*	1.813.252	100,0
1	USA	157.175	16,8	1	USA	226.017	25,8	1	USA	383.192	21,1
2	China	104.953	11,2	2	Switzerland	71.046	8,1	2	China	145.903	8,0
3	Japan	71.926	7,7	3	China	40.950	4,7	3	Switzerland	129.734	7,2
4	Russia	66.620	7,1	4	Japan	40.854	4,7	4	Japan	112.779	6,2
5	Switzerland	58.688	6,3	5	Russia	36.933	4,2	5	Russia	103.553	5,7
6	Norway	50.495	5,4	6	Turkey	29.337	3,3	6	Norway	78.006	4,3
7	Turkey	25.786	2,8	7	Norway	27.511	3,1	7	Turkey	55.123	3,0
8	South Korea	25.554	2,7	8	Canada	21.456	2,4	8	South Korea	41.991	2,3
9	Taiwan	22.386	2,4	9	Hong Kong	18.276	2,1	9	Canada	37.254	2,1
10	Brazil	18.631	2,0	10	Australia	17.458	2,0	10	Taiwan	33.345	1,8
11	Canada	15.798	1,7	11	U.A.Emirates	16.450	1,9	11	Brazil	30.982	1,7
12	Malaysia	15.773	1,7	12	South Korea	16.437	1,9	12	Singapore	28.868	1,6
13	South Africa	14.958	1,6	13	Romania	14.721	1,7	13	South Africa	28.553	1,6
14	Algeria	14.659	1,6	14	India	14.485	1,7	14	India	28.429	1,6
15	Singapore	14.608	1,6	15	Mexico	14.300	1,6	15	Hong Kong	28.174	1,6
16	India	13.944	1,5	16	Singapore	14.261	1,6	16	Romania	26.958	1,5
17	Saudi Arabia	12.978	1,4	17	South Africa	13.595	1,6	17	Saudi Arabia	26.441	1,5
18	Romania	12.237	1,3	18	Saudi Arabia	13.462	1,5	18	Australia	26.367	1,5
19	Thailand	11.757	1,3	19	Brazil	12.352	1,4	19	Malaysia	24.140	1,3
20	Libyan Arab Ja	10.983	1,2	20	Israel	11.641	1,3	20	Algeria	22.579	1,2

IMPORTS				EXPORTS				IMPORTS+EXPORTS			
	Partners	Mio euro	% World*		Partners	Mio euro	% World*		Partners	Mio euro	% World*
	World*	936.269	100,0		World*	876.984	100,0		World*	1.813.252	100,0
(a)	NAFTA	179.468	19,2	(a)	NAFTA	261.772	29,8	(a)	NAFTA	441.240	24,3
(b)	AMLAT	50.059	5,3	(b)	AMLAT	44.041	5,0	(b)	AMLAT	94.100	5,2
(c)	CANDIDATES	42.041	4,5	(c)	CANDIDATES	49.225	5,6	(c)	CANDIDATES	91.266	5,0
(d)	EFTA	111.862	11,9	(d)	EFTA	100.963	11,5	(d)	EFTA	212.824	11,7
(e)	MED	42.109	4,5	(e)	MED	48.552	5,5	(e)	MED	90.660	5,0
(f)	ASEAN	65.343	7,0	(f)	ASEAN	39.206	4,5	(f)	ASEAN	104.548	5,8

- (a) USA, Canada, Mexico.
 (b) 20 Latin American Countries.
 (c) Romania, Bulgaria, Turkey
 (d) Norway, Switzerland, Iceland, Liechtenstein.
 (e) Malta, Jordan, Turkey, Morocco, Algeria, Tunisia, Egypt, Cyprus, Lebanon, Syria, Israel, Gaza and Jericho.
 (f) Thailand, Indonesia, Malaysia, Brunei, Singapore, Philippines, Vietnam, Cambodia, Laos, Myanmar.

INDIA : TRADE WITH MAIN PARTNERS IN 2002 (Mio euro)

IMPORTS				EXPORTS				IMPORTS+EXPORTS			
Rank.	Partners	Mio euro	% World	Rank.	Partners	Mio euro	% World	Rank.	Partners	Mio euro	% World
	WORLD	68.678	100,0		WORLD	52.883	100,0		WORLD	121.561	100,0
1	EU25	15.438	22,5	1	EU25	12.501	23,6	1	EU25	27.939	23,0
2	USA	4.766	6,9	2	USA	11.967	22,6	2	USA	16.733	13,8
3	China	3.108	4,5	3	Hong Kong	2.402	4,5	3	China	5.294	4,4
4	Singapore	3.081	4,5	4	China	2.186	4,1	4	Singapore	4.194	3,5
5	Japan	2.174	3,2	5	Japan	2.009	3,8	5	Japan	4.183	3,4
6	Malaysia	2.048	3,0	6	U.A.Emirates	1.952	3,7	6	Hong Kong	4.082	3,4
7	Russia	1.886	2,7	7	South Korea	1.200	2,3	7	U.A.Emirates	3.259	2,7
8	Hong Kong	1.679	2,4	8	Singapore	1.113	2,1	8	South Korea	2.810	2,3
9	South Korea	1.610	2,3	9	Bangladesh	1.101	2,1	9	Malaysia	2.666	2,2
10	Australia	1.575	2,3	10	Canada	894	1,7	10	Russia	2.381	2,0
11	Indonesia	1.514	2,2	11	Saudi Arabia	874	1,7	11	Saudi Arabia	2.354	1,9
12	Saudi Arabia	1.480	2,2	12	Sri Lanka	800	1,5	12	Indonesia	2.127	1,7
13	U.A.Emirates	1.307	1,9	13	Thailand	745	1,4	13	Australia	2.115	1,7
14	South Africa	1.096	1,6	14	Israel	628	1,2	14	South Africa	1.481	1,2
15	Nigeria	946	1,4	15	Malaysia	618	1,2	15	Brazil	1.366	1,1
16	Brazil	760	1,1	16	Indonesia	613	1,2	16	Israel	1.342	1,1
17	Israel	714	1,0	17	Brazil	606	1,1	17	Nigeria	1.340	1,1
18	Kuwait	682	1,0	18	Turkey	542	1,0	18	Canada	1.311	1,1
19	Yemen	635	0,9	19	Australia	540	1,0	19	Thailand	1.226	1,0
20	Iran	572	0,8	20	Russia	495	0,9	20	Bangladesh	1.147	0,9

IMPORTS				EXPORTS				IMPORTS+EXPORTS			
	Partners	Mio euro	% World		Partners	Mio euro	% World		Partners	Mio euro	% World
	WORLD	68.678	100,0		WORLD	52.883	100,0		WORLD	121.561	100,0
1	EU25	15.438	22,5	1	EU25	12.501	23,6	1	EU25	27.939	23,0
(a)	NAFTA	5.545	8,1	(a)	NAFTA	13.347	25,2	(a)	NAFTA	18.891	15,5
(b)	AMLAT	1.905	2,8	(b)	AMLAT	1.547	2,9	(b)	AMLAT	3.452	2,8
(c)	CANDIDATES	145	0,2	(c)	CANDIDATES	609	1,2	(c)	CANDIDATES	754	0,6
(d)	EFTA	554	0,8	(d)	EFTA	445	0,8	(d)	EFTA	999	0,8
(e)	MED	1.807	2,6	(e)	MED	1.363	2,6	(e)	MED	3.171	2,6
(f)	ASEAN	7.512	10,9	(f)	ASEAN	3.813	7,2	(f)	ASEAN	11.325	9,3

- (a) USA, Canada, Mexico.
 (b) 20 Latin American Countries
 (c) Bulgaria, Hungary, Turkey
 (d) Iceland, Norway, Switzerland, Liechtenstein.
 (e) Algeria, Morocco, Tunisia, Israel, Jordan, Egypt, Lebanon, Syria, Gaza and Jericho.
 (f) Thailand, Indonesia, Malaysia, Brunei, Singapore, Philippines, Laos, Cambodia, Myanmar, Vietnam

EU FOREIGN DIRECT INVESTMENT WITH WORLD* AND INDIA (Mio ecu/euro and %)

EU INFLOWS

	1996	1997	1998	1999	2000	2001	2002
from World*	36.509	50.160	96.432	103.596	157.706	105.560	85.853
from INDIA	8	-370	83	25	83	83	132
Share of EU Total (%)	0,0	-0,7	0,1	0,0	0,1	0,1	0,2

EU OUTFLOWS

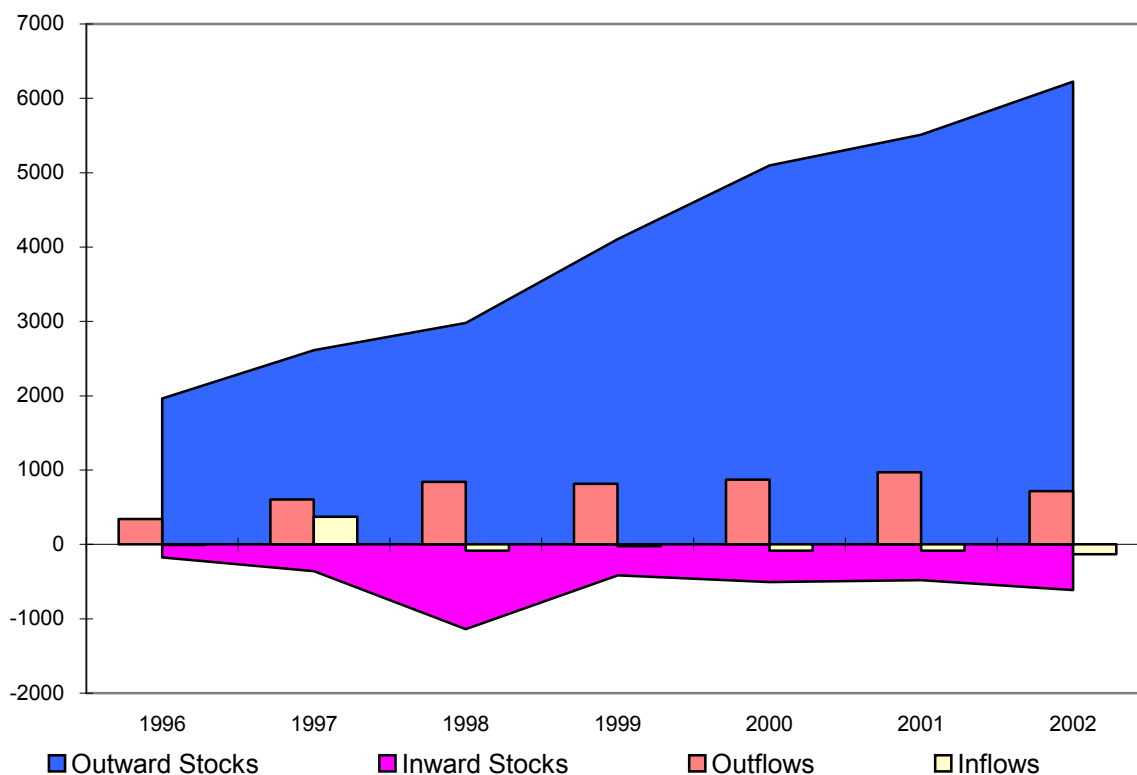
	1996	1997	1998	1999	2000	2001	2002
to World*	68.665	109.802	218.754	307.107	403.047	257.785	130.560
to INDIA	342	606	840	817	870	972	717
Share of EU Total (%)	0,5	0,6	0,4	0,3	0,2	0,4	0,5

EU INWARD STOCKS

	1996	1997	1998	1999	2000	2001	2002
from World*	421.927	495.915	646.810	737.732	902.937	1.018.775	1.104.628
from INDIA	175	362	1.138	415	508	481	613
Share of EU Total (%)	0,0	0,1	0,2	0,1	0,1	0,0	0,1

EU OUTWARD STOCKS

	1996	1997	1998	1999	2000	2001	2002
in World*	543.174	666.588	844.230	1.205.508	1.475.711	1.777.591	1.908.151
in INDIA	1.964	2.613	2.981	4.107	5.097	5.509	6.226
Share of EU Total (%)	0,4	0,4	0,4	0,3	0,3	0,3	0,3



World*: Excluding Intra EU

EU25: TOTAL TRADE WITH THE WORLD* AND INDIA (euro)

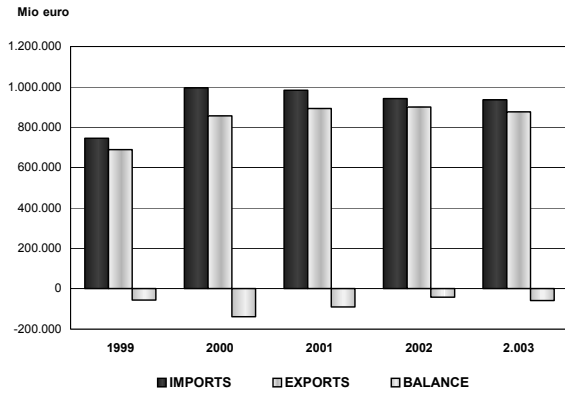
WORLD*

YEAR	IMPORTS	YEARLY % CHANGE	EXPORTS	YEARLY % CHANGE	BALANCE	IMP.+EXP.
1999	745.972		689.230		-56.742	1.435.202
2000	995.649	33,5	856.728	24,3	-138.921	1.852.377
2001	983.440	-1,2	892.716	4,2	-90.724	1.876.155
2002	941.986	-4,2	900.390	0,9	-41.596	1.842.376
2003	936.269	-0,6	876.984	-2,6	-59.285	1.813.252
Av. Annual Growth		5,8		6,2		6,0

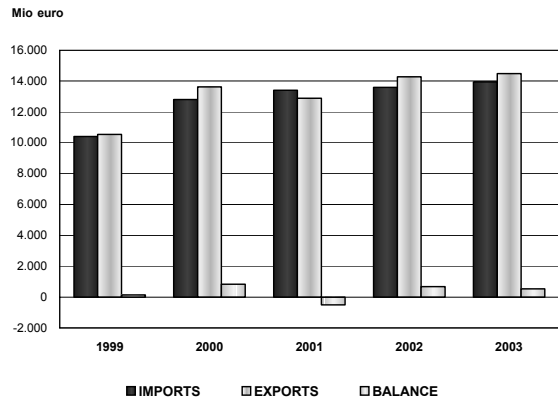
INDIA

YEAR	IMPORTS	YEARLY % CHANGE	Share of total EU imports	EXPORTS	YEARLY % CHANGE	Share of total EU exports	BALANCE	IMP.+EXP.
1999	10.405		1,39	10.539		1,53	133	20.944
2000	12.802	23,0	1,29	13.626	29,3	1,59	824	26.427
2001	13.405	4,7	1,36	12.894	-5,4	1,44	-512	26.299
2002	13.594	1,4	1,44	14.271	10,7	1,58	676	27.865
2003	13.944	2,6	1,49	14.485	1,5	1,65	540	28.429
Av. Annual Growth		7,6			8,3			7,9

WORLD*



INDIA



*World excluding Intra-EU 25 trade

INDIA. TRADE WITH THE WORLD* AND EU25 (Mio euro)

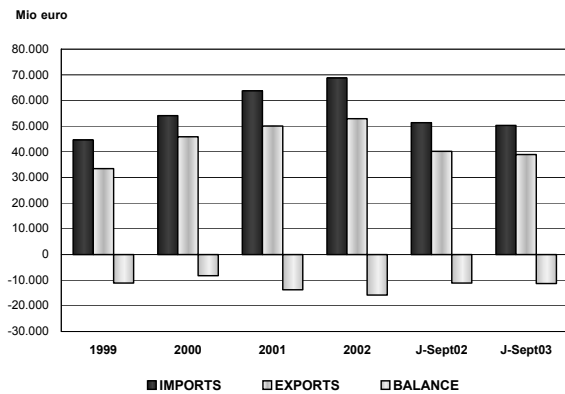
WORLD*

YEAR	IMPORTS	YEARLY % CHANGE	EXPORTS	YEARLY % CHANGE	BALANCE	IMP.+EXP.
1999	44.566		33.410		-11.156	77.976
2000	54.072	21,3	45.831	37,2	-8.241	99.903
2001	63.785	18,0	50.018	9,1	-13.767	113.802
2002	68.678	7,7	52.883	5,7	-15.796	121.561
J-Sept02	51.354		40.172		-11.182	91.527
J-Sept03	50.269	-2,1	38.938	-3,1	-11.331	89.208
Av. Annual Growth		5,3		5,9		5,6

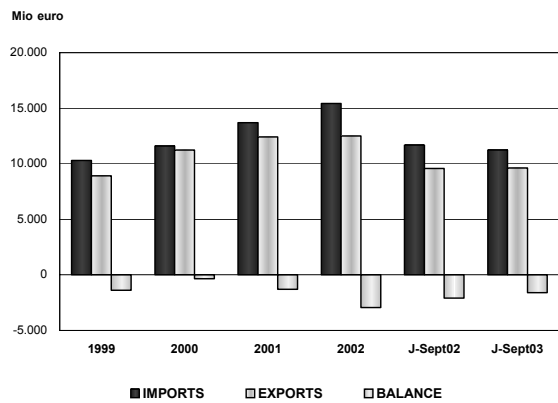
EU25

YEAR	IMPORTS	YEARLY % CHANGE	Share of total EU imports	EXPORTS	YEARLY % CHANGE	Share of total EU exports	BALANCE	IMP.+EXP.
1999	10.294		23,10	8.912		26,68	-1.382	19.207
2000	11.596	12,6	21,44	11.248	26,2	24,54	-348	22.843
2001	13.712	18,3	21,50	12.418	10,4	24,83	-1.294	26.130
2002	15.438	12,6	22,48	12.501	0,7	23,64	-2.938	27.939
J-Sept02	11.685		22,75	9.582		23,85	-2.103	21.267
J-Sept03	11.245	-3,8	22,37	9.636	0,6	24,75	-1.609	20.881
Av. Annual Growth		5,3			5,9			5,6

WORLD*



EU25



*World excluding Intra-EU 25 trade

EU25 TRADE WITH THE WORLD* - SITC SECTIONS BY ORDER OF IMPORTANCE 2003 (Mio euro)

IMPORTS

Products	Value	%
TOTAL	936.269	100,0
Machinery and transport equipment	324.878	34,7
Mineral fuels, lubricants and rel. materials	154.175	16,5
Miscell. manuf. articles.	146.095	15,6
Manuf. goods classif. Chiefly by material	100.511	10,7
Chemicals and related prod., n.e.s.	80.122	8,6
Food and live animals	51.249	5,5
Crude materials, inedible, except fuels	39.453	4,2
Commodit. and transactions n.e.c.	30.216	3,2
Beverages and tobacco	5.546	0,6
Animal and vegetable oils, fats and waxes	3.305	0,4

EU25 TRADE WITH INDIA - SITC SECTIONS BY ORDER OF IMPORTANCE 2003 (Mio euro)

IMPORTS

Products	Value	%	Share of the World*
TOTAL	13.944	100,0	1,5
Miscell. manuf. articles.	4.574	32,8	3,1
Manuf. goods classif. Chiefly by material	4.487	32,2	4,5
Machinery and transport equipment	1.617	11,6	0,5
Chemicals and related prod., n.e.s.	1.426	10,2	1,8
Food and live animals	992	7,1	1,9
Crude materials, inedible, except fuels	450	3,2	1,1
Mineral fuels, lubricants and rel. materials	167	1,2	0,1
Animal and vegetable oils, fats and waxes	118	0,8	3,6
Beverages and tobacco	50	0,4	0,9
Commodit. and transactions n.e.c.	44	0,3	0,1

EU25 TRADE WITH THE WORLD* - SITC SECTIONS BY ORDER OF IMPORTANCE 2003 (Mio euro)

EXPORTS

Products	Value	%
TOTAL	876.984	100,0
Machinery and transport equipment	396.448	45,2
Chemicals and related prod., n.e.s.	142.065	16,2
Manuf. goods classif. Chiefly by material	123.250	14,1
Miscell. manuf. articles.	106.574	12,2
Food and live animals	33.647	3,8
Mineral fuels, lubricants and rel. materials	23.265	2,7
Commodit. and transactions n.e.c.	17.475	2,0
Crude materials, inedible, except fuels	15.274	1,7
Beverages and tobacco	14.949	1,7
Animal and vegetable oils, fats and waxes	2.341	0,3

EU25 TRADE WITH INDIA - SITC SECTIONS BY ORDER OF IMPORTANCE 2003 (Mio euro)

EXPORTS

Products	Value	%	Share of the World*
TOTAL	14.485	100,0	1,7
Manuf. goods classif. Chiefly by material	6.418	44,3	5,2
Machinery and transport equipment	4.611	31,8	1,2
Chemicals and related prod., n.e.s.	1.360	9,4	1,0
Miscell. manuf. articles.	953	6,6	0,9
Crude materials, inedible, except fuels	492	3,4	3,2
Commodit. and transactions n.e.c.	196	1,4	1,1
Food and live animals	65	0,5	0,2
Mineral fuels, lubricants and rel. materials	50	0,3	0,2
Beverages and tobacco	28	0,2	0,2
Animal and vegetable oils, fats and waxes	9	0,1	0,4

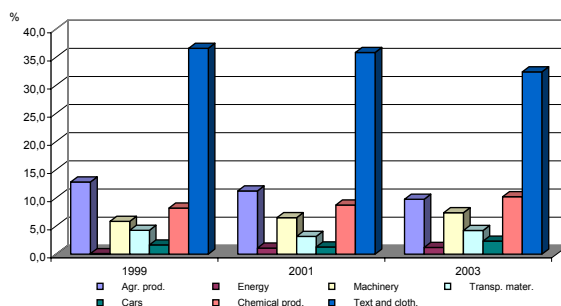
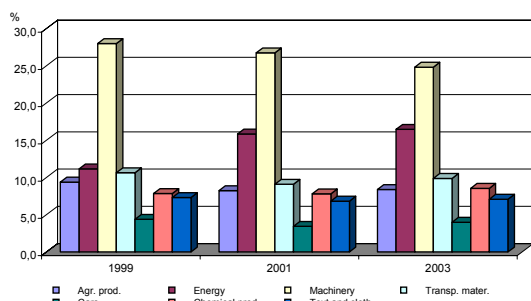
EU25 IMPORTS BY PRODUCT GROUPING (Mio euro)

WORLD*

	1999	%	2001	%	2003	%
Total	745.972	100,0	983.440	100,0	936.269	100,0
Primary Prod.	188.824	25,3	284.230	28,9	272.683	29,1
of which:						
Agr. prod.	69.967	9,4	81.072	8,2	78.453	8,4
Energy	83.252	11,2	155.903	15,9	154.175	16,5
Manuf. products	535.519	71,8	668.005	67,9	632.651	67,6
of which:						
Machinery	208.711	28,0	263.006	26,7	232.320	24,8
Transp. mater.	79.488	10,7	89.429	9,1	92.559	9,9
of which:						
cars	32.829	4,4	33.736	3,4	37.461	4,0
Chemical prod.	58.644	7,9	76.880	7,8	80.122	8,6
Text and cloth.	54.482	7,3	67.220	6,8	66.412	7,1

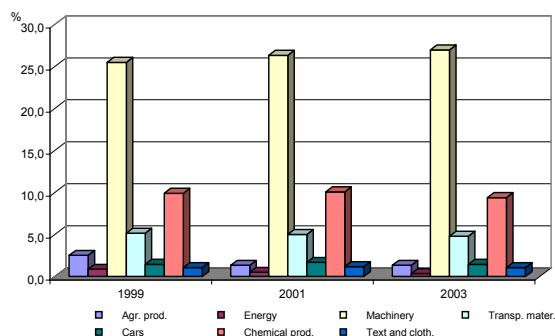
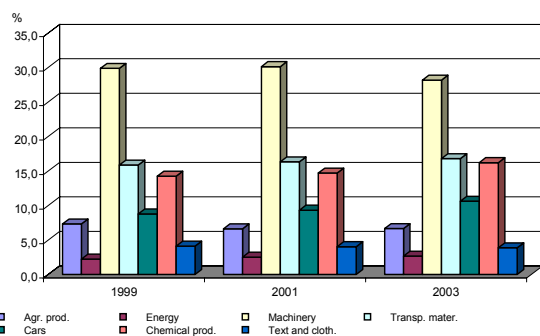
INDIA

	1999	%	2001	%	2003	%	Share of the World* 2003
Total	10.405	100,0	13.405	100,0	13.944	100,0	1,5
Primary Prod.	1.643	15,8	1.923	14,3	1.805	12,9	0,7
of which:							
Agr. prod.	1.335	12,8	1.508	11,2	1.361	9,8	1,7
Energy	12	0,1	147	1,1	167	1,2	0,1
Manuf. products	8.718	83,8	11.388	85,0	12.076	86,6	1,9
of which:							
Machinery	605	5,8	870	6,5	1.029	7,4	0,4
Transp. mater.	443	4,3	422	3,1	588	4,2	0,6
of which:							
cars	171	1,6	172	1,3	324	2,3	0,9
Chemical prod.	852	8,2	1.171	8,7	1.426	10,2	1,8
Text and cloth.	3.805	36,6	4.802	35,8	4.515	32,4	6,8

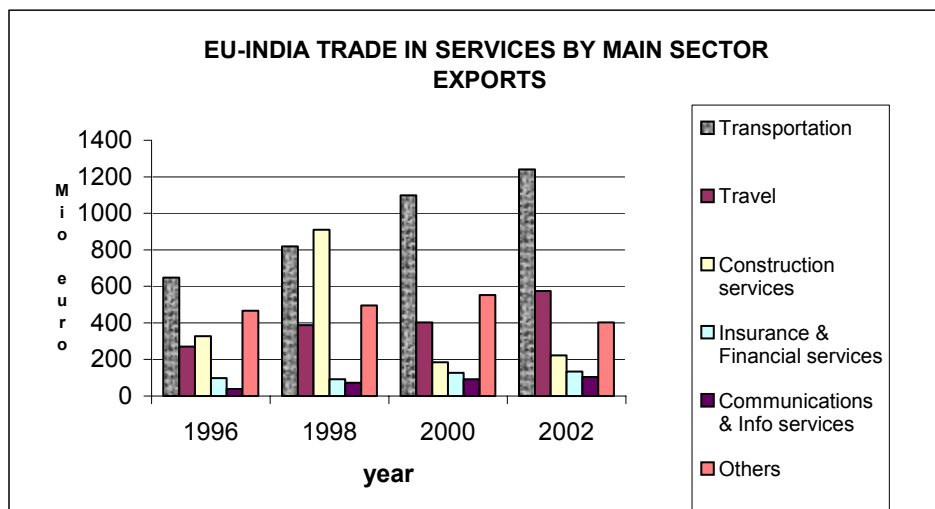


EU25 EXPORTS BY PRODUCT GROUPING (Mio euro)

WORLD*							INDIA						
	1999	%	2001	%	2003	%	1999	%	2001	%	2003	%	Share of the World* 2003
Total	689.230	100,0	892.716	100,0	876.984	100,0	10.539	100,0	12.894	100,0	14.485	100,0	1,7
Primary Prod.	78.828	11,4	99.251	11,1	98.574	11,2	768	7,3	954	7,4	999	6,9	1,0
of which:													
Agr. prod.	50.476	7,3	58.969	6,6	58.269	6,6	265	2,5	172	1,3	193	1,3	0,3
Energy	15.365	2,2	22.351	2,5	23.265	2,7	91	0,9	65	0,5	50	0,3	0,2
Manuf. products	592.554	86,0	775.343	86,9	759.239	86,6	9.392	89,1	10.994	85,3	12.988	89,7	1,7
of which:													
Machinery	205.878	29,9	268.864	30,1	246.953	28,2	2.686	25,5	3.394	26,3	3.906	27,0	1,6
Transp. mater.	109.174	15,8	145.567	16,3	147.213	16,8	543	5,2	645	5,0	693	4,8	0,5
of which:													
cars	60.454	8,8	83.188	9,3	93.053	10,6	153	1,5	217	1,7	210	1,5	0,2
Chemical prod.	98.157	14,2	131.144	14,7	142.065	16,2	1.044	9,9	1.299	10,1	1.360	9,4	1,0
Text and cloth.	28.297	4,1	35.923	4,0	33.814	3,9	112	1,1	151	1,2	153	1,1	0,5



	1996	1998	2000	2002
Transportation	648	819	1099	1240
Travel	270	387	403	574
Construction services	328	910	184	222
Insurance & Financial services	98	92	127	134
Communications & Info services	38	73	91	104
Others	467	495	552	402



	1996	1998	2000	2002
Transportation	349	537	615	583
Travel	703	832	1038	945
Construction services	71	65	54	90
Insurance & Financial services	41	36	50	27
Communications & Info services	77	152	186	260
Others	340	460	455	470

