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TO THE COUNCIL, THE EUROPEAN PARLIAMENT
AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE**

An EU-India Strategic Partnership

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1. INTRODUCTION

India is changing, dramatically and fast. Its democracy is healthier and more vibrant than ever, as the recent general elections demonstrated. India is increasingly engaging with other players on the world stage and has made great progress in foreign and domestic policy issues.

In recent years, the relationship with the European Union (EU) has developed exponentially in terms of shared vision, goals, and challenges. **This Communication identifies the challenges, opportunities and expectations for international, economic and development policies between the EU and India. It suggests areas for future strategic co-operation and a streamlining of the institutional architecture. The full analysis and the detail of proposals contained in this Communication are set out in the attached Commission Services document.**

1.1. India today: the state of play

India is an increasingly important international player and regional power. It has considerably strengthened relationships with the US, China and ASEAN. Its huge size and economic and military clout make it the major power in South Asia. Peace talks with Pakistan will, if successful, bring enormous benefit to the whole region. India's economic growth has also been impressive, and the economy has benefited greatly from market-oriented and open policies. But these benefits have not been spread evenly amongst its citizens - the large majority of the population still live on less than \$2 a day and some regions have sped ahead of others. India is also a country of great ethnic, religious and cultural diversity.

Relations with the EU have strengthened since the first EU-India Summit in Lisbon in 2000, with ever more meetings at all levels – including business and civil society – and extensive dialogue and cooperation on political, geo-political and multilateral issues, economic and trade questions.

2. A STRATEGIC PARTNERSHIP: ANALYSIS AND PROPOSALS

The EU and India already enjoy a close relationship, based on shared values and mutual respect. A new strategy should be guided by the following objectives: to promote peace, stability, democracy, human rights, the rule of law and good governance, *inter alia* by fighting terrorism and illicit trafficking; to co-operate on fighting poverty, inequality and social exclusion, and on sustainable development, environment protection, and climate change; and to enhance economic interaction and secure a strengthened international economic order.

2.1 Improving International Cooperation

2.1.1. Multilateralism

Since the EU and India are increasingly seen as forces for global stability, the focus of relations has shifted from trade to wider political issues. Both are supporters of the multilateral system and already cooperate effectively in the UN and other fora. This should be reinforced by **a strategic alliance for the promotion of an effective multilateral approach.**

The EU and India should co-ordinate and harmonise positions in the preparation, negotiation and implementation of major multilateral conventions and conferences (on security, trade, environment, development and human rights) and facilitate bridge building with other United Nations (UN) members.

The EU and India should also hold continuous dialogue on organisational and institutional restructuring and reform of the United Nations, in particular as regards the UN High-Level Panel on Threats, Challenges and Change and on the implementation of its likely outcome. Work should be reinforced to promote effective multilateralism, especially on implementation of international obligations and commitments and the strengthening of global governance.

2.1.2. Conflict prevention and post-conflict reconstruction

India is an important partner in conflict prevention and post-conflict reconstruction. The EU should therefore explore means of formalising regular cooperation and further engaging India in this area.

Discussions between senior officials should develop specific initiatives in the following areas: training for the civilian components of peace-keeping missions; seminars and other activities designed to facilitate conflict prevention or post-conflict management; joint support of UN conflict prevention and peace-building efforts, including as regards improved analytical capacities, comprehensive preventive strategies and greater co-operation between EU and Indian components of UN peacekeeping missions.

Consultation should take place before major UN debates on peacekeeping, conflict management and in the preparation of major peace conferences. The EU and India could also co-sponsor a UN conference on conflict prevention, peace-building and post-conflict management. It would also be worth initiating a dialogue on the contribution of regional integration to conflict prevention.

2.1.3. Non-Proliferation of weapons of mass destruction

We should seek to increase cooperation on the non-proliferation of weapons of mass destruction, where the EU and India have very similar positions. This could include expert meetings to reinforce the consistency and effectiveness of export control measures, in particular for dual use goods. Political dialogue on non-proliferation should also be reinforced.

2.1.4. The fight against terrorism and organised crime

The EU should cooperate more concretely with India in the fight against terrorism and organised crime, including in UN fora. The Council could reflect on including India in its list of 'priority countries' for a 'strategic cooperation agreement' with Europol. The EU should also increase technical cooperation, through experts meetings and exchange of information and expertise in security-related areas such as money laundering, drug trafficking and chemical presursors. A dialogue should be initiated on document security, civil aviation and maritime security.

2.1.5. Migration

International migration has increased in the face of globalisation. On the positive side, this has led to increased migrant remittances. However, there are also growing problems of illegal migration and human trafficking. The EU could suggest a comprehensive dialogue covering the following issues: root causes; legal migration, including labour migration and the movement of workers; an effective and preventive policy against illegal immigration, smuggling of migrants and trafficking in human beings, including combatting networks of smugglers and traffickers and protecting victims; integration and fair treatment of third country nationals; fair treatment of Indian workers in EU Member States; migrant remittances; return and re-admission of illegally residing persons; visa issues of mutual interest; and other migration related subjects of interest to the EU and India.

2.1.6. Democracy and human rights

We should extend our dialogue on Human Rights in a mutually respectful and constructive manner, on the basis of commitments made at the 2003 Athens ministerial meeting. The EU should engage India on topics, such as the International Criminal Court, abolition of the death penalty, the Convention against Torture, gender discrimination, child labour, labour rights, Corporate Social Responsibility and religious freedom. We should also seek increased cooperation at the UN Third Committee and Commission on Human Rights. Synergies should be sought and joint initiatives developed in third countries.

At the same time, the Indian Government should be invited to start regular human rights discussions within the 'Athens' agreed format, including senior officials and ministerial meetings. Human rights consultations between the EU Heads of Missions (HOMs) in New Delhi should be intensified and HOMs instructed to produce regular human rights reports with recommendations for the EU-India human rights dialogue.

The Commission is ready to explore funding projects in India under the European Initiative for Human Rights and Democracy.

2.1.7. Peace, prosperity and stability in South Asia

South Asia faces some of the biggest development challenges of the new century: poverty, overpopulation, civil wars, and environmental problems. Prospects look brighter, however, following the recent decision of the SAARC Summit to move forward on regional integration, and with the thaw in relations between India and Pakistan.

The EU is strongly committed to peace and stability in South Asia. 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. While Kashmir is primarily a bilateral issue with international implications, the EU can offer its own unique experience as an example of building peace and forging partnerships.

In addition, the EU should develop a regional approach to relations with South Asia. A South Asia strategy paper could be formulated, which should set out how the EU could contribute to peace, security and prosperity and support regional integration. We could also explore South Asian participation in programmes designed to strengthen mutual understanding and civil society co-operation between the EU and India.

2.2. Strengthening the Economic Partnership

The EU is India's largest trading partner and main source of foreign inward investment, but India is only the EU's 14th trading partner, behind countries like China, Brazil and South Africa. Trade and investment volumes are clearly below potential.

The EU and India need to take action on many fronts, including through greater market opening and economic reform on India's side. Trade, investment, competition and industrialisation are key factors, while taking account of wider societal needs (environment, consumer protection, social and economic cohesion etc.).

If the potential of the Indian market is to be realised, India must continue and speed up economic reforms. India needs to tackle high and discriminatory tariffs/taxes, numerous non-tariff barriers, FDI restrictions, lack of IPR protection, as well as major improvements in infrastructure.

2.2.1. Strategic policy dialogue

Strategic policy dialogues should initially focus on two areas: regulatory and industrial policy; and the environment.

A new dialogue should be established on **regulatory and industrial policy** to improve business competitiveness on both sides. Exchanges of good regulatory practices and good governance should be promoted through bilateral consultation and international fora (e.g. OECD). The EU should also cooperate with India in the implementation of its new Competition Law.

On the **environment**, the EU should invite India to meet annually in the Joint Working Group on Environment and to develop high level visits. India and the EU should work together to promote co-operation on global environmental challenges, like the UN Conventions on Biological Diversity, where 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 Protocol; or the Montreal Protocol on Substances that deplete the Ozone Layer. India should also be invited to organise an EU-India Environment Forum, including civil society and business, in order to exchange views, know-how and scientific or technical information on environmental issues.

2.2.2. Strategic sectoral dialogues

In many areas, dialogue with India has already made considerable progress. Strategic sectoral dialogues should be developed to continue and extend this progress.

The EU and India already have an **extensive Information Society dialogue**. This should be further strengthened to exchange best practices and address market access concerns on regulatory frameworks (internet governance, privacy, security) and for electronic communications (e.g. mobile aspects, universal service). We could also envisage pilot projects in social priority sectors (health, education and "government on line").

In **transport**, the EU should be ready to support India in making substantial efforts to upgrade roads, airports, ports and other sectors. The Maritime Agreement currently under negotiation will provide a legal framework for the development of EU and Indian shipping companies.

Cooperation on air transport should be enhanced, in particular through negotiation of an air transport agreement.

India's current **energy** policy is based on overstretched domestic coal production. The EU and India should embark in an energy dialogue to consider alternative fuel chain (clean coal technology; hydropower; new and renewable energies; nuclear) and horizontal (regulatory, financial, political and social) issues.

Indian **biotechnology** has grown rapidly in recent years creating opportunities for partnership in areas such as new discoveries, preclinical/clinical trials and bio-informatics. The EU and India could therefore engage in a dialogue about the regulatory framework and exchange information on best practice in funding, research, public control, environmental concerns, customs and excise, technical exchange programmes, and infrastructure support institutions.

The EU and India are cooperating closely on **Galileo**, the European global satellite navigation system. They should step up work between the European Space Agency and the Indian Space Research Organisation, in particular on regulatory, industrial and market development issues.

New opportunities exist for building a **space** partnership with India. A wider dialogue could be opened in areas such as Global Monitoring for Environment and Security (GMES), satellite telecommunications, as well as in space science and technology.

2.2.3. Boosting Trade and Investment

Trade and investment is a cornerstone of the EU-India relationship.

At the Multilateral level, the EU and India are key players in the WTO and stand to benefit from the successful conclusion of the Doha Development Agenda (DDA). Both have a clear responsibility and common interest in working together and should pursue the DDA as matter of first priority. The EU should therefore seek to achieve greater convergence with India on the key issues crucial to a positive conclusion of the DDA, such as the rules area, including the Singapore Issues, GATS, Agriculture, Non-agricultural market access, Geographical Indications, Special and Differential Treatment and Implementation.. India's efforts to achieve full compliance with WTO rules should be supported, in particular as regards trade defence instruments and the TRIPs Agreement.

At the Bilateral level, the EU and India should hold a dialogue on investment, to build on the recommendations from the Joint Initiative, with central involvement and input of business and academia. A dialogue on intellectual property rights would aim to achieve a common understanding on TRIPS, other relevant international agreements and enforcement issues. The EU should also encourage India to engage in an expert level dialogue on trade defence instruments, to discuss implementation practices and compliance with WTO rules.

The EU should reinforce co-operation with India on technical barriers to trade and sanitary and phyto-sanitary matters, through exchange of information on legislation, certification, inspection and accreditation procedures, and by simplifying administrative burdens. An EC-India Officials Working group on Technical Regulations, Standards and Conformity Assessment could be envisaged. The EC would also be ready to provide technical assistance to the Government of India, if so requested.

The EU-India Customs co-operation agreement should be exploited to the full to find solutions to problems facing EU and Indian companies, including as regards paperless customs processing and higher levels of security. The EU and India should also establish a One Stop Shop facility to provide both parties' private sector with comprehensive information and advice on customs procedures, duties and taxes, standards and technical regulations, investment rules, IPR etc. This could include a facility to promote investment opportunities and SME matching services.

Sustainable development should be promoted through dialogue, including on encouraging trade flows in sustainably produced goods. Mutual understanding of issues like labelling and sustainable impact assessment should be further developed, and better use made of the Sustainable Trade and Innovation Centre (STIC).

These ideas could be further developed by a joint study group of officials, with close involvement of business and academia.

The Commission is also keen to encourage South Asian regional cooperation. The EU should invite SAARC to develop co-operation on trade and economic integration; provide technical and other assistance; and move towards negotiating a Cooperation Agreement with SAARC.

2.2.4. Boosting business-to-business co-operation

Since February 2001, the Joint Initiative for Enhancing Trade and Investment has contributed to mutual understanding of opportunities and obstacles to trade and investment, and enabled a direct dialogue between business and policy-makers. The EU should help to create a 'business leaders' Round Table; develop networks for sectoral industrial co-operation and investment promotion; and let business dialogue develop in all areas of joint interest, including IT, biotechnology and pharmaceuticals, e-commerce, outsourcing, textiles and clothing, the retail sector, audiovisual/cultural matters, tourism and the motor industry. In some areas, such as biotechnology and telecommunications, the business dialogue should take place in parallel with official strategic dialogue.

2.2.5. Building on synergies in science and technology

There is enormous potential for EU-India collaboration in science and technology. India participates in the EU's Sixth Framework Research Programme, and a Scientific and Technological Cooperation Agreement provides the legal framework for cooperation between scientists. The parties have also agreed to formalize India's participation in GALILEO.

Participation of Indian researchers in the EU's 6th Framework Programme and participation of EU scientists in Indian research should be promoted and further contacts established between research organisations and individual researchers. India should participate in the development of the 7th Framework Programme. We should also explore other areas of collaboration, such as joint research on fusion energy.

2.2.6. Finance and monetary affairs

India is not part of the Asia Europe Meeting's (ASEM) discussions with the EU on monetary and finance policies. The EU should therefore invite India to establish regular consultations at Ministerial Troika level on matters of common interest, such as the international financial

architecture, effective implementation of existing supervisory principles and regulations, combating fraud, money laundering etc.

2.3. Development Cooperation

Since the 1970s, India has significantly improved the well being of its people, with remarkable progress in human development indicators. However, poverty is still widespread, unemployment or underemployment is high and vast disparities persist in per capita income. Human development indicators remain poor, particularly for tribal people and scheduled castes. At the same time, India is becoming an atypical actor in development policy: recipient and donor, user of developmental innovations and exporter of generic medicines and new biotechnology solutions. India has recently reduced the number of bilateral donors to six (US, Russia, Japan, UK, Germany and the EC). The consequent reduction in soft loans and grants should lead to more focused interventions to help reform Indian institutions and develop sound policies.

The EU must help India to meet the Millennium Development Goals. Innovative steps could be envisaged, complementing India's Development Policy, with special attention to improved governance and environmental sustainability. Co-ordination with other EU donors should be strengthened, including with those Member States no longer maintaining development programmes in India. Social and economic cohesion could be identified as a priority topic for a future strategy, based on the experience gained in the State Partnerships and the sector support programmes, particularly for elementary education and basic health. The EU could also share its experience of social security systems.

More generally, EU development co-operation should increasingly focus on helping marginalised groups to participate fully in society. The EU should support OECD guidelines on multinational enterprises for EU companies operating in India; and the ratification, implementation and promotion of the fundamental ILO conventions, especially on freedom of association and child labour. The EU could also organise seminars and training for India's civil servants and promote debate in civil society on development and globalisation.

2.4. Mutual Understanding

There is good understanding between the European Parliament and the Indian Parliament, the Lok Sabha, but formal visits and other concrete interaction have been less frequent than expected. Besides high-level meetings, both Parliaments should reflect on holding regular, institutionalised **Parliamentary exchanges** between the EP Delegation on South Asia and SAARC and its Indian counterparts.

The Commission has already set up instruments for **academic contacts and exchanges**: a European Studies Programme at the Jawaharlal Nehru University in New Delhi, the 'Asia Link' programme and the Economic Cross Cultural programme. In synergy with the Erasmus Mundus programme, the Commission is now developing a Scholarship Programme worth €33million, as from academic year 2005/2006, to focus on postgraduate studies for Indian students. European Studies in Indian Universities and Indian Studies in European Universities should also be promoted.

In the **cultural field**, cooperation in all disciplines, notably film and music, should be reinforced, including with regard to cultural industries. Those Member States who have cultural institutes in India should lead the way and stakeholders should be invited to make full

use of relevant EC programmes to promote cooperation . The Cultural Week should become a fixture of future Summits. Cultural cooperation and intercultural dialogue should also be held at the multilateral level, in particular through a UNESCO Convention for worldwide cultural diversity.

Much remains to be done to increase reciprocal **visibility**. Indian public opinion needs to receive information about the EU's many facets beyond trade issues. Close cooperation and coordination between all Member States and Institutions will be crucial, and sufficient resources should be devoted to this task. Member States' diplomatic and cultural representatives in Delhi should report on EU visibility and contribute to a future awareness-raising and communication strategy. The Commission will launch a research project to identify target audiences, key messages, main instruments and how best to deploy them. Member States and the European Parliament are invited to contribute to this work. Information should be exchanged on high level visits, and all high level EU visitors should promote the EU in India. The Government of India should be encouraged to visit EU Institutions as often as possible, and India would be expected to devise its own communications strategy.

2.5. Institutional Architecture

The 1994 Cooperation Agreement, the 1993 Joint Political Statement and the 2000 Lisbon Summit have defined the institutional architecture of EU-India relations. Our evolving partnership has created a complex structure of meetings at different levels in virtually all areas of interest and cooperation. It is now time to streamline and increase its effectiveness. To this effect, a number of initiatives could be taken.

Summits and ministerial meetings should focus on a limited set of strategic priorities, with Summits providing overall guidance and concentrating on central issues. The **Joint Commission** should follow activities across the whole range of our partnership. Under its guidance, clear objectives, subject to regular review, should be established for temporary **working groups** and permanent **sub-Commissions**. Biennial meeting calendars should be drawn up to ensure proper sequencing of meetings. In addition, **brainstorming sessions** should become a regular feature of informal dialogue and interaction.

EU and Indian **missions** should meet regularly and work together in UN sites. Regular meetings could be held between EU Heads of Mission and Indian Ministers and their respective officials, and workshops or seminars set up with think tanks or academics.

The **Round Table** should be fully integrated into the institutional architecture. Co-chairs should be invited to present non-binding policy recommendations at the Summit. Additional mechanisms should be set up to enhance interaction between civil society, and in particular businesses, think tanks and NGOs.

EU-India relations should also regularly feature on Council agendas.

3. IMPLEMENTATION AND FOLLOW-UP

The Commission invites the Council, the European Parliament and the European Economic and Social Committee to endorse the main thrust of this Communication and the attached Commission services working document.

The Commission hopes that this will be the starting point of collective reflection on upgrading EU-India relations to a truly strategic partnership. The main orientations emerging from debate on this Communication could be presented at the 5th EU-India Summit, where India may well respond with its own policy paper. Both could form the basis for a seminar between both sides' main stakeholders, to produce non-binding guidelines for a further deepening of EU-India relations in the form of **an Action Plan and a new Joint EU-India Political Declaration. Both could be endorsed at the 6th EU-India Summit in 2005.**