

IN-DEPTH ANALYSIS

EU-India relations — keeping up the momentum needed for a vital strategic partnership

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ABSTRACT

Relations between the EU and India seem to be back on track since leaders met in Brussels, on 30 March 2016, for their first summit in four years. They endorsed the EU-India Agenda for Action 2020 and their water, clean energy and climate partnerships; they welcomed the negotiations on a broad-based Bilateral Trade and Investment Agreement (BTIA) and agreed that the fact that they are currently stalled should not stand in the way of the overall development of the relationship. They set a common agenda on migration and mobility and they adopted a joint declaration on counter-terrorism. It is vital to keep up the momentum created at the summit. The strategic relationship is vital to both sides: India is Asia's third-largest economy and the world's fastest growing economy and the EU is India's biggest trading partner. The EU is also the largest investor in India, with foreign direct investment stock valued at EUR 38.5 billion in 2014, and is the primary destination for Indian foreign investment.

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1 Key issues and developments

- The **13th EU-India summit was held in March 2016** in Brussels — the first since 2012. Relations between the two partners seem to be back on track. The leaders endorsed the EU-India agenda for action 2020 and welcomed the EU-India Trade and Investment Agreement negotiations. They adopted a joint declaration on the India-EU water partnership along with a clean energy and climate partnership and set a common agenda for migration and mobility. They also adopted a joint declaration on counter terrorism. The European Investment Bank formally agreed to issue a long-term loan of EUR 450 million.
- In January 2012, **two Italian marines**, Salvatore Girone and Massimiliano Latorre, stationed on board an Italian ship for an anti-piracy operation, accidentally killed two members of the crew of an Indian fishing boat. The marines were accused of the killings and arrested by the Indian authorities. Their arrest created an international legal dispute between Italy and India as to which country had jurisdiction in the case. In 2015, both countries agreed to refer the dispute to the Permanent Court of Arbitration (PCA) in The Hague. At the 13th EU-India summit, the EU and India stated their confidence in the arbitration procedure on the case, which is currently being heard in the framework of the United Nations Convention on the Law of the Sea (UNCLOS).
- India has a **bicameral parliamentary** system. The Lok Sabha (the lower chamber or the House of the People) has up to 552 directly elected members. The Rajya Sabha (the upper chamber or the Council of States) has a maximum number of 250 members. Legislative proposals adopted by the Lok Sabha have to be approved by the Rajya Sabha before becoming law. The Indian parliament cannot legislate on foreign affairs. In recent decades, the role of the parliament has declined progressively. Its constitutional weakness lies in the strong powers of the prime minister and the office of the prime minister, which can overrule any decision of the parliament via an executive order.
- India still **implements the death penalty**. The last execution was in 2015 after Yakub Memon was convicted for financing the Mumbai bombings. There have been no executions in 2016, although the supreme court continued to pass death sentences throughout 2015 and 2014.

2 European Parliament–India: milestones

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|-------------------------|---|
| 19 January 2016 | The EP passed a resolution on EU citizens in detention in India, expressing concerns about the detention of two Italian marines without charge, calling for their return and noting that the lengthy delay of the trial and the restriction of freedom of movement is a serious breach of human rights. |
| 24 June 2015 | Meeting between the President of the European Parliament and the Speaker of the Lok Sabha (Indian Parliament), Sumitra Mahajan. |
| 16-18 March 2015 | Members of the EP went to Delhi and Jaipur for the Inter-parliamentary meeting in India. The two main issues discussed were the future of the strategic partnership and the importance of holding a summit. |

15 January 2015	The European Parliament passed a resolution (2015/2512(RSP)) on the case of the two Italian marines accused of killing two Indian fishermen. It called for all parties involved to work immediately towards a solution and highlighted concerns about detention without charge.
16 January 2014	The EP passed a resolution: 'On recent moves to criminalise lesbian, gay, bisexual, transgender and intersex (LGBTI) people'. It called for the decriminalisation of consensual acts between people of the same sex, as foreseen by a 2009 ruling of the Delhi High Court, which was overturned by the Indian Supreme Court on 11 December 2013.
29 to 31 October 2013	A delegation from the INTA Committee led by Pawel Zalewski (EPP, Poland) visited India (Delhi, Pune and Mumbai) and held meetings with representatives of the government, the parliament, economic stakeholders and members of civil society.
17 January 2013	Following the rape of a student in Delhi in December 2012, the EP called in a resolution on the Indian authorities to develop coordinated responses to gender-based violence, particularly sexual assault, and called on the European Commission to assist with this.
13 December 2012	An EP resolution acknowledged India's efforts at the federal, state, regional and local levels to eradicate caste discrimination. However, many MEPs remained concerned by continuing practices.
30 April to 4 May 2012	An EU-India inter-parliamentary meeting took place in Delhi and Chennai and addressed climate change, foreign policy issues, human rights and the situation in Tamil Nadu.
11 May 2011	The EP passed a resolution on the prospects for an India-EU free trade agreement (FTA), suggesting that its scope should be all-encompassing, including a legally binding human rights clause with a consultation mechanism modelled on Article 96 of the Cotonou Agreement.

3 Political situation in India

3.1 Overview

Economic inequalities in India are enormous.

India's caste system is among the world's oldest forms of social class division and it is a country where income inequalities are huge. The government still struggles to provide basic services such as drinking water, sanitation or electricity. Rural India is lagging behind and a third of the country's population lives on EUR 1 a day. A third of the world's poor are Indian.

Born in 1950, Narendra Modi, who was sworn in as Prime Minister on 26 May 2014, holds a degree in political science from Gujarat University, and rose to become chief minister (CM) of the state of Gujarat in 2001. Often described as a Hindu nationalist, he has indeed since childhood been a member of the controversial right-wing nationalist movement, Rashtriya Swayamsevak Sangh (RSS)¹. Narendra Modi was criticised by the EU in 2002 for stirring up ethnic divisions when more than a thousand Muslims were killed by an infuriated Hindu mob in Gujarat. Although the Supreme Court of India cleared Modi of any personal responsibility for the events, his administration was criticised for not preventing the massacre and Modi himself was blamed for having stirred up anti-Muslim feelings.

Prime Minister Narendra Modi's cabinet has not yet embarked on any major reforms.

In the 2014 general election held between 7 April and 12 May, Narendra Modi led the **Bharatiya Janata Party (BJP)** and their coalition partners the National Democratic Alliance coalition (NDA) to victory. This signalled an important political change in the world's largest democracy.

Since 2015, PM Modi's electoral success has started to fade despite the BJP remaining as the largest party in the country. The ruling NDA coalition lost the state elections in Delhi on 7 February and in Bihar (held in five stages from October till November 2015). In 2016, the BJP did not win the state elections in Tamil Nadu, West Bengal and Kerala. It won in Assam, due to its association with regional allies. The next major elections are scheduled to take place in the states of Uttar Pradesh and Punjab in 2017. The BJP have not established a nation-wide presence, as they collect around 30 % of the vote share. This highlights that there remains a majority of voters that do not choose the BJP party. The BJP party seem to be creating alliances with regional parties to try and form a majority in the Rajya Sabha. This would allow the government to pass legislation much more easily, which they are currently struggling to do. It must be noted, however, that PM Modi remains very popular amongst large segments of the population.

The National opposition is led by the **Indian National Congress (INC)**. It is slowly recovering from its defeat in the 2014 legislative election and has been allying with the left parties to pursue an active opposition. Currently congress rules just six of India's 29 states. The party seem to have a decreasing base of support, which is further cemented with PM Modi consistently stating that he wants to make India 'Congress free'. The party seem to lack a cohesive structure and their biggest weakness seems to be the dependence on the Gandhi dynasty, whose policies no longer seem to appeal to the public².

Another noticeable party is the **Aam Aadmi Party (AAP)** led by Arvind Kejriwal. It was created in 2012 as an offspring of the anti-corruption movement.

¹ The RSS was founded in 1925 in opposition to British rule, and is dedicated to the independence and the protection of Hindu political, cultural, and religious interests.

² BBC, Is India's grand old party in terminal decline?, 2016
<http://www.bbc.com/news/world-asia-india-36328983>

3.2 The Indian parliamentary system

India has a bicameral parliament.

India has a bicameral parliamentary system. The Lok Sabha (the lower chamber, or House of the People) has up to 552 directly elected members of which a maximum of 20 represent Union Territories and the remainder Union States. Two additional non-partisan members representing the Anglo-Indian Community are nominated by the President of India, Pranab Mukherjee (INC). The Lok Sabha currently has 545 members. Each Lok Sabha is formed for a five-year term.

The Rajya Sabha (the upper chamber, or Council of States) has a maximum number of 250 members. The present strength of the Rajya Sabha, however, is 245, of which 233 are indirectly elected and 12 are nominated by the president. A member's full term is six years. The Rajya Sabha is a permanent house, which means that it is never dissolved. One third of the members' terms expire every two years.

Legislative proposals which have been adopted by the Lok Sabha have to be approved by the Rajya Sabha before becoming law. However the Indian parliament cannot legislate on foreign affairs as its competence is confined to domestic issues. On matters such as treaties with other countries (e.g. the nuclear deal with the US, a possible future free trade agreement with the EU) and deployment of Indian troops outside the country, the Indian parliament is only informed ('taken into confidence') by the government. The constitutional weakness of the parliament is underpinned by the strong powers of the Prime Minister and the Prime Minister's Office, who can overrule any decision of the parliament via an executive order.

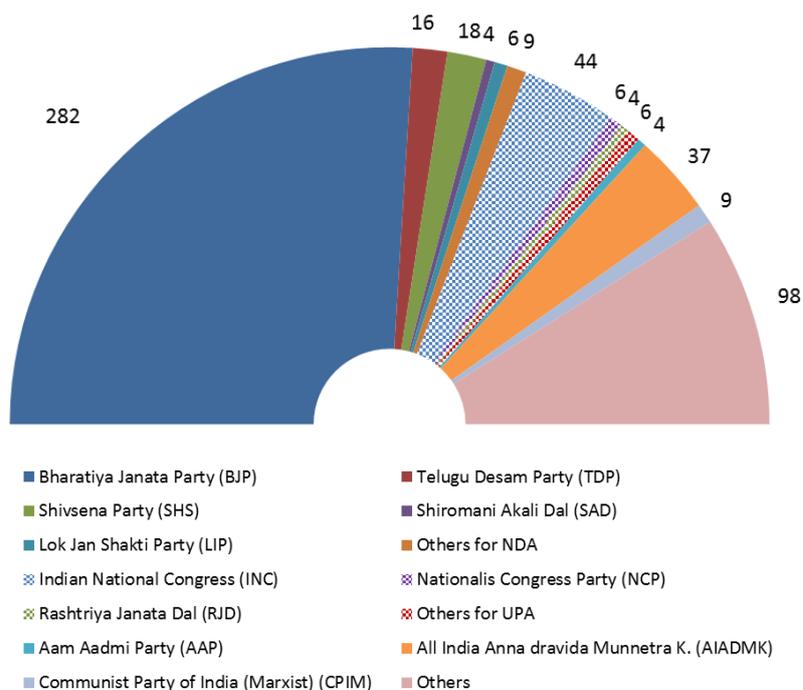
The role of the parliament has declined in India's political system over the past few decades.

Over recent decades, the role of the parliament has declined progressively. The number of days on which the Houses sit each year (there are three annual sessions: the budget session from February to May, the monsoon session from July to September, and the winter session from November to mid-December) and the time that is devoted to discussions on relevant issues has diminished considerably. The sessions are regularly adjourned over disputes and differences of opinion between members.

Furthermore, the number of members with a criminal record remains one of the most troubling aspects of the Indian parliament. Election rules do not prevent those charged with criminal cases from standing for office, but only bar those who have been convicted.

Figure 1:

Distribution of the 543 seats in the 16th Lok Sabha (lower house), as elected from 7 April to 12 May 2014



Source: website of Lok Sabha

Prime Minister Modi's Bharatiya Janata Party (BJP) has an absolute majority in the lower house.

The Lok Sabha numbers 543 elected members and two appointed members. In the 2014 election, the BJP more than doubled its number of seats from 116 to 282. The party heads the National Democratic Alliance coalition (NDA), which altogether has an absolute majority, with over 330 seats. The Indian National Congress (INC), led by Sonia Gandhi, saw its share drastically reduced from 206 to 44 seats³. However, due to the first-past-the-post system, the BJP's overwhelming victory in the parliament was obtained with 31 % of the popular vote.

The victory of the Aam Aadmi Party (AAP) was a surprise during the 2013 elections for the Delhi legislative assembly. Its leader, Kejriwal, was subsequently appointed chief minister of Delhi. He resigned in February 2014 to protest against the obstacles that his anti-corruption bill had met in the Delhi assembly. The party has not been able to build its popularity beyond the capital. In the 2014 general election, the AAP obtained only four seats. On 7 February 2015, in the Delhi Legislative Assembly elections, the AAP secured an absolute majority in the assembly winning 67 out of 70 seats.⁴

The Lok Sabha has 62 female members, which represents a marginal increase from the 59 in the previous legislature.

In the current Lok Sabha, the number of members elected while facing criminal charges has increased. According to a survey conducted by the

³ Parline Database, 2016, http://www.ipu.org/parline-e/reports/2145_E.htm

⁴ The Hindu, AAP, 2015, <http://www.thehindu.com/elections/delhi2015/aam-aadmi-party-sets-the-agenda-for-delhi-elections/article6868763.ece>

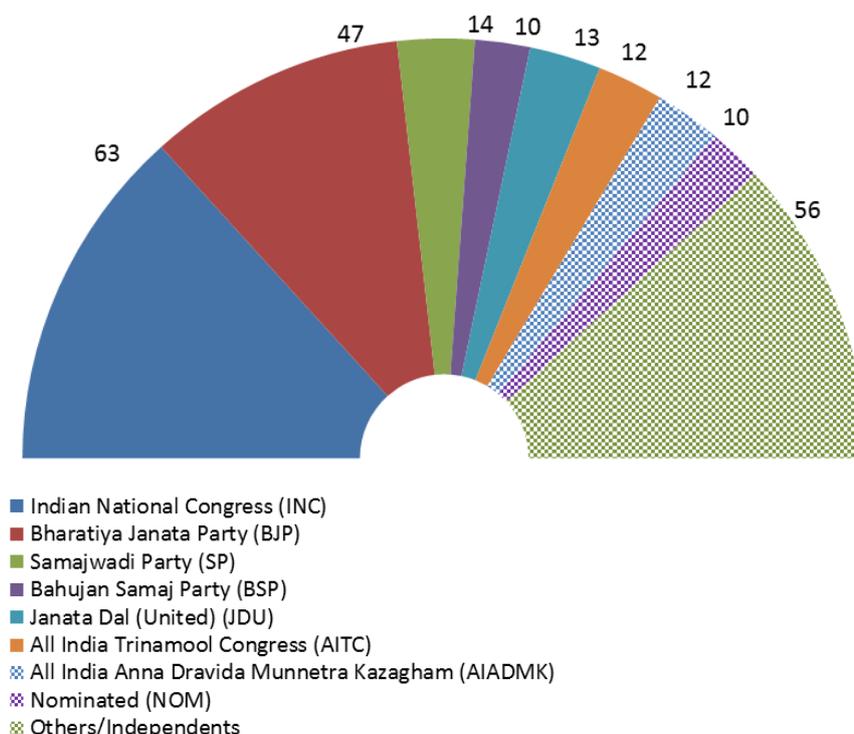
Indian Association for Democratic Reform⁵ 186, or 34 %, of newly elected MPs had declared criminal charges in the election affidavits that they have to fill in before the Election Commission. Out of these, 112 MPs (21 %) declared facing serious criminal charges including murder and rape.

The 545 MPs in the current legislature include only 20 Muslims — the lowest proportion ever.

Finally, a striking feature of the current Lok Sabha is the lack of political representation of Muslims. The legislature includes 20 Muslim MPs in total, which is the lowest figure ever. Not a single BJP MP is a Muslim. Despite the fact that the country is home to the world's third largest Muslim population, India's largest minority is almost without a voice in their parliament⁶.

3.3 The composition of the Rajya Sabha (upper house)

Figure 2: Composition of the *Rajya Sabha* (upper house) after the 11 June 2016 biennial elections



Source: website of Rajya Sabha

The ruling coalition lacks a majority in the upper house of the parliament.

The ruling coalition does not have majority in the Rajya Sabha; this is because it is composed of members of the state legislative assemblies. Currently 63 seats are held by the Indian National Congress, 47 by the BJP and 14 by the Samajwadi Party. Achieving this majority is one of the current political aims of the BJP, which wants to consolidate the government's position before embarking on reforms. In the past, this has prevented Prime Minister Modi from carrying out several important reforms, such as labour market reforms, the development of common agricultural market, the new PPP/infrastructure regulatory framework and the privatisation of public sector undertakings.

Biennial elections to 57 Rajya Sabha seats were held on 11 June 2016 in order to replace 55 members retiring from 15 states and two seats from

⁵ Lok Sabha 2014 Crimo-meter <http://loksabha.adrindia.org/lok-sabha/winner-crimo-meter>

⁶ According to Pew Research's 2012 Global Religious Landscape, 176 190 million Muslims live in India, making 14,4% of the population of the country

both Rajasthan and Karnataka vacated by Anand Sharma (Congress) who resigned to return to being a law maker and Vijay Mallya (Independent) who resigned due to unpaid loans. The election was held across seven states. 11 seats went to the BJP party, six to the Congress Party, seven to the Samajwadi party, two to the Bahujan Samaj Party (BSP) and one to an Independent candidate. Earlier, 30 of the total 57 seats were decided without contest⁷.

3.4 Human rights

India continues to apply the death penalty.

India continues to implement the death penalty. The last execution was in 2015 of Yakub Memon, who was convicted for financing the Mumbai bombings. There have been no executions in 2016; however throughout 2015 and 2014, the Supreme Court continued to impose death sentences.

The judicial system suffers from corruption and a backlog of cases.

According to human rights organisations, torture, arbitrary detentions and extrajudicial killings are committed by the security forces with impunity. In just one case so far, in November 2014, several army officials were found guilty of killing three innocent civilians. No justice has been administered yet for the human rights violations committed during the 1984 anti-Sikh riots. The judiciary is not only prone to corruption, but also cannot cope with the amount of cases, which leads to delays or denial of justice.

In general, the media can report freely, with some restrictions for the radio where private stations can only broadcast educational and entertainment content. Moreover, content that could instigate communal tensions is forbidden. Inflammatory messages are banned also on the internet which according to estimates is accessible to approximately 10 % of the inhabitants.

NGOs are under government control.

The Foreign Contribution Regulation Act allows the authorities to control the activities of the organisations and their funding. The NGOs receiving funding from abroad are not allowed to engage in political activities, while political organisations or media outlets are prevented from accepting foreign financing. The often arbitrary interference in case of non-compliance with the law can go as far as cancelling the activities of the organisation.

The Indian government has passed laws that criminalise peaceful expression, even though it is protected under the Indian constitution. The government uses laws such as the sedition provisions of the penal code, the criminal defamation law and laws dealing with hate speech to silence disagreements with the government.

The sedition law is used to silence dissent.

The sedition law, section 124A of the Indian Penal code, is law dating from the colonial era law that was once used against political leaders seeking independence from British rule. It states that any signs, visible representation or words, spoken or written, that can cause 'hatred or

⁷ The Hindu, Rajya Sabha poll results list of winners, 2016, <http://www.thehindu.com/news/national/rajya-sabha-poll-results-list-of-winners/article8718498.ece>

contempt, towards the government' are banned. Due to the vagueness of its wording, the government has been able to misuse it. The sedition law was applied in 47 cases in 2014. There has been a steep increase in 2016, with 11 cases against 19 people in the first three months, compared to none during the same period in the last three years.

The most notable cases were: in 2016 when Kanhaiya Kumar, a student union leader at Jawaharlal Nehru University, was jailed by the authorities for allegedly voicing anti-national slogans, a charge which he denies; in 2014, when authorities in Uttar Pradesh charged 60 Kashmiri students with sedition for cheering for Pakistan in a cricket match against India; In 2015, when folk singer S. Kovan, was arrested under the sedition law for two songs that allegedly criticized the government. Also the case of Aseem Trivedi, in 2012, a cartoon satirist was charged of sedition after a complaint that his cartoons mocked the Indian constitution and national emblem.⁸

Intolerance against religious minorities is widespread.

Intolerance against religious minorities is widespread, a legacy of India's partition in 1947 and Ghandi's assassination in 1948. The acts of violence committed by Hindu militants are not investigated or prosecuted by the authorities. In February 2015 hundreds of Christians were arrested by the police after they went out into the street to protest when a church was vandalised.

Although caste discrimination was prohibited in 1949, Dalits ('the Untouchables') reportedly continue to suffer discrimination and attacks. In several cases the courts closed cases involving killings of Dalits, due to the lack of evidence.

Violence against LGBT persons is prevalent in India.

Violence against LGBT persons is prevalent in India. Sexual activity between people of the same gender is illegal and punishable by incarceration. In 2013, the Supreme Court repealed the decision of Delhi High Court that had found that the criminalisation of same-sex relations under the Penal Code of 1860 was an infringement of fundamental rights. The situation has improved for hijras (transgender persons) as in 2014 the Supreme Court recognised them as a third gender and a minority entitled to job and education quotas due to their 'socially backward' position. In December 2015 Shashi Tharoor, a member of the Indian Congress Party, introduced a bill for decriminalisation of section 377 (anal sex between men and other homosexual acts), but the bill was rejected by the House. In 2016 the Supreme Court reviewed the law criminalizing homosexual activity.

There are gaps in India's international human rights commitments.

India has signed but not ratified the International Convention against Torture. India has also entered a reservation to the Article 16 I of the Convention on the Elimination of All Forms of Discrimination against Women, which refers to equality regarding marriage and family rights. During the Universal Periodic Review in 2012 India pledged to ratify the Convention against Torture and improve the situation of women and

⁸ Human Rights Watch, The Sedation Law, 2016, <https://www.hrw.org/report/2016/05/24/stifling-dissent/criminalization-peaceful-expression-india>

children. In 2014, India maintained its position on capital punishment by voting against the UN General Assembly resolution on death penalty.

3.5 Situation of women

India's male-to-female ratio is distorted (120 males for 100 females), suggesting that many girls have 'gone missing'.

Gender-based violence is a major cause for concern in India.

The criminal law was amended after the Delhi rape and murder case but implementation is lagging behind.

The country displays a distorted sex ratio for children: according to the census statistics on the male to female ratio in India, there are up to 120 men for every 100 women⁹. Any ratio between 103 and 107 is considered to be a natural one. Any higher ratio suggests a gendercide¹⁰. It can take form of abortion, infanticide or lethal violence against a particular gender at any age.

The UN Committee on the Elimination of Discrimination against Women, visiting India in 2014, expressed concerns over the lack of a comprehensive anti-discrimination law. The UN Special Rapporteur on violence against women pointed out that the laws fail to address root causes of violence.

Since the death of a 23-year-old student who was gang-raped in New Delhi in December 2012, violence against women in India regularly makes the headlines. In January 2013, following the considerable wave of protest after the rape and murder of the young student, the EP adopted a resolution calling on the Indian authorities to develop coordinated responses to gender-based violence, and particularly sexual assault. There have been numerous incidents since this resolution, the most recent case was in May 2016 concerning the rape and murder of lower-caste women in Kerala. This brought to light discussions surrounding the lack of protection provided for India's female lower caste¹¹. The living conditions of women remain difficult: according to a poll¹² gender infanticide, child marriage and slavery make India the worst place to live for women today in G20 countries.

The criminal law was amended following the above-mentioned Delhi rape, imposing tougher punishment for gender-based violence, nevertheless, its implementation is lagging behind. Victims often fear the consequences of reporting the rape, e.g. retaliation. In 2014, the government approved guidelines for the medical care of rape victims, however, without any financial backing. Bride trafficking is triggered by the predominance of men in the country — girls are sold to men who cannot find a wife, and regularly end up in slavery. Although the law puts the legal age for marriage for women at 18, UNICEF estimates that nearly half of India's women are married by the age of 18.

⁹ The Economist, The war on baby girls, Gendercide, 2010, <http://www.economist.com/node/15606229>

¹⁰ Gendercide refers to the systematic elimination of individuals on basis of the gender.

¹¹ The Telegraph, India in shock after brutal rape and murder of female untouchable, 2016, <http://www.telegraph.co.uk/news/2016/05/03/india-in-shock-after-brutal-rape-and-murder-of-female-untouchabl/>

¹² Canada best G20 country to be a woman, India worst - TrustLaw poll, 2012, <http://www.trust.org/item/?map=poll-canada-best-g20-country-to-be-a-woman-india-worst/>

Additionally, 2016 saw an increase in abuse against women and girls with psychosocial or intellectual disabilities, who are being admitted to mental institutions without consent, due to the stigma of mental health issues in the country. Once they are in these institutions, women face a range of abuses including prolonged detention, unsanitary conditions, neglect, involuntary treatment and violence¹³.

3.6 Security

India's security environment is characterised by territorial and maritime disputes with China, Pakistan, Bangladesh and Burma; by internal ethnic and religious insurgency and by illegal cross-border activities on the borders with Nepal and Afghanistan.

Tensions persist in the state of Jammu and Kashmir.

Tensions remain in **Jammu and Kashmir**: the former princely state is a disputed area between India, Pakistan and China. The conflict dates back to the division of the country when the former colonial power, the United Kingdom, withdrew from India between 1945 and 1947. The majority of the state is administered by India, another part is de facto administered by Pakistan (Azad Kashmir and Northern Areas) while a third part, Aksai Chin, is held by China. In 2003 India and Pakistan agreed on a ceasefire; after an earthquake devastated the area in 2005, tension decreased. Despite the cease-fire, military hostilities occur at the highly militarised Line of Control between the two countries. The conflict could be revived, due to a wide range of factors, including the situation in Afghanistan, and the position of the BJP which wants to integrate better the region in the country, and stands in favour of ending Kashmir's special status under the Indian constitution. Modi paid a visit to Kashmir shortly after his election and received a cold welcome. He paid another visit to the region in December 2014 to support his party in the on-going state election. Violence increased during the electoral period causing the worst losses for security forces in six years.

The absence of agreement on the border demarcation in the north-eastern part of India is a bone of contention and spills into recurrent tensions between the countries. The UN Military Observer Group has been present in the region since 1949, establishing and monitoring a ceasefire in the area of Jammu and Kashmir.

A number of conflicts have ethnic and social roots.

The security of India also largely depends on ethnic and religious stability, as the country is home to a large variety of ethnic and religious groups. India's Maoists, called **Naxalites** after the name of Naxalbari, the West Bengal village where the uprising started. Since 1967 they have been waging a struggle on behalf of landless labourers and indigenous tribal people against landlords and others, aspiring to create a communist state. The Naxalites have spread to isolated rural areas of Andhra Pradesh, Madhya Pradesh, West Bengal, Maharashtra, Odisha, Jharkhand, Bihar and

¹³ Human Rights Watch, Treated worse than animals, 2016, <https://www.hrw.org/report/2014/12/03/treated-worse-animals/abuses-against-women-and-girls-psychosocial-or-intellectual>

Chhattisgarh. Since 2009, a wing of the Naxalites called the CPI-Maoist has been added by the government to the list of terrorist groups under the Unlawful Activities (Prevention) Act.

India has 200 000 refugees and 500 000 internally displaced persons.

India is home to more than **200 000 refugees and asylum-seekers**, especially from south and south-east Asia (Tibet, Sri Lanka, Myanmar/Burma and Bangladesh) but also from neighbouring Afghanistan. Moreover, territorial disputes triggered internal population transfers which resulted in at least of 500 000 Internally Displaced Persons (IDPs) among which 250 000 are from Jammu and Kashmir.

3.7 Military

India has the ninth-largest defence budget in the world — and the budget is growing.

The Indian Armed Forces have a strength of 1 325 000 soldiers (Army 1 129 900, Navy 58 350, Air Force 127 200, Coast Guard 9 550). They are complemented by paramilitary forces with a strength of 1 403 700. These are forces trained and equipped to military standards (light weapons), hosted in barracks and readily deployable throughout the country and on the borders. India has the ninth largest defence budget in the world. In 2013 it spent EUR 27.3 billion, which puts it on a level with Germany and Japan, ranking seventh and eighth respectively. According to UK Government estimates, India's defence expenditure will continue to rise, and by 2045 it could be equivalent the EU member states' cumulated spending on defence, placing it in third position behind the United States and China.

India is the biggest contributor of troops to UN peacekeeping forces.

Since the beginning of UN peacekeeping in 1948 India has been its largest contributor of forces. It has participated in 44 missions with close to 180 000 troops including both police and military forces, including the first all-female police unit deployed to the United Nations Mission in Liberia (UNMIL) in 2007.

India is a nuclear power, with around 100 nuclear warheads.

India is believed to possess between 90 and 110 nuclear warheads. As of 2014, none of the warheads is believed to be readily deployable, i.e. they are not installed on any means of delivery such as missiles, bombs or torpedoes. India is not party to the Nuclear Non-Proliferation Treaty (NPT). However, it is party to the Comprehensive Nuclear-Test-Ban Treaty (CTBT), even though it has not yet ratified it. India possesses nuclear-capable missiles of short and intermediate range and is currently developing missiles with intercontinental range.

India is the world's largest importer of defence materials.

Even though the country's domestic arms industry is developing, it still remains the world's biggest arms importer. In 2014 is accounted for 14 % of global arms imports, well ahead of China and Pakistan with 5 % each. The main supplier is Russia, who accounts for two thirds of India's more than EUR 22 billion arms imports since 2003. Almost half of that sum has been spent in the last three years, fuelling, and being fuelled by, the current arms race in Asia.

Notwithstanding the size of its armed forces, its nuclear capabilities, the growing modernisation of its materials and the significant efforts made to build a domestic defence technological and industrial base, India's military capabilities still fall behind its ambition and investment. India's defence

institutions have never been reformed since its independence. They build on a 1940s model of armed forces organisation with separate commands for the army, navy, air force and border security forces, each with its own staff organisation. However, without a joint staff to co-ordinate operations and equipment demand, the Indian armed forces will have difficulty adapting to modern mechanised, highly mobile and information-technology centred warfare.

4 Economy, social indicators and trade

4.1 Economy and social indicators

India is now the world's fastest growing major economy, overtaking Canada, Italy and Brazil in terms of GDP.

In July 2016, the International Monetary Fund (IMF) trimmed **India's growth forecast** for 2016-2017 down to 7.4 % from the 7.5 % projected in April 2016, blaming sluggish recovery in investment¹⁴. In 2015/2016 the Indian economy (GDP) grew 7.6%, up from an average of 6.5 % during 2013-2015. The Reuters consensus view¹⁵ is slightly more optimistic, as the poll of over 30 economists taken in mid-July 2016 showed estimates that India's economy could expand by 7.8 % in 2016/2017, the fastest among major economies.

India has become the world's fastest-growing large economy. It is the world's seventh-largest economy in terms of gross domestic product (GDP), which equalled USD 2.091 billion in 2015¹⁶, overtaking the G7 members Canada (USD 1.552 billion) and Italy (USD 1.814 billion) as well as Brazil (USD 1.773 billion). According to the IMF, India's GDP, based on purchasing-power parity (PPP) per capita valuation reached USD 7.965 billion (2015). India, placed fourth after China (USD 19.392 billion), the EU (USD 19.205 billion) and the United States (USD 17.947 billion), is ranking ahead of, amongst others, Japan (USD 4.830 billion), Germany (USD 3.841 billion), Russia (USD 3.718 billion) as well as the United Kingdom (USD 2.679 billion)¹⁷. Yet, India is classified as a 'lower-middle-income' country by the World Bank¹⁸.

In 2015 India's economy expanded despite agriculture facing a second consecutive drought year. Private investments flat-lined and exports plummeted. The Asian Development Bank (ADB) estimated in July 2016 that the Indian economy was on track to meet its projected growth target of 7.4 % in 2016-17, supported by brisk consumer spending and an uptick in the rural economy.

¹⁴ World Bank: India Development Update –'Financing Double-Digit Growth', June 2016.

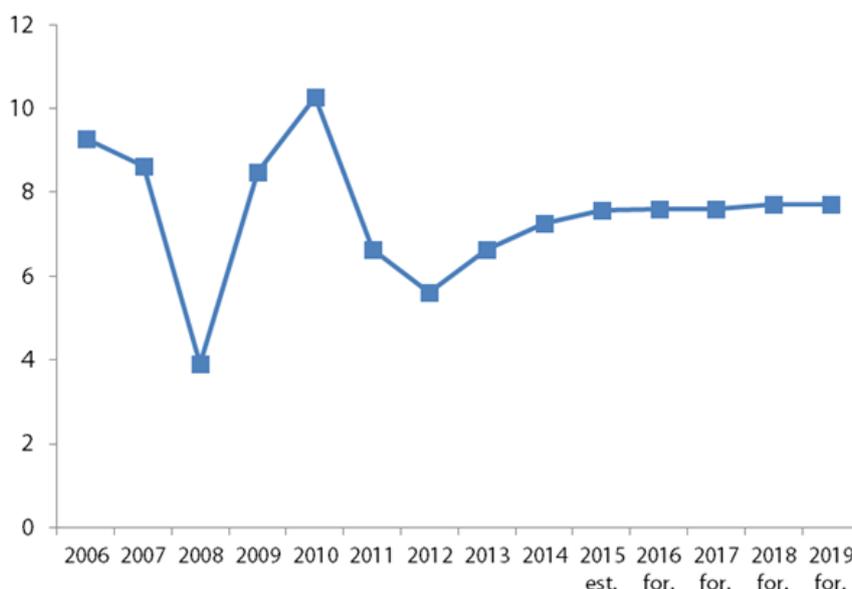
¹⁵ <http://in.reuters.com/article/economy-poll-india-idINKCN1010JR>

¹⁶ World Bank: databank.worldbank.org/data/download/GDP.pdf

¹⁷ <https://knoema.com/IMFWEO2016Apr/imf-world-economic-outlook-weo-april-2016>

¹⁸ <http://blogs.worldbank.org/opendata/new-country-classifications-2016>

Figure 3:
India's GDP growth (annual %)



Source: International Monetary Fund

The **economy is on a recovery path**, helped by a trade gain (about 2.5 % of GDP), positive policy actions, and reduced external vulnerabilities. As refined petroleum products made up about 20 % of the value of goods exports in 2014/15, a collapse of global oil prices has boosted economic activity and further improved the current account and fiscal positions and engendered a sharp decline in inflation. However, the slowdown in global demand has affected the country's exports, as the appreciation of the rupee real effective exchange rate has potentially done.

The **current account deficit narrowed** to 1.4 % of GDP during the first three quarters of 2016 from 1.7 % in the same period in 2015. This was largely arising from a lower oil import bill.

In April 2016, the Reserve Bank of India (RBI) projected that its **inflation target would remain at 5 %** for January 2017 with upward bias. In 2015 the inflation rate was at 5.9 % and urban households have benefited from higher purchasing power as inflation declined. Consumer prices in India went up 5.77 % year-on-year in June of 2016, accelerating for the third straight month and reaching the highest since August 2014. While the **slowdown in inflation** everywhere stemmed primarily from more restrained growth in food prices, in urban areas, lower increases in clothing and housing prices have also contributed. Between April 2015 and April 2016 the Reserve Bank of India (RBI) reduced the policy rate by 100 basis points from 7.5 % in April 2015 to 6.5 % in April 2016. Lower interest rates and credit growth to households likely benefited a larger share of urban households than to rural ones.

The country ranked 142 out of 189 countries in the World Bank's 2015 '**Ease of Doing Business Report**' but improved to 130 in 2016. The government has emphasised the importance of 'Ease of Doing Business' as a major pillar its 'Make in India' initiative. Since 2014, when the government launched regulatory reform, India has made big strides in business regulation, e.g.

Despite a sharp reduction in inflation over the past year, it remains a risk.

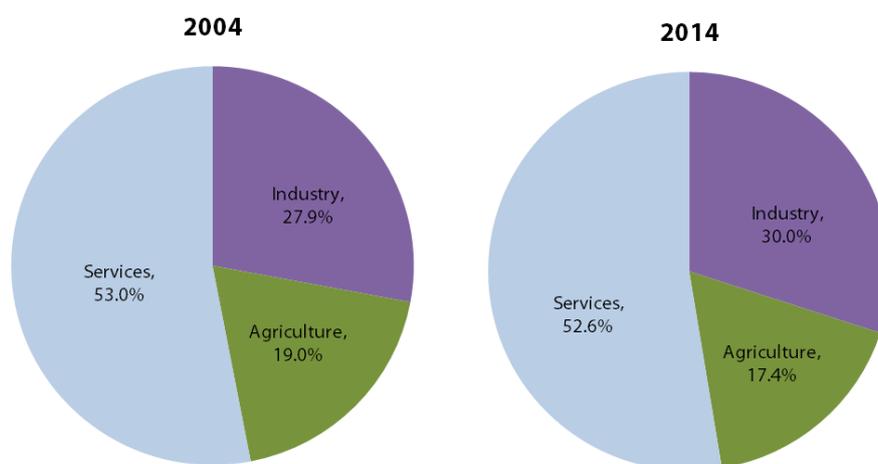
The country ranked 130 out of 189 countries in the World Bank's 2016 'Ease of Doing Business Report'.

whilst in 2004 it took 127 days to start a business, it was reduced to 29 days in 2015. India also eliminated in May 2015 the minimum capital requirement. Entrepreneurs no longer need to deposit 100 000 Indian rupees (around USD 1.629), equivalent to 111 % of income per capita - in order to start a local limited liability company.

In 2015, India ranked 55 out of 140 countries according to the **Global Competitiveness Index**¹⁹. Despite the government's efforts, India was listed in the 2015 '**Corruption Perception Index**' published by Transparency International, with the same score, 38 as in 2014, in 76th place (out of 168 countries). Nonetheless, a more conducive business environment is necessary to attract more FDI.

Ambitions to **accelerate GDP growth to double-digits** would require a strong financial sector to boost productivity growth, while guarding against volatility. In many respects, India's financial sector is performing well, especially considering how it has evolved from an essentially state-controlled system in less than three decades.

Figure 4
Share of economic sectors
in India: 2004 and 2014



Source: World Bank

4.2 International trade relations

India launched The New Foreign Trade Policy 2015-2020 on 1 April 2016.

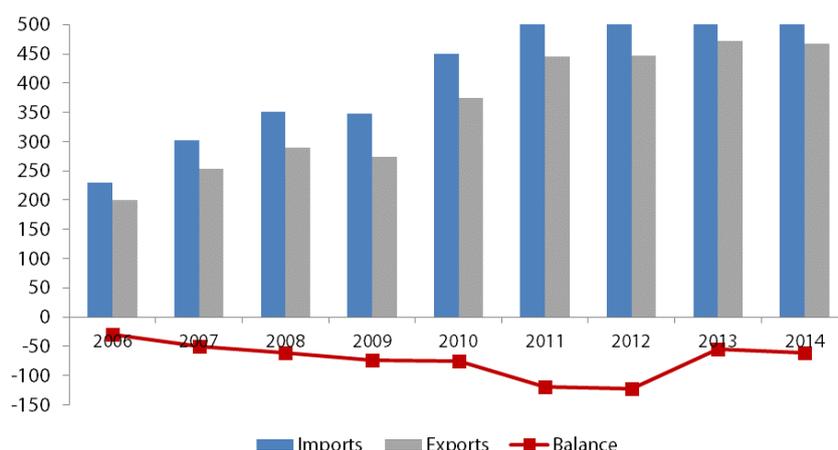
On 1 April 2015, India launched **The New Foreign Trade Policy 2015-20**, with emphasis on improving the 'Ease of Doing Business' for export and import business, and on making India a significant partner in global trade by 2020.

A breakdown of export growth according to changes in global demand and **changes in India's competitiveness** (as proxied by market shares in global trade) reveals that the most recent contraction has been due to weak demand. The **sharp decline in India's merchandise exports** of 17.2 % to USD 267 billion in 2015, from USD 310 billion, was largely the result of a 45.3 % fall in the value of exports of petroleum products (which represented 19 % of the total basket) and mirrored the decline (44.4 %) in oil prices.

¹⁹ World Economic Forum: <http://reports.weforum.org/global-competitiveness-report-2015-2016/economies/#economy=IND>

India's manufacturing exports (especially of high-tech products such as machines and vehicles) declined 8.2 % and agricultural exports declined by 19 %, to USD 35 billion in 2015 (WTO).

Figure 5: India's trade in goods and services in USD billion



Source: World Bank Data Indicators

India's **market share in services trade** (3.3 % of the world) has been growing, while the market share in goods (1.6 %) has declined somewhat given the share of commodities in exports (39 %, including jewellery). The commercial services trade increased 1.2 % in 2015, amounting to 156 billion²⁰.

The **EU is India's largest trading partner**, accounting for 13 % of India's overall trade, ahead of China (9.6 %) and the United States (8.5 %) (Figure 6 below). The EU is India's most important export destination and the Union's second-most source of imports.

Figure 6: India's top 5 trading partners in goods (2015)

Origin of imports				Destination of exports				Trade partners			
#	Origin	EUR million	%	#	Destination	EUR million	%	#	Partner	EUR million	balance
1	China	56 357	15.4	1	EU 28	40 463	16.9	1	EU 28	80 693	+233
2	EU 28	40 230	11.0	2	USA	36 413	15.2	2	China	65 091	-47 623
3	United Arab Emirates	19 931	5.5	3	United Arab Emirates	27 324	11.4	3	USA	55 168	+17 658
4	Saudi Arabia	19 742	5.4	4	Hong Kong	11 012	4.6	4	United Arab Emirates	47 255	+7 393
5	Switzerland	19 258	5.3	5	China	8 734	3.6	5	Saudi Arabia	26 001	-13 483-
All imports:		365 177		All exports:		239 900		Balance of trade:			-125 277

Source: DG Trade

During the past years, **India has liberalised its investment regime**. The country has experienced **large foreign direct investment (FDI) inflows** in 2015: an increase of 28 % amounting to USD 44.2 billion, up from USD 34.6

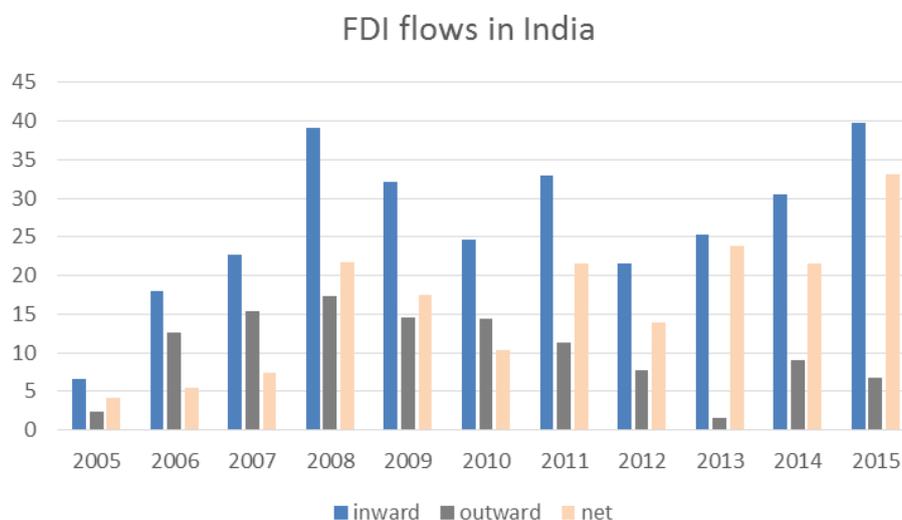
²⁰ WTO: World Trade Statistical Review 2016,

In June 2016, the government liberalised Foreign Direct Investment norms in a number of sectors.

These changes allow foreign investors to establish 100 % ownership in companies involved in defence, civil aviation and food products, although with government approval.

billion in 2014. Several steps have been taken, including the liberalisation of caps on FDI inflows in several sectors (e.g. railway infrastructure, construction, defence and insurance). In June 2016, the government liberalised further FDI norms in a number of sectors, providing a new path for global multinational enterprises to establish retail operations. The long-awaited rules, instituted through an executive order, reinforced the government's plan to develop more business-friendly policies. These changes allow foreign investors to establish 100 % ownership in companies involved in defence, civil aviation and food products, although with government approval. Foreign investors are also permitted to buy up to 74 % of Indian pharmaceutical companies without seeking government approval. In 2015, global foreign direct investment (FDI) flows jumped by 38 % to USD 1.762 billion in 2015²¹. In 2015, FDI inflows to developing Asia rose by 16 % to an estimated USD 541 billion and **FDI flows to India**²² (7th top host economies) reached an estimated USD 44 billion, an increase of 28 %. UNCTAD forecasted that FDI flows are likely to decline by 10-15 % in 2016 due to the fragility of the global economy.

Figure 7:
FDI flows to India



Source: World Bank

India has been a member of the WTO from the beginning and extends most-favoured nation treatment to all members and trading partners.

India is an **original member of the WTO** and provides most-favoured nation (MFN) treatment to all members and trading partners. Within the WTO framework, India's simple average applied MFN tariffs were 13.5 %, and its simple average bound tariffs 48.5 % (all products) in 2014²³, compared the maximum MFN duty of 156 and maximum bound duty of 300 %.

Following the mandate from the 1996 Singapore Ministerial Conference, World Trade Organisation (WTO) members have been engaged in a debate about the relationship between international trade and investment and its

²¹ UNCTAD: <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1555>

²² see also p. 17-18.

²³ WTO: https://www.wto.org/english/res_e/booksp_e/tariff_profiles15_e.pdf

implications for economic growth and development. The WTO already has limited provisions on certain trade aspects of foreign investment:

- The Agreement on Trade-Related Investment Measures (TRIMs) elaborates on existing GATT provisions prohibiting government requirements for investors to purchase inputs locally or to sell their output domestically rather than exporting it. Out of the 41 requests for consultations concerning disputes related the TRIMs, India is concerned of three cases in the WTO dispute settlement framework²⁴.
- The General Agreement on Trade in Services (GATS) has rules relating to the establishment by a foreign service supplier of a 'commercial presence' in an overseas market. Under the GATS, India has not made commitments on all sectors. India is not part in the Trade in Services Agreement (TiSA) currently being negotiated by 23 members of the WTO, including the EU²⁵.
- The WTO Agreements on Trade-Related Intellectual Property Rights (TRIPs). While India has laws covering different aspects of IPRs that have been amended in order to take into account its TRIPS obligations, only the Copyright Act 1957 has been amended since 2011²⁶.
- India has been an observer to the WTO Government Procurement Agreement since 10 February 2010.

India ratified the WTO's new Trade Facilitation Agreement (TFA) in April 2016.

The Multilateral **Trade Facilitation Agreement** (2013) aims to enhance customs practices and will take effect when two-thirds of members complete their approval processes; it is binding on all WTO members, allows for multi-speed implementation by developing countries, and provides for implementation assistance. India ratified the new Trade Facilitation Agreement (TFA) in April 2016²⁷.

India has been frequent users of the WTO's **dispute settlement process** as it has also been top initiator of anti-dumping investigations. The sixth review of the trade policies and practices of India took place in June 2015²⁸.

India is also party to regional trade agreements.

India has concluded trade agreements with a number of South Asian neighbours, including Singapore, Korea, Japan, Nepal, Bhutan, Sri Lanka Pakistan, Bangladesh and the Maldives. India is also part to regional agreements, such as the South Asia Free Trade Area agreement (SAFTA)²⁹, the Asia Pacific Trade Agreement (APTA), the India-ASEAN Trade in Goods Agreement and the South Asian Association for Regional Cooperation (SAARC) agreement on trade in services.

²⁴ WTO:

https://www.wto.org/english/tratop_e/dispu_e/dispu_agreements_index_e.htm?id=A25#

²⁵ EC, DG TRADE: <http://ec.europa.eu/trade/policy/in-focus/tisa/>

²⁶ WTO: Trade Policy Review - India, WT/TPR/S/313/Rev.1, 14 September 2015.

²⁷ https://www.wto.org/english/news_e/news16_e/fac_21apr16_e.htm

²⁸ WTO: https://www.wto.org/english/tratop_e/tpr_e/tp413_e.htm

²⁹ India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan and the Maldives

India is party to the negotiations for a **Regional Economic Comprehensive Partnership (RCEP)**, which includes ASEAN members, China, South Korea, Japan, Australia and New Zealand.

India is party to the negotiations for a **Regional Economic Comprehensive Partnership (RCEP)**, which includes 10 ASEAN members, China, South Korea, Japan, Australia and New Zealand and is scheduled to be completed by end-2016. During the 12th round of negotiations in April 2016, RCEP Members held discussions on goods, service, investment, intellectual property, economic and technological cooperation, e-commerce and articles of law. New Zealand hosted the 13th round of RCEP negotiations on 12-18 June in Auckland. The 4th RCEP Ministerial Meeting took place on 5 August 2016 in Laos.

India has also pursued membership in the **Asia-Pacific Economic Cooperation (APEC)** regional economic forum for over 20 years, and became an observer in November 2011.

In June 2016 after Prime Minister Modi affirmed India's readiness to resume free trade agreement (FTA) talks with the **European Free Trade Association (EFTA)**³⁰, both sides resumed discussions on how to resolve major outstanding issues for an early resumption of negotiations and concluding a balanced agreement in a time-bound manner.

5 Foreign policy and international relations

5.1 International relations

Prime Minister Modi has prioritised relations with neighbours and powers in the Asia-Pacific region.

India has traditionally conducted a foreign policy based on non-interference. Prime Minister Modi seems seriously committed to his promise of making India a global power. He has prioritised his close neighbours — his first visit abroad was to Bhutan — but he has also visited the US, Japan, and Australia.

India is one of the leaders of the developing world. It is **chairman of the BRICS** (Brazil, Russia, India, China and South Africa) grouping until December 2016. The next BRICS summit will be held in Goa on 15 and 16 October 2016³¹.

India supports the creation of the New Development Bank (NDB) by the BRICS countries (Brazil, Russia, India, China and South Africa).

The country is part of the **New Development Bank (NDB)**, formerly called the BRICS Development Bank, which funds investment in infrastructure and aims to contribute to a multipolar financial order. The agreement to create the NDB and the Contingency Reserve Agreement (CRA) was signed in July 2014 during the BRICS summit in Brazil. It was also agreed that the first president of the NDB's would be from India and that the headquarters would be located in Shanghai.

India is the second largest shareholder with 7.5 % of the voting shares of the Beijing-based **Asian Infrastructure Investment Bank**³² (AIIB), following China, the largest shareholder with 26.06 % of the voting shares.

³⁰ Switzerland, Norway, Iceland and Liechtenstein

³¹ The Hindu, India to host 8th BRICS summit in Goa, 2016, <http://www.thehindu.com/news/national/india-to-host-8th-brics-summit-in-goia/article8385272.ece>

³² AIIB: http://euweb.aiib.org/html/2016/NEWS_0625/123.html

In July 2015, India was accepted as a full member of the **Shanghai Cooperation Organisation** (SCO) together with Pakistan. Prime Minister Modi offered to the SCO to work in combating terror and boosting trade. Current members are China, Russia, Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan.

India is a strategic partner of the Association of Southeast Asian Nations (ASEAN).

India is a strategic partner of **ASEAN** and the two hold bilateral summits. Prime Minister Modi attended the ASEAN summit in Malaysia in November 2015, where leaders welcomed the 'Act East Policy' and 'Make in India' initiatives. He is expected to attend the upcoming ASEAN summit scheduled for 6-8 September in Laos.

PM Modi also attended the 10th **East Asia Summit** in Malaysia on 21 and 22 November 2015. The next East Asia Summit is scheduled for Laos on 6 and 8 September 2016.

Important obstacles remain between the member states of the South Asian Association for Regional Cooperation (SAARC), which includes India.

Prime Minister Modi is interested in reviving the **SAARC** (South Asian Association for Regional Cooperation). This proves a challenge as member countries of the association have not yet been able to overcome their divergences, starting with India's relations with Pakistan that have not improved enough to envisage true regional cooperation. Indeed, many contradictions remain amongst SAARC members, and the fact that China is seeking membership to the association, a move so far blocked by India, is further aggravating tensions. The next SAARC summit will be held in Islamabad on 9 and 10 November 2016. The mere fact that Prime Minister Modi is expected to attend despite the fact that it is taking place in Pakistan is a positive signal.

Relations with Pakistan remain tense.

Relations between **India and Pakistan** have regularly alternated between wars (1948, 1965, and 1971) and attempts to negotiate a long-term peace. Both countries have supported insurrections and dissident groups in each other's territories, particularly in Kashmir, and pursued rival diplomatic alliances. Pakistan conducted nuclear weapon tests in 1998 to counterbalance India's nuclear tests. Pakistan is also worried about India's increasing influence in Afghanistan. However, intense high-level diplomatic activity between India and Pakistan has been taking place since Modi rose to power. In 2015, a series of positive moves culminated with Modi's surprise visit to Lahore on 25 December 2015, the first visit by an Indian prime minister since 2004. The two countries agreed to resume the Comprehensive Bilateral Dialogue (CBD) in late 2015. Despite a terrorist attack in the border state of Punjab on Pathankot air base on 2 January 2016 by a militant suicide squad that came across the Pakistan border, India did not suspend the dialogue immediately. Pakistan did not take action against Jaish-e-Mohammed, the group allegedly behind the attack, but at the same time the Pakistani army arrested a man it claimed was an Indian spy preparing terrorist actions in Balochistan. Relations between the two countries have entered a difficult stage, yet again impacting the regional prospects. In April 2016 Pakistan called the CBD off.

Prime Minister Modi, who had visited China on four occasions as a governor of Gujarat, is said to admire the country's economic performance. He visited

Relations with China are intensifying but the border conflicts remain unresolved.

China from 14 to 16 May 2015. The main focus of the visit was trade and economics. Political relations between the two neighbours may not prove simple: several border issues remain unsolved between India and China, and the two are competing for regional leadership. Beijing has been expanding its influence in traditional zones of Indian influence, such as the Indian Ocean, and in neighbouring Himalayan countries. During his campaign, in February 2014, Narendra Modi travelled near the disputed Ladakh region and called on Beijing to give up its territorial ambitions. On 20 February 2015, Modi travelled again to a border region claimed by China, called Arunachal Pradesh. This was perceived as a provocation by Beijing which summoned India's ambassador in the country.

Prime Minister Modi is pursuing an active foreign policy.

Narendra Modi is working hard to re-establish his country in Asia and to intensify India's relations with countries that compete with China. In the first days of September 2014, Modi paid a successful visit to **Japan**, during which Japan pledged to give EUR 28 billion over the next five years for development projects. The two countries also decided to enhance cooperation in defence and other strategic areas. Later the same month, Modi hosted Chinese President Xi Jinping in Delhi and in Gujarat. China pledged to invest EUR 241 billion in infrastructure and with that financing as much as 30 % of India's infrastructure projects. One month later, Prime Minister Modi welcomed **Vietnam's** Prime Minister Nguyen Tan Dung and declared that India would soon be supplying naval vessels to Hanoi.

Relations between the United States and India are growing closer.

Relations between **the United States** (US) and India have been steadily progressing. The two countries held their third joint bilateral summit on 7 and 8 June 2016 in Washington. Narendra Modi and US President Barack Obama applauded the completion of a roadmap for cooperation, under the 2015 US-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region. They reiterated the importance of freedom of navigation and overflight and exploitation resources as per International law, including and settlement of territorial disputes by peaceful means. As a matter of fact, India is becoming more vocal on the importance the United Nations Convention on the Law of the Sea (UNCLOS). Military cooperation was also discussed, highlighting the two countries joint training exercises and expressing desires to explore agreements for further expansion of bilateral defence. The US stated that it recognized India as a major defence partner. The first US-India maritime security dialogue was held in Delhi on 16 May 2016. To a certain extent, China's actions in the South China Sea and in the Indian Ocean are pushing India closer to the US. Additionally, both countries committed to strengthening cooperation against terrorist threats from extremist groups, such as Al-Qaida Daesh, Jaish-e-Mohammad, Lashkar-e-Tayyiba, D company and their affiliates. They also agreed to bolster economic and trade ties.

India's relations with Russia remain important.

PM Modi visited Moscow on 23 and 24 December 2015 for the 16th India-Russia annual summit. The two leaders held extensive discussions to review progress in bilateral relations. The two sides discussed defence, security, trade, investment, energy and international issues. The meeting consolidated the relationship between India and **Russia**, increasing trust

and co-operation between the two countries. Previously on 11 December 2014, Russian President Vladimir Putin had paid a one-day visit to India for the 15th annual Russia-India summit. Modi had previously visited Russia as governor of Gujarat, and has already met with President Putin since he became prime minister. Russia remains an important factor in the foreign policy strategy that Modi is building. In particular, he would not let Russia come too close to China, itself a key ally of Pakistan.

6 EU-India relations

6.1 Relations between the EU and India

The EU and India are strategic partners.

The EU upgraded its relations with India to a **strategic partnership** in 2004. Since 1994, relations between the two have been governed by a cooperation agreement, which covers trade and economic cooperation, as well as political cooperation. Since 2000, the supposedly annual summits and ministerial meetings are the most visible feature of the political dialogue. Senior officials regularly meet to discuss foreign policy issues; regular dialogues are held on issues of common concern such as security, counter-terrorism, human rights, migration and mobility, trade and development, science and technology or environment and energy matters.

The **13th EU-India summit was held in March 2016** in Brussels. Leaders endorsed the EU-India agenda for action 2020 and welcomed the EU-India Trade and Investment Agreement negotiations. They adopted a joint declaration on the India-EU water partnership alongside a clean energy and climate partnership. They established a common agenda on migration and mobility. The European Investment Bank formally agreed to issue a EURO 450 million long-term loan to finance the metro line in Lucknow. A joint declaration on counter-terrorism was also adopted.

The case of the two Italian marines accused of killing two Indian fishermen in 2012 remains a negative factor in EU-India relations.

In January 2012, **two Italian marines**, Salvatore Girone and Massimiliano Latorre, stationed on board an Italian commercial ship in the context of an anti-piracy operation, opened fire on an approaching vessel. The vessel turned out to be an Indian fishing boat. Two crew members were killed. The incident took place off the coast of Kerala. The Indian Coast Guard requested the ship to enter the closest port and, after ballistics tests, the two marines were accused of the killings and arrested by the Indian authorities. Their arrest created an international legal dispute between Italy and India over which country had jurisdiction in the case. They remained detained in India for four months before being released on bail with residence in the Italian embassy in New Delhi. In 2014, Latorre was allowed to return to Italy for medical reasons. In 2015, both countries agreed to refer their dispute to the Permanent Court of Arbitration (PCA) in The Hague. On 26 May 2016 the Indian Supreme Court ruled that Girone could return to Italy until the arbitration process was concluded.

Italy has claimed jurisdiction over the case because the marines' ship was flying the Italian flag and because the incident occurred outside India's territorial waters. India also claims jurisdiction, because the shootings occurred within the Indian Exclusive Economic zone.

The EU has consistently called for a mutually acceptable solution, in the interest of both Italy and India, based on international law. On 15 January 2015, the European Parliament adopted a resolution on the matter, and

The European Parliament passed a resolution on the case of the Italian marines on 15 January 2015 calling for a rapid resolution.

called for a solution to be found swiftly. The resolution highlighted the EP's concerns regarding the detention without charge of the marines, and their stressed that the lengthy delay in bringing them to trial and the restrictions to freedom of movement represent a serious breach of human rights.

At the 13th EU-India summit, the EU and India expressed their confidence in the arbitration procedure on the Italian marines case currently being heard in the framework of the United Nations Convention on the Law of the Sea (UNCLOS). The EU shared Italy's concern to find an expeditious solution to end the prolonged restriction of the liberty of the two marines, while India stressed the need to render due justice for the families of the Indian fishermen who were killed.

The EU has expressed concerns regarding the situation of the Estonian and British security guards arrested in Tamil Nadu in 2013 who were sentenced to imprisonment in January 2016. The treatment of the convicted crew in local prisons has been a cause for concern. The EP has asked for the crew to be allowed to return to their homeland. The EP has encouraged India to sign the Montreux Document of 18 September 2008 which defines how international law applies to the activities of private military and security companies when they are operating in an armed conflict zone. It contains a set of good practices designed to help states take measures nationally, in order to fulfil their obligations under international law.

6.2 EU programmes in India

The EU allocated EUR 365 million to India through its Development Cooperation Instrument (DCI) for 2007-2013.

The European Union allocated EUR 365 million in bilateral development cooperation with India through the **Development Cooperation Instrument (DCI)** to India in the 2007-2013 period. As India is a middle-income country, development cooperation has been phased out from 2014. However DCI-funded thematic and regional programmes for Asia will continue. Under the DCI regional programme for 2014-2020, India can participate in 'green economy action' or actions on regional cooperation; civil society organisation and local authorities can be supported through the DCI thematic programme; and, finally the thematic programme on Global Public Goods and Challenges can provide support on issues such as climate change and environment, sustainable energy, human-social-economic development, sustainable agriculture and food security, and migration and asylum.

The EU has provided significant levels of humanitarian aid to India.

The EU has provided significant **humanitarian aid** to India: ECHO has been present in the country since 1995 and has responded to major emergencies, such as the Orissa cyclone in 1999, the Gujarat earthquake in 2001, the Tsunami in 2004, the Jammu and Kashmir earthquake in 2005, the Bihar floods in 2008 and cyclone Phailin in 2013. Between 2002 and 2012, ECHO also provided assistance to Sri Lankan refugees in India.

Some 45 % of the Partnership Instrument (EUR 390 million) is to be allocated to projects in Asia, including India.

The **Partnership Instrument (PI)** envisages approximately 45 % (EUR 390 million) to be allocated to projects in Asia, including India. Regarding India, projects are in preparation on inter alia energy, ICT, EU outreach/public diplomacy sustainable urban development.

India and the EU have a number of successful student and academic exchange programmes in the areas of education, research and innovation.

India and the EU have a number of successful student and academic exchange programmes in the area of education, and of research and innovation such as **Erasmus Mundus**, allocated EUR 53 million for the period 2008 to 2013.

Other programmes financed by the EU in India include a EUR 10 million five-year regional programme to support rural livelihoods and climate change adaptation in the Himalayas, whose implementation started in 2013; the EU-South Asia capacity building for disaster risk management which foresees an EU financial contribution of EUR 10 million (it is meant to be implemented by the Global Facility for Disaster Reduction and Recovery, a facility managed by the World Bank), and finally the Asia SWITCH programme which focuses on SMEs' production performance (out of the total of 81 projects, 10 projects are being implemented in India).

6.3 EU-India trade relations

The EU is India's largest trading partner.

The EU is India's largest trading partner, accounting for 13 % of India's overall trade, ahead of China (9.6 %) and the United States (8.5 %).

The total value of EU-India trade, which has almost doubled since 2005 (EUR 40.4 billion) stood at EUR 77.5 billion in 2015. India is the EU's ninth largest partner, with the value of EU exports to India amounting to EUR 38.1 billion in 2015. Major EU exports to India include machinery and appliances, which represent 30 % of total export value to India, pearls, gems and jewellery (21%) and chemical and allied products (10%). The primary EU imports from India include textiles and clothing (19.6 %), chemical and allied products (14.9 %) and machinery and appliances (12.2 %).

Figure 8: India's trade in goods with the EU (2015)

	Imports from EU:	Exports to EU:
Value 2015:	EUR 38 179 million	EUR 39 446 million
EU's rank (for India), 2015:	2	1
India's rank (for EU), 2015	11	9
% India's total, 2015	11.0 %	16.9 %
% EU total, 2015	2.1 %	2.3 %

Source: DG Trade

The EU's trade in goods with India continue in 2015 in slight deficit for a third consecutive year (see Figure 9, below):

Figure 9: EU-India trade in goods, in EUR billions

Year	EU imports	EU exports	Balance for the EU
2013	36.8	36.0	-0.9
2014	37.1	35.6	-1.5
2015	39.4	38.2	-1.3

Source: DG Trade

Trade in commercial services between the EU and India has increased over fivefold in the past decade, increasing from EUR 5.2 billion in 2002 to EUR 27.7 billion in 2015. In 2015 the EU exported services worth EUR 14.0 billion (top three sectors: transport, telecommunications and travel), while it

imported EUR 13.7 billion (top three sectors: telecommunications, computers and information). The EU's trade in services increased moderately from 2013 to 2015.

Figure 10:
EU-India trade in services, in
EUR billions

Year	EU imports	EU exports	Balance for the EU
2013	12.7	12.1	-1.0
2014	11.7	12.3	0.3
2015	14.0	13.7	0.4

Source: DG Trade, Eurostat

The EU is the largest investor in India, with investment stock valued at EUR 38.5 billion in 2014.

The EU is the largest investor in India, with investment stock valued at EUR 38.5 billion in 2014, and is the primary destination for Indian foreign investment. At the 2016 EU-India Summit, India stated its readiness to establish a mechanism to facilitate investments of all EU Member States in India³³. In the aftermath of the summit, statements in the media indicated that India and the EU agreed to implement a framework to boost European investments in India, even as the two sides agreed also to continue talks on concluding a bilateral trade and investment pact, BITIA³⁴.

In July 2016, however, media reports indicated that India was seeking investment pacts with individual EU Members States, and plans to delink the investment chapter from the proposed BITIA with the EU³⁵.

Indian FDI stocks in the EU have decreased slightly from around EUR 7 billion in 2013 to EUR 6.7 billion in 2014.

Indian FDI stocks in the EU have decreased slightly from around EUR 7 billion in 2013 to EUR 6.7 billion in 2014, while FDI flows from India have slightly increased from EUR 1 billion to EUR 1.1 billion in 2014. Generally, Indian investments are concentrated in the sectors of machinery, steel, automobile parts and pharmaceuticals. Prominent Indian investments in the EU include the purchase of Chorus Steel and Jaguar Land Rover by Tata, as well as Betapharm by Dr Reddy.

The stock market reaction in the **aftermath of the Brexit referendum** in the UK hit some Indian companies that have a significant revenue exposure to the European markets. Tata Steel (52 % of total revenue), Motherson Sumi (86 %), Tata Motors (31 %) and Mahindra CIE Automotive (68 %) were the worst hit, with share prices declining up to 8.5 %³⁶. Indeed, Indian companies play an important role in the UK economy, according to our India Tracker 2016. India's investments in the UK zoomed nearly 65 % 2015, establishing it as the third largest source of foreign direct investment (FDI) after the US and France. The top five Indian firms operating in the UK

³³ Joint Statement, 13th EU-India Summit, Brussels, 30 March 2016, <http://www.consilium.europa.eu/en/meetings/international-summit/2016/03/30/>

³⁴ Livemint: India, EU agree on framework to boost investments, <http://www.livemint.com/Politics/NYoxcPWpLtdNKuNhvtT8UM/India-European-Union-agree-on-framework-to-boost-investment.html>, 1.4.2016

³⁵ Livemint: India seeks investment pacts with individual EU members : <http://www.livemint.com/Politics/kyk5S8nrPCpOBtVDFUCuBJ/India-seeks-investment-pacts-with-individual-European-Union.html>, 26.7.2016

³⁶ Europe India Chamber of Commerce: http://eicc.be/NewsLetters/NL2016/07_July_2016.pdf

include Bharti Airtel, HCL Technologies, Emcure Pharma, Apollo Tyres and Wockhardt³⁷.

The European Commission is committed to negotiate a Broad-based Bilateral Trade & Investment Agreement (BTIA) with India.

The European Commission³⁸ remains committed to negotiating a Broad-based **Bilateral Trade & Investment Agreement** (BTIA) with India, as outlined in the EU's new trade strategy, *Trade for All*. The negotiations were never formally suspended, but came to a de-facto standstill in the summer of 2013 due to a mismatch of ambitions and expectations.

India has the status of a developing country and benefits from the EU's Generalised System of Preferences (GSP).

The pressure that EU negotiators could apply to their Indian counterparts is somewhat limited, because India has the status of a developing country and benefits from **the EU Generalised System of Preferences** (GSP).

Before formally resuming negotiations, further negotiating positions were established in July 2016 on a few key outstanding issues that would be critical components of BTIA. A number of issues have yet to be resolved, such as India's **market access in the services** (especially Mode IV - movement of natural persons and Mode I³⁹, covering information technology enabled services) and pharmaceuticals sectors. A meaningful outcome⁴⁰, amongst others, is also expected on government procurement⁴¹, sustainable development as well as investment and Intellectual property (IPRs), especially in the pharmaceutical sector as well as protection of Geographical Indications. EU companies doing business in India are indeed still facing important market access barriers, e.g. in the IT and electronic goods sectors, and certain problems persist on the certification regime for tyres as well as some labelling schemes⁴².

The agreement aims to be a **broad-based trade and investment agreement**, which would cover over 95 % of tariff lines. It would create one of the world's largest free-trade zones by population, covering 1.8 billion people, or nearly a quarter of the world's people.

6.4 Outlook for the European Parliament

The EP delegation for relations with India is one of the Parliament's oldest. Unfortunately, it has no

Despite the absence of a legal framework or institutional agreement covering relations between the EP and the Lok Sabha, the delegation for relations with India is one of the EP's oldest delegations to a third country. The first meeting between Parliament and the Lok Sabha took place in 1981.

³⁷ Grant Thornton UK LLP: India meets Britain 2016: Tracking the UK's top Indian companies: <http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2016/india-meets-britain-2016-report.pdf>

³⁸ https://ec.europa.eu/carol/index-iframe.cfm?fuseaction=download&documentId=090166e5a7def00f&title=Letter_to%20BL%20-%20India%2007.04.2015.pdf

³⁹ WTO: The General Agreement on Trade in Services (GATS): https://www.wto.org/english/docs_e/legal_e/26-gats_01_e.htm

⁴⁰ A letter from Commissioner Malmstrom to Bernd Lange, Chair of INTA, 7.4.2016: <https://ec.europa.eu/carol/index-iframe.cfm?fuseaction=download&documentId=090166e5a656300e&title=reply.pdf>

⁴¹ WTO: India is not a signatory to the WTO's Plurilateral Agreement on Government Procurement (GPA), but has an observer status.

⁴² European Commission: COM (2015)127 final, 17.3.2015, Trade and Investment Barriers 2015

equivalent in the Lok Sabha.

The Indian parliament does not have competence for foreign affairs.

Several EP resolutions have addressed Indian human rights issues, in particular violence against women.

In 2008 the Lok Sabha established a Friendship Group for Relations with the EP to act as counterpart to the EP delegation. Unfortunately, it was not re-established after the 2009 elections, despite several requests from the European side. For this reason, relations between the two houses have not had the character of formally established inter-parliamentary meetings (IPM).

The most recent visit by the EP delegation to India took place from 16 to 18 March 2015 in Delhi and Jaipur. This was followed by the visit of the Speaker of the Lok Sabha to the European Parliament in June 2015. During the meeting they discussed the possibility of an EU-India free trade agreement, human rights issues, the upcoming EU-India Summit as well as how to improve relations between Europe and Asia. Exchanges between the European and the Indian Parliament's staff, including policy hubs and reciprocal visits, have complemented the political exchanges.

The EP has addressed India in several resolutions (see the table on page 3), in particular the resolution on 'the state of play in the EU-India Free Trade Agreement negotiations', adopted on 11 May 2011. Parliament insisted that the BTIA must be adopted with multilateral rules, specifically WTO rules, and called on the Commission to include a legally binding clause on human rights in the trade agreement. Other resolutions adopted by the EP have raised human rights matters, such as the resolution on 'Violence against women in India' of 17 January 2013 and the resolution on 'Caste discrimination in India' of 13 December 2012. On 15 January the EP adopted a resolution on 'EU citizens under detention in India, notably Italian, Estonian and British citizens', asking for the convicted crew to be allowed to return to their homeland and expressing concern at their treatment in local prisons. On 19 January 2016, the 'resolution on EU citizens under detention in India, notably Italian, Estonian and British citizens' was passed, expressing concerns about the detention of the marines without charge, calling for the return of the marines and a change of jurisdiction, noting that the lengthy delay of the trial and restriction of freedom of movement is a serious breach of human rights.

7 Policy options

The 13th EU-India summit was held on 30 March 2016. Leaders at the summit adopted a joint statement, reaffirming their commitment to strengthen the EU-India strategic partnership. Observers of the Indian political scene have too often noticed that the EU is not well understood in India, despite collaboration across many different fields between the two partners, from student and academic exchanges to trade and economic relations.

India is not only a strategic partner for the EU; it is also a like-minded partner. As the world's largest democracy, India could overtake China to

become the world's most populous country in around 2022⁴³. The EU should ensure that it is perceived as a credible partner by Delhi.

The fact that the negotiations for a free trade agreement, called the Bilateral Trade and Investment Agreement (BTIA), remain stalled should not stand in the way of overall relations between the EU and India.

Given the European Parliament's enhanced scrutiny role, Members of the European Parliament could confirm in meetings with their Indian counterparts the EP's commitment to strengthening relations with India, and express views on issues of particular interest, including:

- the importance of keeping up the momentum created by the 13th EU-India summit, hosted in Brussels by the EU on 30 March 2016;
- recognition of the good relations between the EP and the Lok and Rajya Sabha; MEPs could suggest that the permanent Friendship Group for Relations with the EP which has been established in the Lok Sabha could act as the counterpart to the EP delegation for relations with India;
- the human rights situation, specifically the EU's opposition to the death penalty: MEPs could encourage India to adopt a moratorium on the death penalty; urge the country to ratify the Convention against Torture and to proceed with reforms to end the impunity of the security forces; and stress the need to continue with the efforts to protect women, children and minorities;
- the need to solve the case of the Italian marines awaiting trial since 2012 for allegedly shooting two Indian fishermen;
- The EP's concerns regarding the situation of the Estonian and British security guards arrested in Tamil Nadu in 2013 who were sentenced to imprisonment in January 2016;
- the negotiations on a comprehensive and ambitious Bilateral Trade and Investment Agreement (BTIA) with India⁴⁴: MEPs could call for their resumption.

⁴³ UN World Population Prospects 2012 <http://esa.un.org/wpp/>

⁴⁴ EP: European Parliament resolution of 11 May 2011 on the state of play in the EU-India Free Trade Agreement negotiations, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2011-0224+0+DOC+XML+V0//EN>

8 Table

People and geography			
Population	1 326 802 000	2016	Source: UN
Capital city	New Delhi	250 000	Source: UN
Total land area	3 287 263km ²		Source:: UN
Religion	Hindus	80.5 %	Source: Government of India
	Muslims	13.4 %	Source: Government of India
	Christians	2.3 %	Source: Government of India
Languages	Hindi	principal language	Source: UN
	Bengali	spoken by a large minority	Source: UN
	Telugu	spoken by a large minority	Source: UN
Life expectancy at birth	68.9 women/66.1 men		Source: UN
Literacy rate	86.1 % (15-24 year old)		Source: UN
Rankings			
Name of index:	Ranking:	Explanation and source:	
Human development index	'Medium' 130 / 188	United Nations Development Programme, 2015.	
Press freedom	133 / 180	Reporters Without Borders, The worldwide press freedom index, 2016	
Freedom in the World	'Free': political rights: 2/7 civil liberties: 3/7 freedom rating: 2.5/7	Freedom House, <i>Freedom in the world</i> , 2016. (1 represents the most free and 7 the least.)	

9 Map



Source: United Nations