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## REPORT

on the EU's economic and trade relations with India  
(2006/2034(INI))

Committee on International Trade

Rapporteur: Sajjad Karim

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the EU's economic and trade relations with India (2006/2034(INI))

*The European Parliament,*

- having regard to the India-EU Strategic Partnership Joint Action Plan of 7 September 2005 and in particular the section on developing trade and investment,
- having regard to the conclusions of the 9<sup>th</sup> meeting of the India-EU round table in Hyderabad on 18-20 September 2005,
- having regard to its resolution of 13 October 2005 on prospects for trade relations between the EU and China <sup>1</sup>,
- having regard to its resolution of 29 September 2005 on EU-India relations: A Strategic Partnership<sup>2</sup>,
- having regard to its position of 1 December 2005 on the proposal for a regulation of the European Parliament and of the Council on compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public health problems <sup>3</sup>,
- having regard to the WTO decision on TRIPS and Public Health adopted on 29 November 2005,
- having regard to its resolution of 14 February 2006 on the human rights and democracy clause in European Union agreements <sup>4</sup>,
- having regard to the 2004 India-US Agreement: "The Next Step Towards a Strategic Partnership" and the Civil Nuclear Deal negotiated during President George W. Bush's State Visit to India on 2 March 2006,
- having regard to its resolution of 4 April 2006 on the assessment of the Doha Round following the WTO Ministerial Conference in Hong Kong <sup>5</sup>,
- having regard to the EU-India Energy Summit held in New Delhi on 6 April 2006,
- having regard to the visit to New Delhi and the Punjab by the European Parliament Delegation for relations with the countries of South Asia and the South Asia Association for Regional Cooperation (SAARC) in April 2006,
- having regard to Rule 45 of its Rules of Procedure,

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<sup>1</sup> Texts adopted of that date, P6\_TA(2005)0381.

<sup>2</sup> Texts adopted of that date, P6\_TA(2005)0364.

<sup>3</sup> Texts adopted of that date, P6\_TA(2005)0454.

<sup>4</sup> Texts adopted of that date, P6\_TA(2006)0056.

<sup>5</sup> Texts adopted of that date, P6\_TA(2006)0123.

- having regard to the report of the Committee on International Trade and the opinion of the Committee on Development (A6-0256/2006),
- A. whereas the EU and India constitute the biggest democracies in the world and their constitutional commitment to pluralism and the rule of law promotes consistency in trade and economic relations, while providing legal certainty for investment and contributing to regional and global stability;
- B. whereas the Joint Action Plan contains a comprehensive range of activities to be undertaken within the framework of trade and economic policy dialogue and cooperation, but whereas it fails to set priorities and deadlines;
- C. whereas the EU is India's largest source of foreign direct investment (FDI) with outflows amounting to EUR 1 100 million in 2004, and whereas India's FDI inflows into the EU increased from EUR 140 million in 2002 to EUR 600 million in 2003;
- D. whereas EU Member States account for 22.4% of India's exports and 20.8% of imports and whereas EU-India trade grew from EUR 4 400 million to EUR 33 200 million between 1980 and 2004 and by 16.9% from 2003-2004;
- E. whereas there is a stark imbalance in relative levels of trade between the EU and India; whereas the EU accounts for 21% of India's trade but India's share in EU trade is less than 1%; whereas the EU is India's largest trading partner but India ranks only 10th in the EU's comparable list;
- F. whereas India's economy has grown by an average of 6% per annum in the last decade and whereas it could continue to grow by 7-8% in the next decade;
- G. whereas an inefficient financial sector is an obstacle to India maintaining an 8% rate of economic growth;
- H. whereas, due to its size, population and dynamic economic growth in the past two decades, India is an emerging regional power and one of the world's nuclear powers able to influence the course of the global economy and security, giving India greater responsibility in multilateral fora such as the United Nations, the World Trade Organization or the International Atomic Energy Agency, and within regional organisations in Asia, notably SAARC and ASEAN;
- I. whereas Indian expansion brings beneficial opportunities but also raises legitimate concerns for some sectors of EU industry, raising the need for political management and cooperation for the economic and commercial management of its exports at the EU level;
- J. whereas if the current population growth rate of 2% is maintained, in 2025 India will have a population of 1.4 billion and will challenge China as the most populated country in the world;
- K. whereas in 2020 the average Western European will be 45 years old whilst the average Indian will only be 29; whereas, as a result of current demographic trends, the EU's potential growth is set to decline by 2020; whereas, by contrast, India's key comparative advantage is a large pool of young, trained, English-speaking, inexpensive workers;

- L. whereas a successful outcome of the Doha Development Agenda (DDA) is of crucial importance to both the EU and India and whereas such an agreement does not preclude bilateral WTO+ agreements;
- M. whereas India is one of the most active users, both as an initiator and a target, of the anti-dumping instrument; initiating 412 investigations in the last decade, followed by the US with 358 and the EU with 318;
- N. whereas India only recently established a Geographical Indication (GI) framework, but already 27 Indian GIs have been registered and more than 40 applications are pending;
- O. whereas the enforcement of intellectual property rights obligations within the framework of the WTO is important to both the EU and India;
- P. whereas the Indian Diaspora is over 20 million, with approximately 3 million living in the EU, providing remittances to India averaging USD 6 000 million a year;
- Q. whereas the continued tension since 1945 between the now nuclear-armed India and Pakistan, which brought the world close to a nuclear war, deters inward investments and commitments in both countries;
- R. whereas global demand for oil has grown by 7 million barrels per day since 2000, with 1 million barrels of that growth going to India whose oil consumption rate is accelerating rapidly; whereas India has the fourth largest ethanol industry in the world with an annual production of 462 million gallons; whereas 70 % of energy consumed in India is imported; whereas its continued economic growth will depend on the provision of new energy supply channels; whereas the increasing global demand for oil is a potential source of economic instability and strategic and political tension;
- S. whereas, however, India will be the first country in South Asia to establish strategic oil reserves;
- T. whereas 390 million Indians live on less than USD 1 a day and whereas India's growth has had unequal effects on segments of society, impacting on only a tiny fraction of the population;
- U. whereas the GDP of India's fastest growing state, Gujarat, doubled between 1993 and 2003 and per capita product increased by 73%; whereas, by contrast, for India's poorest state, Bihar, the increase in per capita product was only 22% for the same period;
- V. whereas the launch, on 2 February 2006, of the initiative known as the Rural Employment Guarantee Scheme, in the Anantapur district (Andhra Pradesh), will safeguard 100 days of work per year, on a minimum wage, in public projects for one member of family units on low incomes; and whereas this programme represents the most ambitious scheme to tackle rural poverty in India;
- W. whereas India is the single largest beneficiary of the General System of Preferences (GSP) scheme, with exports of EUR 7 700 million entitled to preferential access to the EU market, at either zero duty or at reduced rates of duty, in 2005; whereas this means that nearly half of India's exports to the EU, estimated at just over EUR 17 000 million,

benefited from the GSP scheme; whereas tariffs for Indian clothing were reduced on average from 12% to 9.5%;

- X. whereas the biggest gains from the abolition of textile and garment quotas from 1 January 2005 went to both China and India, with their exports rising by 42% and 18%, respectively, last year; whereas, by contrast, most other developing country suppliers lost out, although the re-imposition by the EU of quotas on Chinese exports in mid-2005 had a positive effect on their exports in the second half of the year;
- Y. whereas India has one of the highest incidences of child labour in the world;
- Z. whereas, according to the United Nations 2006 report on the global AIDS epidemic, 5.7 million people are infected with HIV/AIDS in India; whereas less than 1% of the adult population in India is currently estimated to be infected but whereas India still exceeds South Africa as the country with the largest number of people infected with HIV/AIDS, which underscores the impact the disease is having on the South Asian subcontinent; whereas high-incidence States are lively economies, drawing in transient labour and trucking, both vectors of infection;
- AA. whereas approximately 80% of India's geographical area is vulnerable to cyclones, floods, landslides, drought, earthquakes as well as localised hazards and whereas the combination of poor socio-economic conditions and disasters has created a vicious cycle of poverty and vulnerability;
- BB. whereas the presence of malaria and cholera are still causes of grave concern in India, for which special policies must be adopted;
- CC. whereas the continued discrimination endemic in the caste system means that India continues not to get the best out of its people in terms of potential and skills;

### ***Trade***

1. Welcomes both India and the EU's commitment to a successful and ambitious outcome of the DDA; calls to this end on India to use its position as leader of the G20 to reach, by the end of 2006, a balanced agreement favourable to development between the developed countries, the emerging economies and the developing countries; notes that negotiations on the DDA are not incompatible with bilateral WTO+ negotiations; notes that an outcome of a concluded Doha Development Round will reduce the value of schemes such as the GSP to developing countries like India, by further reducing the margin of preference they enjoy at present; calls on the EU to offer to enter into a free trade agreement with India, along the lines of its agreement with Chile, which provides for duty-free entry for the exports of both parties on a reciprocal basis, and calls on the High Level Trade Group to explore mutual opportunities in this regard;
2. Underlines the fact that a positive result of the DDA needs the full support of both the EU and India; urges India and the G20 to realise that the European offer on agriculture must be followed by a reasonable offer by the G20 on NAMA and services;
3. Welcomes the work of the High Level Trade Group in improving cooperation, and the phased implementation of the Action Plan, which has determined a progressive

involvement of India in major and joint international projects such as the ITER and Galileo programmes; notes however that although the Joint Action Plan provides only for ongoing dialogue in many areas, it does not provide any indications as regards priorities and deadlines; calls on both parties to show the political will necessary to consolidate their relations for an effective strategic partnership;

4. Is concerned that, despite encouraging statistics, there remain several areas of untapped trade potential for both economies; calls on the High Level Trade Groups to deal with issues of trade and investment as part of a wide-ranging, inclusive, political dialogue and to explore cooperation in areas such as migration, education and cultural exchange;
5. Notes that India's high import tariffs and, despite recent significant progress, non-tariff barriers, remain a genuine concern for EU industry; believes that upholding such a protectionist policy after economic liberalisation gives rise to market distortions and manipulations; is concerned that WTO tariff negotiations have not led to any improvement (there was no binding of tariffs or commitment to maximum "binding" rates, which were also kept high) and that efforts consequently made by the Commission to open a bilateral dialogue with India on the subject of specific distortions have so far been unsuccessful; notes that a reduction in trade barriers can bring progressive improvements in trading conditions with the objective of promoting growth, employment and sustainable development; calls on India to bind its import tariffs at levels closer to its applied rates within the context of the DDA and to make further efforts to remove part of the existing non-tariff barriers; encourages the High Level Trade Group to work towards eliminating tariffs between the parties on substantially all trade through a bilateral free trade agreement, thus providing opportunities for existing and potential exporters to develop their business and diversify their export base;
6. Calls on the EU to support India's international trade potential as well as efforts to attract FDI, in particular by stepping up trade-related aid to address infrastructure and administrative bottlenecks;
7. Considers that competition rules and their effective enforcement are essential to ensure the realisation of the full benefits of liberalisation and related regulatory reform and contribute to economic development and good governance; considers also that an effective competition policy attracts foreign investors by creating a transparent and non-discriminatory legal framework for economic operators; notes that there is no "one size fits all" model as regards the competition provisions in the free trade agreements concluded by the EU during the past decade, as the contents of competition provisions vary depending on the existence and level of development of competition rules and enforcement institutions in the partner country; calls on the High Level Trade Group to consider the level of ambition to be achieved as regards competition provisions in any bilateral trade agreement between the EU and India;
8. Notes that India negotiates in the area of anti-dumping both as a user and subject of proceedings; welcomes the good EU-India working relationship in this area and calls on both to work together to correct the abuse of anti-dumping instruments and to put an end to dumping;
9. Notes that the EU and India consider GI protection to be a useful tool for producers, consumers and governments; notes, however, that the GI tool is not well-known in India;

calls on the Indian government to promote the GI system and encourage applications for potential GIs; notes that, according to TRIPS, WTO Members are free to implement their law to give more extensive protection than is required by the Agreement itself; considers that a bilateral deal could offer protection to GIs in the EU and India beyond the TRIPS Agreement, thus providing a useful complementary tool to joint multilateral efforts;

10. Notes that the emerging importance of intellectual property (IP) in India is evident from increased filings in Indian Intellectual Property Offices and notes that Indian industry has risen to global challenges and is adopting research-based development as an integral part of business strategy; notes India's recent reforms of its intellectual property rights (IPR) regime, including India's Patents (Amendment) Act 2005; notes that efforts have also been made to streamline and rationalise the procedural aspects to make the system more user-friendly; notes also, that pursuant to new legislative initiatives, India has also embarked on a major modernisation programmes for all Intellectual Property Offices and committed significant sums for infrastructure creation and upgrading; calls on India to ensure that the enforcement of this regime is in line with the Rio Convention on Biological Diversity and existing obligations under the WTO;
11. Notes that the EU has also put in place a comprehensive system of IP protection over the past 10 years through harmonising most national IP systems and putting in place Community IPRs throughout the EU; considers that, because of the principles of Most Favoured Nation and domestic treatment, this legislation benefits non-EU holders as well as EU IPR holders; considers enforcement to be an integral part of IP protection and encourages the EU and India to agree common principles for enforcement measures, such that they should be effective, proportionate and dissuasive and should not create barriers to legitimate trade;
12. Considers that, with more than one out of every three copies of PC software obtained illegally worldwide, piracy continues to threaten the future of software innovation, resulting in lost jobs and tax revenues for both India and the EU; notes that, aided by a government policy of cracking down on software piracy offenders and awareness campaigns, India registered a significant drop in piracy of 2% in 2005; recognises, however, that there still is much to be done to control the gaining by Indian companies of an unfair competitive edge by the use of pirated "software" and "hardware" in production and manufacture; calls on India's State and federal governments to further reduce the piracy rate; notes that whilst current EU-US efforts to combat piracy will concentrate initially on China and Russia, the rest of Asia is due to follow; considers that it is in India's interests to work constructively with the EU within this effort in the light of a 2005 impact study by IDC estimating that if India is able to reduce the current piracy rate from the current 72% to 64% by 2009, India will generate 115 000 new IT jobs, and an additional USD 5 900 million pumped into its economy and an increase in tax revenues of USD 86 million;
13. Recognises the significance of the pharmaceutical industry for the Indian economy and society and calls upon the Indian authorities to ensure that international standards are applied in the use of people and live animals in scientific experiments and that such experiments are kept to a minimum and alternatives found;
14. Calls on the EU and India to lead the way in finding an expeditious and permanent



solution on TRIPS and public health to facilitate access to essential medicines, within the Doha Development Round; welcomes the steps taken by the Indian government regarding IP rules for medicines; encourages the Indian government to implement the law faster especially as regards exports of generic medicines;

15. Notes that traditional knowledge is increasingly recognised as a valuable asset for both developed and developing countries alike, with up to 80% of the world's population dependent on products and services derived from traditional knowledge innovations and practices to meet their everyday food and health needs, including as many as 441 ethnic communities in India; notes the complex legal, political and social links between IPR and the conservation of biodiversity and genetic resources; calls on the EU and India to work together to find a reasonable solution on the harmonisation of TRIPS with the objectives of the Rio Convention on Biological Diversity;
16. Welcomes India's moves to reform its financial sector with regard to largely liberalising interest rates, reducing banks' required holding of government debt and relaxing banks' obligations to lend to priority areas such as agriculture and small-scale businesses; considers that as India becomes more integrated into the global financial system, the urgency of financial sector reform has increased; considers, in particular, that the liberalisation of the financial sector to make it more resilient to both internal and external shocks is necessary to encourage deposit growth, the development of a credit culture and the entry of private and foreign forces; considers that the transfer of technical and managerial expertise could play a useful role in developing India's financial markets and calls on the EU to offer assistance in this regard;
17. Welcomes India's plans to remove controls on the Rupee, by removing all remaining capital controls on the partially convertible Rupee; considers that this will eliminate an important obstacle to India's integration into the global economy, allowing Indian individuals and businesses to invest more freely overseas and allowing large companies easier and cheaper access to foreign debt, which is currently limited to USD 500 million per company per year;
18. Calls on India to become a Party to the Treaty on the Non-Proliferation of Nuclear Weapons, which is the indispensable multilateral instrument for maintaining and strengthening international peace, security and stability, and is concerned about the enhanced US and French-Indian nuclear cooperation in the face of India's lack of contractual engagement for nuclear safety;
19. Notes India's acceptance that, if it wishes to achieve its ambitions, it must fulfil its responsibilities in South and South East Asia; welcomes the use of trade as a confidence-building tool between India and Pakistan, and particularly welcomes the landmark agreement of 2 May 2006 to revive trade and commerce across the Line of Control between the divided regions of Jammu and Kashmir by launching a truck service on the Srinagar-Muzaffarabad route, as well as a second cross-Kashmir bus service, linking Poonch in Jammu and Kashmir with Rawalakot in Azad Jammu Kashmir; welcomes Prime Minister Singh's pledge on 23 May 2006 to create an environment of freer trade and freer movement with "soft borders" to create a climate for a Kashmir settlement; calls on both India and Pakistan to further reduce administrative impediments to implementing trade-related confidence-building measures and for the EU to offer technical assistance, if

required, in this regard;

20. Is concerned, however, that intra-regional trade in SAARC is still low; considers that there are too many exceptions for the South Asia Free Trade Agreement to be treated as a standard FTA; calls on SAARC to continually review opportunities to expand trade and investment in the region; considers that in its relations with India, the EU should take an inclusive regional approach and calls on the EU to institute a "vision group" similar to what has been done for ASEAN, to explore future opportunities for EU-SAARC relations;
21. Encourages India, as a member of SAARC and BIMSTEC, to use its positive influence to help facilitate democratic change and respect for human rights in Burma and to continue its support for the peace process in Sri Lanka;
22. Notes that Asian countries such as India and China, despite years of economic growth, continue to be under-represented and unfairly marginalised in multilateral bodies, including the International Monetary Fund; calls on the EU and India to work together to redress such imbalances and ensure that voting shares and senior positions are allocated according to appropriate weight in the international economic system;
23. Welcomes the Indian Government's reforms of its FDI strategy and the progress of the Investment Commission; is concerned that foreign investors still face frustrating bureaucracy at local level and other non-tariff barriers; urges the Indian authorities to continue their fight against bureaucracy and corruption; calls on State and municipal governments to simplify and consolidate application procedures; and calls for efforts to be made for greater legal transparency;
24. Is concerned that foreign investors still face frustrating bureaucracy at local level where a big hurdle is the procedural system for approval, under which applications that are eligible for automatic approval are kept to a minimum, while the bulk of large applications are approved on a case-by-case basis; is concerned that many officials continue to discriminate in favour of local interests; notes that this approval and licensing process has been criticised in some regions for being unfair and lacking transparency with regulations changing so exasperatingly often that it can be difficult to keep up with the vagaries of the system; calls on State and municipal governments to simplify and consolidate application procedures;
25. Notes the major contribution of the Indian Diaspora to Indian growth; notes, however, that the Diaspora has only provided 10% of India's FDI inflows; considers that both social remittances and financial payments are needed for long-term development; calls on India to continue to develop schemes to access the resources of the Diaspora, with dual citizenship being a tangible example;

### ***EU-India cooperation***

26. Welcomes the fact that the EU and India committed themselves to strengthening dialogue and engagement, including on human rights, as strategic partners at the sixth India-EU Summit on 7 September 2005, as reflected in the Joint Action Plan, which also includes development cooperation, giving importance to environmental sustainability and to social and economic cohesion; asks that an ongoing dialogue be maintained in the field of human rights within the strategic partnership; in this context, congratulates India's

National Human Rights Commission on its independent and rigorous work on these matters;

27. Stresses that meeting the Millennium Development Goals (MDGs) and combating poverty should remain a central element of the EU-India Strategic Partnership; welcomes the fact that the next EU-India summit on 13 October 2006 will address the issue of the MDGs; and calls urgently for specific measures to be taken to ensure that minorities such as Dalits and Adivasis and other marginalised communities, tribes and castes, are able to close the wide gap with the rest of the population regarding the attainment of the MDGs;
28. Welcomes the emphasis on health, education, water and the environment in EC development cooperation with India 2002-2006, as well as the Joint Action Plan commitment to deepening development cooperation in the health and education sectors, aiming to enhance development cooperation to supplement important Indian social sector programmes, including specific measures effectively to put an end to discrimination against less-favoured social groups, particularly women; calls likewise for a boost to be given to measures to foster girls' education as part of the Action Plan, thereby meeting MDGs 2 and 3;
29. Welcomes the Commission's public consultation to shape a major strategic review of the EU's trade and economic relations with China; considers that India poses a comparable, if distinct, challenge to EU industry; calls on the Commission to conduct a similar exercise for India to ensure political, economic and commercial management of these relations at an EU level;
30. Considers that special attention must be given by the EU to the SME sector in India, and that SMEs could be strengthened through measures to help finance market-driven local projects proposed by citizens;
31. Underscores that the EU development cooperation should cooperate with India as an emerging international donor by exchanges of experience and cooperation in concrete projects in developing countries; underlines that learning from Indian experiences could help to make EU development aid more efficient and productive;
32. Notes that Indians have concerns about the EU and wish to study and understand it better; welcomes the Erasmus Mundus EUR 33 million scholarship scheme, with specific emphasis to be placed on collaboration in science and technology, where lessons from India's success could boost EU performance in the pyramid underlying the information society, namely: education, research and development and innovation; welcomes the creation of a Jean Monnet Chair in European Studies at the University of Delhi as a vital initiative to strengthen EU-Indian relations; calls on the Commission's Delegation and Member State Embassies to work with the Indian authorities to promote the proper role of the EU in fostering educational, cultural and scientific exchanges, and suggests that cultural exchanges would help create broad public support for constructive collaboration and that professional and business exchanges, could also be beneficial, both for cross-cultural understanding and to promote a two-way flow of information; highlights the success of the Executive Training Programme - People to People Exchange - that exists with Japan and Korea and urges the Commission to extend the programme to India, with the appropriate funding;

33. Recommends that the Commission explore or deepen specific EU-India programmes in areas such as higher education and vocational training; programmes to encourage the exchange of students, teachers and researchers;
34. Recognises that the Indian software and services industry has trebled in size in the past five years and is now worth EUR 20 billion; notes that much of this growth has come from Western vendors outsourcing development work to India; considers that the EU can take advantage of a major movement of highly qualified and skilled Indian workers; calls on the High Level Trade Group to explore an agreement on the movement of skilled workers under Mode 4, so that Indian IT experts can work in the EU after their studies, providing a source of qualified manpower and justifying the investments of EU higher education systems; notes that software companies are a magnet for associated companies and the service industry and infrastructure requirement that will accompany them, which can boost regional economies and provide other employment opportunities for local people;
35. Notes that between 2003 and 2008, 200 000 EU jobs could be outsourced, mostly to India; notes also that by 2010, India's demand for foreign language professionals will be 160 000 and only 40 000 Indians will be qualified for the positions; considers that with 30 000 EU expatriates already working in India, there are clear opportunities for trained Europeans who are prepared to relocate and such a trend would ensure "brain exchange" between the EU and India, rather than "brain drain";
36. Recommends that Member States and the Commission provide the right framework for companies and universities to benefit from India's fast growing economic developments in specific areas such as software and the film industry;
37. Notes that the impact of Indian growth on global demand for energy raises concerns for energy security; notes that India still suffers severe energy shortages and is over-dependent on oil and coal, both expensive and polluting fossil fuels; notes that India's efforts to secure gas supplies and develop nuclear energy are two concrete results of this state of affairs; notes that even if India did develop nuclear energy, it would meet less than 5% of its electricity and only 2% of its total energy requirements; considers that efforts to develop nuclear energy would also be a climbdown from the Gleneagles G8 pledges to halt climate change and promote energy conservation; considers that, if not reversed, environmental degradation threatens to become a major impediment to India's future economic development;
38. Notes that both India and the EU have a long tradition of promoting the use of renewable energy and believes that renewable energy such as solar, wind and biomass are practical energy options, together with major investments in energy efficiency, that could satisfy long-term energy needs; welcomes India's efforts in this regard, including its own rural biogas digesters and solar cells (used to power village homes and workshops), and more recently its success in building the world's fourth largest wind power industry; considers that, as the world's poorest nations are being negatively affected by the increased demand for oil, as illustrated by recent riots over rising oil prices in Indonesia, India should continue to support the development of regional renewable energy more widely in Asia, as it is already doing in Bhutan; welcomes the creation of the India-EU Energy Panel and calls for further cooperation on energy security and market reforms, renewable energy and

energy efficiency; considers that India and the EU should continue to define the global energy architecture through innovative, sustainable energy development, whilst meeting climate change benchmarks;

39. Notes that, as India is geographically diverse, it is a fertile environment for oil and gas, but that public-sector led exploration has, thus far, followed an unadventurous path; notes, however, that with the entry of European energy companies, this position is already shifting, e.g. Britain's Cairn Energy reported several oil discoveries in Rajasthan in 2004 (the largest estimated to contain 500 million barrels of recoverable reserves); calls on India to encourage a more vigorous search for oil and gas, by providing major incentives to attract the efficiency and expertise of European exploration companies;
40. Notes that the cost of processing bio-diesel in India is about one third of that in Europe and that India has recently decided to expand its bio-diesel refining programmes; notes that India is expanding its ethanol industry and the government has enacted several types of financial incentives, including sales tax reductions and reduced excise duties on ethanol and ethanol-blended fuels; considers non-edible *Jatropha* to present a viable bio-fuel option for India, as it can grow in semi arid and arid soils and entail minimal investment, and encourages EU-India co-operation to this end; considers that, in addition to creating approximately 17 million new jobs and bringing revenue to depressed rural communities, such programmes will help reduce India's dependence on foreign oil but only if they are carried out in a sustainable way;

#### ***India's economic and social situation***

41. Notes that international trade can be a powerful driver of economic growth and poverty reduction, but it is not a magic bullet, and trade reforms are complementary to development policies; considers that to lift people out of pockets of poverty, and continue to climb the ladder of economic development, India needs to focus critically on building a business environment that deepens integration with the world economy in a widening range of manufactures and services;
42. Welcomes the growing recognition of the importance of the external economic environment, trade and investment in India's latest five year plan on human development (2002-2007);
43. Notes that imbalances between India's States are exacerbated by devolution of spending powers to States with varying standards of political leadership and fiscal management; considers that poverty alleviation depends on the redirection of State resources to rural areas and development of infrastructure to support the spread of manufacturing and service sector activities; calls on India to ensure coherence and better manage liberalisation by adopting sound complementary economic policies, including tax harmonisation, and focusing capacity-building efforts on the poorest States, enabling them to use funds effectively; notes the development effects of economic growth in some regions of India; calls on the Commission to support India in seeking to learn lessons from States that have prospered during India's boom, adopting best practice to ensure critical investments are channelled to lagging regions and under-represented social groups;
44. Is concerned about the growing income gap between urban and rural areas in India; urges the Indian authorities to acknowledge the stagnation of agriculture in rural areas and to

develop programmes to increase the agricultural output in these areas in order to combat rural poverty more adequately;

45. Notes that, despite dramatic growth, India's infrastructure still displays, in parts, the characteristics of a developing nation, with poor transport networks and regular power outages; calls on India and the EU to explore trade-related infrastructure development, through public-private partnership investment, ensuring transparency, a credible regulatory environment and a level playing field between private investors and the government; accordingly calls for the use of loans from the EIB, whose mandate – in the case of Asia and Latin America – is centred on productive investment; calls on India and the EU to focus this investment in rural areas, providing better water supply and sanitation, improving transport networks, particularly all weather roads, and improving the quality of grid power output;

### ***Development and Environment***

46. Acknowledges the important successes of the Government of India in the eradication of poverty, but notes that despite sustained economic growth, vast inequalities still persist, with about 30% of the Indian population still living below the poverty line; is particularly concerned about the situation of underprivileged sections of the population, in particular women, children, the disadvantaged and the rural population, e.g. Dalits and Adivasis (indigenous tribes and peoples); calls on the Commission and the Council to work together with the Indian government to improve the situation of those groups and to examine future cooperation as to their contribution towards ending gender and caste discrimination;
47. Emphasises that successive Indian governments have made considerable efforts to tackle the issue of caste discrimination; believes however that much more has to be done;
48. Urges the EU to promote and implement measures to ensure the socio-economic development of minorities, who have largely been excluded from the new economy in India and are discriminated against in development programmes and disaster recovery through, inter alia, the promotion of equal opportunities in employment in private EU-based companies and investors, the encouragement of Dalit-inclusive development programmes and the use of indicators to measure Dalit inclusion in the new economy;
49. Points out that it is important that the Indian government bears in mind the issues of social cohesion, the environment and consumers' rights in its development process;
50. Welcomes EU cooperation with India in the field of environmental policy and that the fact that environmental policy is identified as one of the sectors of cooperation in the Joint Action Plan; notes that EU and India as major global players have to play a central part in international efforts towards better environmental global governance; calls for environmental aspects to continue to be emphasised in economic development cooperation;
51. Stresses that the increased environmental destruction in India is a constantly growing problem with unimaginable economic, social and environmental consequences, particularly for the large number of Indians living in poverty, and stresses the particular urgency of pressing ahead with EU cooperation with India in this field;

52. Welcomes India's commitment to the MDGs; notes that India's Tenth Five-Year Plan outlines India's human development goals and targets for the next five to ten years, most more ambitious than the MDGs, but remains concerned over India's ability to meet them by 2015, as the UN Millennium Project claims India is unlikely to achieve at least 4 of the 8 MDGs; considers that trade-related assistance could help India meet them on schedule; calls on the EU to cooperate with India's priority universal education and rural health programmes and to encourage policies that facilitate the inclusion of young people in the working environment; believes that the EU could address equal opportunity concerns by boosting trade in products providing livelihoods for women, and facilitating trade in services in sectors employing women;
53. Notes that connectivity is one of the MDGs and that UN Secretary General, Kofi Annan, has called for connectivity in every developing world village by 2015 in order to eliminate disparities in terms of freedom, wealth and power; welcomes initiatives such as the "Hole-in-the-Wall Internet Education Experiment", whereby more than 150 high-speed computers, with keyboards, touch mouse and web cameras have been placed in 50 locations from Delhi slums to points in rural India, allowing thousands of previously illiterate boys and girls to teach themselves not only IT skills and several elements of primary education but also to raise their aspirations; considers that such projects, whilst not offering a satisfactory substitute to a classroom with a teacher, could bridge the gap for children who currently have no possibility of a traditional form of education; calls on India to share the benefits of its IT boom with the 98% of its population currently not affected by it and channel investment and aid into such projects, at an estimated recurring annual cost of less than 2 cents per child per day;
54. Notes that India was one of the main beneficiaries of the GSP scheme, with average utilisation rates of 80%, across a variety of sectors, including animal products (88%), gems and jewellery (85%), transport equipment and common metals (83%); notes that 40% of India's clothing exports, worth just over EUR 3 000 million, out of total exports of EUR 4 800 million, and nine-tenths of India's footwear exports, valued at EUR 600 million, out of total exports of EUR 675 million, benefited from the GSP scheme; notes that countries with their own weaving industries, such as India, were able to make far more extensive use of GSP facilities than countries such as Bangladesh, which use imported fabrics for garment manufacture, who experienced difficulties in using the GSP scheme because of the EU's rules of origin scheme; welcomes the EU's practice of keeping these schemes and rules under review and encourages it to simplify and rationalise these rules; welcomes the proposal to replace product-specific rules of origin with a single across-the-board criterion so that eligible countries may find it easier to use the scheme;
55. Is concerned that, with 60% of the world's remaining tigers being in India, the planned but delayed all-India tiger census may show a drop in numbers to a critical low of 1 500 tigers in the country; acknowledges that the value of the illegal trade in wild animal species is estimated to be second only to the international trade in illegal drugs and that the levels of exploitation and trade in some species, such as tigers, are so high that their populations are being severely depleted; requires improved monitoring of imports of wildlife specimens and wildlife products so that the Convention on Trade in Endangered Species (CITES) is upheld, and enforcement improved in order to save endangered species from the threat of extinction; calls on the EU offer cooperation and technical assistance to India to help

maintain its biodiversity and tackle the illegal trade in wildlife; calls for the issue of tiger protection in general, and combating the trade in tiger skin, bones and body parts in particular, including through customs cooperation, to be placed on the agenda of the next meeting of the EU-India Environment Forum;

56. Notes that trade liberalisation has left smaller farmers in both the EU and India facing global competition, forcing down prices, whilst the reduction in government subsidies has made farming more expensive for them; is concerned that in India, farmers are turning to contract farming for exports, instead of providing domestic products, which is leading to malnutrition in poor rural areas; encourages India to direct funds for trade-related infrastructure to rural agricultural areas to help farmers adapt to the challenges of globalization;
57. Urges the EU to promote in international fora greater corporate responsibility among foreign undertakings established in India, and at the same time urges that an agreement be reached with the Indian government to set up an effective system for monitoring workers' rights within domestic and foreign companies based in India.
58. Calls for talks between the EU and India concerning investment to take account of the social and political responsibility of foreign investors; stresses that investors' rights must go hand in hand with obligations and that investors should at least apply the International Labour Organization's (ILO)'s core labour standards;
59. Welcomes India's commitment to the prevention of child labour and participation in the International Programme on the Elimination of Child Labour and the INDUS child labour project; is concerned by the high incidence of child labourers in India; calls on India to cooperate with the ILO and ratify Convention 138 on Minimum Age and Convention 182 on the Worst Forms of Child Labour; calls on India to take measures in order effectively to combat all forms of modern slavery, child labour and the exploitation of female labour, with a view to ensuring respect for the fundamental rights of workers and averting social dumping; as well as to adopt the ILO principle of 'decent work'; recalls the importance of various trade arrangements complying with international conventions on human rights and labour standards;
60. Considers that India should ratify and implement the remaining ILO Conventions as soon as possible in order to help strengthen long-term development and improve the quality of life of the poorest segments of society;
61. Stresses that the EU should press the Indian government to tackle, with the greatest sense of urgency, bonded labour, which affects millions of people in India; calls for India to ratify Convention 98 on the right to organise and collective bargaining;
62. Underlines the importance of not separating the developing trade relations between the EU and India from human rights reforms in India;
63. Notes that India's current administration has more openly acknowledged the problems posed by HIV/AIDS; considers that the spread of HIV/AIDS has the potential to disrupt India's progress ; notes that limited access to health-care and low levels of awareness are responsible for its growing incidence; welcomes the fact that it has increased its funding and programmes to address the problems posed by HIV/AIDS and calls on the EU to



assist India to scale-up programmes for individuals and communities at high risk; accordingly welcomes the work of the National AIDS Control Organization (NACO) in its activities for raising awareness among the rural and urban populations;

64. Considers that recent natural disasters, especially the Indian Ocean tsunami and South Asian earthquake, have exposed the need for more creative and imaginative collaboration between the multitude of agencies and organisations responding to disasters; notes that UNESCO, through its Oceanographic Commission, has been active in establishing an Indian Ocean Tsunami Warning and Mitigation System and that the UN is coordinating the implementation of the Hyogo Framework of Action, a 10-year natural disaster risk reduction plan; calls on India, the EU and its Members States to support these initiatives, so that, by anticipating the frequency and severity of natural disasters and the synergy between humanitarian efforts and government relief agencies, the sustained effectiveness of post-disaster assistance can be increased;
65. Calls for a parliamentary summit to be held annually to coincide with or immediately precede the annual EU-India summit, which usually takes place without the official participation of the European Parliament; considers that such summits would make it possible to develop the links between parliamentary bodies, improve understanding of our differences and bring the democratic systems of both sides closer together;
66. Calls on the Commission to report to the European Parliament on a regular basis on progress in implementing the Joint Action Plan between the European Union and India;

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67. Instructs its President to forward this resolution to the Council, the Commission, the governments and parliaments of the Member States and the Government and Parliament of the Republic of India.

## EXPLANATORY STATEMENT

### *Introduction*

EU and India constitute the biggest democracies in the world. Democracy, pluralism and the rule of law guarantee consistency and continuity in their trade and economic relations and contribute to global stability.

They must improve bilateral economic relations, but views of the Strategic Partnership differ in vital areas. Divergence is natural between economies at different stages of development but key areas need to be addressed to reap real economic benefits.

Trade cannot be viewed in isolation and the report scrutinises the distribution of benefits of Indian liberalisation and assesses implications of rapid growth.

India is an emerging leader at the geopolitical centre of gravity: the crossroads between booming Far East and energy-rich Middle East and Central Asia. The report traces India's policy of strategic pragmatism, explores its bilateral and multilateral relations and assesses how they determine future growth.

### *EU-India: Towards a Strategic Partnership.*

From 1980 to 2005 EU-India trade grew from €4.4b to €40b. EU is India's largest trading partner and member states account for 22.4% of Indian exports and 20.8% of imports. Yet there is an imbalance between relative levels of trade: whilst EU accounts for 21% of Indian trade, India's share in EU trade is less than 1%; and whilst EU is India's largest trading partner, India ranks 14<sup>th</sup> in EU's comparable list.

India's high import tariffs and refusal to commit to maximum binding rates for all products remain a concern for EU industry. Preferences and exemption schemes combine in a complex and non-transparent way resulting in market distortions. Tied with extensive non tariff barriers, ranging from onerous standards and certifications on goods to negative import lists, these obstacles impede optimisation of bilateral trade.

While liberalisation has positive long-term impacts, short-term costs could negatively affect Indian industry. India speaks of 'fortress Europe' and a need for harmonisation of trade-related systems across the EU. India argues EU non-tariff barriers, such as trade defence actions, health standards and controls on movement of peoples create an impenetrable market. While some concerns fall under WTO, dissolution of these barriers is paramount to create a true strategic partnership.

Trade cannot be viewed in isolation; strategic interests play a key role. Commissioner Mandelson claims India is his "destination of choice," yet fuels EU obsession with China. Indian media has generated hostility to the EU following clashes over the ICC and Ottawa Convention, which adds to sensitivity over EU patronisation of India. The Mittal affair epitomises this outlook and the handling of the OPA bid gave the Indian media a field day. Bridge-building by Commission's Delegation and Member State Embassies must

engage Indians and address their misgivings.

The Joint Action Plan is intended increase trade and economic cooperation and the High Level Trade Group is exploring devices to deepen bilateral relations. Both are committed to a successful conclusion of the DDA, but do not rule out bilateral WTO+ agreements. Mutual opportunities include enforcement of an IPR regime and FDI agreements. Whilst comprehensive, the Plan fails to set priorities or deadlines and only provides for ongoing dialogue. Neither side demonstrate political will to build an effective Strategic Partnership. Cards must be laid on the table: common ambitions delineated and deadlines set.

### ***FDI: Overcoming Barriers to Market Access***

India is ranked 90th for ease in starting up a business, yet is the world's 3rd choice for FDI. EU is India's largest source of FDI with outflows of €820m in 2003. Nevertheless, India is concerned about low levels of FDI inflows from EU, which is less than €5b over the last 15 years - 0.2% of total FDI.

Government attitudes to FDI have improved; ultimately it has listened to investors' concerns and tasked the Investment Commission with soliciting FDI, guiding investors through procedures and making policy recommendations to aid FDI inflows. Numerous sectors have been opened to foreign investors but many, including agriculture and real estate, remain off-limits. The current boom in India's financial and insurance sectors is testament to the benefits of opening up to FDI. Ceilings on FDI in individual sectors are being gradually raised, though the government still leans towards locals and limits on ownership remain the rule rather than the exception.

At state and municipal levels foreign investors face frustrating bureaucracy. Applications eligible for automatic approval are kept to a minimum, while the bulk is dealt with case-by-case. Regulations change exasperatingly often, making it difficult to keep up with vagaries of a system lacking transparency.

India displays typical characteristics of a developing nation. With poor transport networks and regular power outages, PM Singh estimates India needs FDI in infrastructure of \$150b over the next 5 years. The main bottlenecks result from the complexity of shifting the traditional mode of public sector delivery of infrastructure to one dependent on Private-Public-Partnership. The latter calls for transparency and a credible regulatory environment and levels the playing field between private investors and the government. These are issues India needs to tackle across the board.

Security risks remain a concern. Despite cooling of tensions, there is no resolution to the Kashmir conflict and sectarian tensions persist. Frequent security checks make travel to India inconvenient, putting off investors. However, one of India's main advantages is political stability. Coalition politics may have its constraints, but despite changes in administration, India's overall economic direction has not changed in the past 15 years.

Today, India's Diaspora is over 20 million, with 3 million living in EU. Indian expats make a major contribution to the Indian Business Process Outsourcing industry. Nevertheless, the Diaspora does not invest enough, providing only 10% of India's FDI inflows. As PM Singh notes: if Indians *"help to make America competitive; why can they*

*not do more for India itself?"* India needs social and financial remittances for long-term development. The government has set up a committee to devise schemes to access Diaspora resources; dual citizenship is a tangible proposal.

### ***BPO: Being "Bangalored."***

India attracts a 44% share of globally traded IT-based services and Business Process Outsourcing, (BPO). India is European Business' top off-shoring destination, with 66% working with India-based vendors. BPO contracts executed in India are no longer simple programming tasks and call centre services, but increasingly entire business processes and consultancy work.

As a result of current demographic trends, EU's potential growth is set to decline by 2020. By contrast, India's key comparative advantage is a large pool of young, trained, English-speaking, inexpensive workers. They earn roughly \$8,000 compared to \$ 70,000 for German counterparts. Clients do not base decisions on pay alone but, even factoring in additional costs of establishing of a suitable workplace, savings of 40% can be realised, thanks to the wage differential.

Between 2003 and 2008 200,000 EU jobs will be outsourced, mostly to India, although OECD claims BPO could *"potentially affect"* only 20% of employment in the original 15 states. India's supply of engineers cannot meet demands. India has a million students enrolled in engineering colleges but only 3,000 graduate a year from IITs. Of the rest, few satisfy rigorous requirements of Multinational Corporations (MNCs). By 2010, demand for foreign language professionals will be 160,000 and only 40,000 Indians will be qualified. 30,000 EU expats already work in India and there are clear opportunities for trained Europeans prepared to relocate.

The €33m Erasmus Mundus scholarship scheme and Jean Monnet Chair in European Studies at the University of Delhi are vital for strengthening EU-Indian relations. In Bangalore, 95% of MNCs are run by Indians who have gained education and experience abroad. EU should allow Indians to stay on and work after their studies. This justifies investment of EU higher education systems and, as Education Minister, Shanmugharatanam, said after Singapore decided to attract smart Chinese students to its schools, *"ten years from now, would you rather have these students competing on your side or against you?"*

### ***Energy: Driving Force behind Trade Policy***

The impact of Indian growth on global demand for energy is phenomenal. A renewed focus on energy is driven by a tight oil market and prices doubling over the past three years. With supply coming from fewer countries a sensible strategy for energy security demands an integrated and innovative approach.

A key determinant of future growth is India's ability to meet spiralling energy needs. India suffers severe shortages and is over-dependent on petrol and coal. Energy security is driving foreign policy and India is adept at juggling global partners in the rush for remaining oil. While the US Nuclear Deal awaits Congressional approval, India is negotiating \$3.5b and \$7b gas links with Turkmenistan and Iran, respectively.

India is fertile land for oil and gas, but public-sector led exploration follows an unadventurous path. Entry of Western companies has altered this position: Britain's Cairn Energy reported several oil discoveries in Rajasthan in 2004, the largest containing 500 million barrels of recoverable reserves. India must encourage a vigorous search for oil and gas by providing major incentives to EU companies.

Renewable sources could meet India's long-term energy needs and boost power generation capacity. Given sensitivity to environmental protection combined with technological know-how, EU can offer solutions by sharing experience of renewable sources and efficiency options, both preferable to the nuclear option. Together we must define the global energy architecture through innovative, sustainable energy development, whilst meeting climate change benchmarks.

### ***India: Geopolitical centre of gravity in 21st Century?***

As India evolves from developing to developed, it bears global responsibility. A pioneer in South-South trade, Indian exports to Africa rose by 39% over the past 4 years and bilateral trade increased fivefold in the 1990s from \$1.3b to \$6.9b. Moreover, India has taken a leading, if somewhat defensive, role in the WTO, promoting Special and Differential Treatment for developing countries, and must continue to play a positive role in the DDA by extolling the benefits of trade opening and committing to open its remaining protected sectors.

India has built bilateral FTAs in Asia and both Sri Lanka FTA and Singapore CECA are working well. Whilst unilateral liberalization brings important gains, optimum growth comes through multilateralism. Indo-Pakistan relations have stalled regional economic cooperation through SAARC. Trade is now a confidence-building tool, although intra-regional trade is still low, constituting just 4.7% of total trade. The "Look East" policy has been successful, an India-ASEAN FTA is in the pipeline and trade with East Asia accounted for 20% of total trade in 2004. When South Asia Free Trade Agreement comes into force in July 2006 we can expect manifold expansion in the region, although gains would be greater if there were not so many exceptions and it reflected a true FTA.

China is still better integrated with East Asia than India, although the pattern of trade with ASEAN, the gateway between them, should change as direct trade expands. Most think of India and China as rivals. Few realize India-China trade was \$1b *a month*, last year. Their economic structures are complementary rather than competitive, although the "*China as factory, India as back office*" paradigm should not be exaggerated; *both* have the capacity to be BPO *and* manufacturing hubs. Nevertheless, EU attention has been focused on China, whilst seemingly underestimating India's potential. Whilst obviously seeking out the best prospects, a key factor determining EU investment in the region must be the desire to spread business across Asia's giants.

### ***A Tale of Two India's***

As the economy expands, salaries of Indian professionals soar. Soon 3.8 million households will have annual incomes of £130K prompting a surge in spending. However, benefits are not spread evenly. Not even 2% are affected by the IT boom. Poverty remains high: 390 million live on less than \$1 a day and nearly 40% are illiterate.

Despite rapid service sector expansion, agriculture dominates, engaging 65% of the population. Liberalisation leaves farmers facing global competition: forcing down prices, whilst reduction in subsidies makes farming expensive. Farmers turn to export contracts, instead of providing domestic products, causing malnutrition in rural areas. Seats of enterprise are located in urban areas, leading to large-scale migration so urban poverty and slums reflect a skewed development process. To reverse this trend, strength must be restored in agriculture and infrastructure in order to generate income growth in rural areas.

Growth in southern and western states outstrips the north and east. In Gujarat, the fastest growing state, GSP doubled between 1993 and 2003 and per capita product increased by 73% while the poorest state, Bihar, increased per capita product by only 22%. Imbalances are exacerbated by devolution. This accelerates development of wealthier states but reverse is true of poorer states. Quality of government is a key differentiator, visible in improving social indices of Rajasthan and Kerala, enjoying strong political leadership and wise investment. To ensure coherence, central government must adopt sound complementary policies applied across all states. Resources must be redirected to lagging regions and under-represented social groups. Capacity building efforts must focus on the poorest states, enabling them to use funds effectively.

India is committed to the MDGs and is strengthening social services delivery. However, serious concerns remain, such as the high incidence of child labour and HIV/AIDS. EU cooperation in education and rural health could provide funds to priority programmes. India must deepen integration with the world economy in a widening range of manufactures and services. EU could address concerns about equal opportunity by accelerating products providing livelihoods to women and facilitating trade in services in sectors employing women.

31.5.2006

## **OPINION OF THE COMMITTEE ON DEVELOPMENT**

for the Committee on International Trade

on the EU's economic and trade relations with India  
(2006/2034(INI))

Draftsman: Filip Andrzej Kaczmarek

### **SUGGESTIONS**

The Committee on Development calls on the Committee on International Trade, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the fact that the EU and India committed themselves to strengthening dialogue and engagement, including on human rights, as strategic partners at the sixth India-EU Summit on 7 September 2005, as reflected in the Joint Action Plan, which also includes development cooperation, giving importance to environmental sustainability, and to social and economic cohesion; asks that an ongoing dialogue be maintained in the field of human rights within the strategic partnership; in this context, congratulates India's National Human Rights Commission on its independent and rigorous work on these matters;
2. Welcomes the growing recognition of the importance of external economic environment trade and investment in India's latest five year plan on human development (2002-2007);
3. Acknowledges the important successes of the Government of India in the eradication of poverty, but notes that despite sustained economic growth, vast inequalities still persist, with about 30% of the Indian population (more than 400 million people) still living below the poverty line; is particularly concerned about the situation of underprivileged sections of the population, in particular women, children, the disadvantaged and the rural population, e.g. Dalits and Adivasis (indigenous tribes and peoples); calls on the Commission and the Council to work together with the Indian government to improve the situation of those groups and to examine future cooperation as to their contribution towards ending gender and caste discrimination;
4. Is impressed by the development effects of economic growth in some regions of India and calls on the Commission to support research on the main patterns and underlying national/sub-national policies responsible for such effects, in order to facilitate cross-regional learning and best practices;

5. Stresses that economic and trade cooperation should be focused on improving the living conditions of the Indian poor, in addition to emphasising sustainable economic development;
6. Stresses that meeting the Millennium Development Goals (MDGs) and combating poverty should remain a central element of the EU-India Strategic Partnership; welcomes the fact that the next EU-India summit on 13 October 2006 will address the issue of the MDGs; and calls urgently for specific measures to be taken to ensure that minorities such as Dalits and Adivasis and other marginalised communities, tribes and castes, are able to close the wide gap with the rest of the population regarding the attainment of the MDG's.
7. Calls on the EU to support India's international trade potential as well as efforts to attract foreign direct investment, in particular by stepping up trade-related aid to address infrastructure and administrative bottlenecks, by striving for a development-friendly conclusion of the WTO Doha Round at the end of 2006, using its leadership position within the G20 group to secure a balanced agreement between developed countries, emerging economies and developing countries;
8. Calls for talks between the EU and India concerning investment to take account of the social and political responsibility of foreign investors; stresses that investors' rights must go hand in hand with obligations and that investors should at least apply the International Labour Organization's (ILO)'s core labour standards;
9. Considers that special attention must be given by the EU to the SME sector in India, and therefore suggests that in all development cooperation programmes between the EU and India SMEs could be strengthened through measures to help finance market-driven local projects proposed by citizens;
10. Welcomes the emphasis on health, education, water and the environment in EC development cooperation with India 2002-2006, as well as the Joint Action Plan commitment to deepening development cooperation in the health and education sectors, aiming to enhance development cooperation to supplement important Indian social sector programmes, including specific measures effectively to put an end to discrimination against less-favoured social groups, particularly women; calls likewise for a boost to be given to measures to foster girls' education as part of the Action Plan, thereby meeting MDGs 2 and 3;
11. Welcomes the fact that environmental policy is identified as one of the sectors of cooperation in the Joint Action Plan; calls, however, for environmental aspects to be continually emphasised in development cooperation;
12. Stresses that the increased environmental destruction in India is a constantly growing problem with unimaginable economic, social and environmental consequences, particularly for the large number of Indians living in poverty, and stresses the particular urgency of pressing ahead with EU cooperation with India in this field;
13. Calls for EU-India cooperation in the area of employment and social policy to be focused on the problems of labour discrimination against women, forced labour and child labour - given the fact that India has one of the largest numbers of child labourers in the world - and calls on the EU to encourage India to ratify ILO Convention 182 on the Worst Forms



of Child Labour , and Conventions C 138 concerning the minimum age for admission to employment and C 98 on the right to organize and collective bargaining, which would signify a positive step towards the eventual abolition of child labour;

14. Urges the EU to promote and implement measures to ensure the socio-economic development of minorities, who have largely been excluded in the new economy in India and are discriminated against in development programmes and disaster recovery through, inter alia, the promotion of equal opportunities in employment in private EU-based companies and investors, the encouragement of Dalit-inclusive development programmes and the use of indicators to measure Dalit inclusion in the new economy;
15. Stresses that the EU should press the Indian government to tackle, with the greatest sense of urgency, bonded labour, which affects millions of people in India;
16. Underscores that the EU development cooperation should cooperate with India as an emerging international donor by exchange of experience and cooperation in concrete projects in developing countries; underlines that learning from Indian experiences could help to make EU development aid more efficient and productive;
17. Urges the EU to promote in international fora greater corporate responsibility among foreign undertakings established in India, and at the same time urges that an agreement be reached with the Indian government to set up an effective system for monitoring workers' rights within domestic and foreign companies based in India.

## PROCEDURE

<b>Title</b>	The EU's economic and trade relations with India
<b>References</b>	2006/2034(INI)
<b>Committee responsible</b>	INTA
<b>Opinion by</b> Date announced in plenary	DEVE 16.2.2006
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Draftsman</b> Date appointed	Filip Andrzej Kaczmarek 25.1.2006
<b>Discussed in committee</b>	30.5.2006      25.4.2006
<b>Date adopted</b>	30.5.2006
<b>Result of final vote</b>	+ :    18 - :    0 0 :    1
<b>Members present for the final vote</b>	Danutė Budreikaitė, Michael Gahler, Hélène Goudin, Filip Andrzej Kaczmarek, Glenys Kinnock, Ģirts Valdis Kristovskis, Maria Martens, José Javier Pomés Ruiz, Horst Posdorf, Frithjof Schmidt, Margrietus van den Berg, Mauro Zani
<b>Substitute(s) present for the final vote</b>	Marie-Hélène Aubert, John Bowis, Manolis Mavrommatis, Zbigniew Zaleski
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Sajjad Karim, Francisco José Millán Mon, Ralf Walter

## PROCEDURE

<b>Title</b>	The EU's economic and trade relations with India
<b>Procedure number</b>	2006/2034(INI)
<b>Committee responsible</b> Date authorisation announced in plenary	INTA 16.2.2006
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	DEVE 16.2.2006
<b>Not delivering opinion(s)</b> Date of decision	
<b>Enhanced cooperation</b> Date announced in plenary	
<b>Rapporteur(s)</b> Date appointed	Sajjad Karim 11.10.2005
<b>Previous rapporteur(s)</b>	
<b>Discussed in committee</b>	21.3.2006      19.6.2006
<b>Date adopted</b>	12.7.2006
<b>Result of final vote</b>	+    26 -    0 0    1
<b>Members present for the final vote</b>	Francisco Assis, Jean-Pierre Audy, Enrique Barón Crespo, Daniel Caspary, Giulietto Chiesa, Christofer Fjellner, Béla Glattfelder, Jacky Henin, Syed Kamall, Sajjad Karim, Alain Lipietz, Helmuth Markov, Javier Moreno Sánchez, Georgios Papastamkos, Godelieve Quisthoudt-Rowohl, Bogusław Rogalski, Peter Šťastný, Robert Sturdy, Gianluca Susta, Johan Van Hecke, Zbigniew Zaleski
<b>Substitute(s) present for the final vote</b>	Elisa Ferreira, Eugenijus Maldeikis, Antolín Sánchez Presedo, Mauro Zani
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Anne Ferreira, Sarah Ludford
<b>Date tabled</b>	20.7.2006
<b>Comments</b> (available in one language only)	