
TO WHAT EXTENT ARE EUROPE'S FORTUNES TIED TO THOSE OF INDIA?

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Is the future of EUs economy anyhow dependent on its relationship with India? Originally appeared on Quora - the place to gain and share knowledge, empowering people to learn from others and better understand the world.

Answer by David McDonald, founder of The Global Millennial, on Quora:

India and Europe indeed have a close relationship in regards to trade, politics, and humanitarianism. With Indias economy poised to grow approximately \$7.25 - \$10 trillion from now until 2030 - an average growth rate of 8 percent - there is no disputing that the cooperation between Europe and India, and for that matter, Europe and Asia, will only strengthen with time.

History Of India - Europe Relations

The two regions have been engaged in trade for thousands of years, but to speak in modern terms, cooperation between Europe and India became a priority as early as 1993 upon the emergence of the Joint Political Statement of 1993 and the 1994 Cooperation Agreement, which took relations beyond trade and economic cooperation to meet political and various societal needs as well.

Summits - which have been ongoing since 2000 - are the most visible aspects of this cooperation.

As explained by the European External Action Service,

There are also regular dialogues on foreign policy and security issues of common interest such as counter-terrorism, cyber-security, counter-piracy, non-proliferation and disarmament and human rights, as well as close contacts in multilateral forums and interactions in the margins of regional or international events. The EU and India moreover consult regularly on migration and mobility, trade, economic cooperation, science and technology, energy, environment and ICT.

This strong cooperation is a strong signal that these two powers are committed to not only facilitating economic growth, but also maintaining peace in their respective regions.

This partnership expanded once more in 2004 upon the establishment of the EU-India Strategic Partnership, which serves to provide annual summits where leaders can meet and discuss various diplomatic strategies. The partnership is of course, based on the shared values and principles of democracy, the rule of law, human rights and the promotion of peace and stability.

The Partnership Today

Annual summits are still being held, the most recent being on March 30th, 2016, to which the main topics were foreign policy, security and human rights cooperation, economic cooperation and global issues such as climate change and migration and mobility.

Some highlights from this summit include:

The summit helped leaders develop a Joint Declaration and endorsed the EU-India Agenda for Action 2020 which builds on the achievements of the 2005 Joint Action Plan.

The summit produced a Joint Declaration on the fight against terrorism and agreements on a number of sectoral partnerships.

With well over two decades of cooperation between Europe and India, there is now a growing strategic alliance emerging. And with summits being held every year - on top of meetings being held much more frequently - the level of trust and understanding between the two regions remains at a sustainable level.

This partnership is crucial for the long term sustainability and development of Eurasia. The fact that these two regions have kept close ties for this amount of time should signal that they are serious about cooperation in all aspects of their respective democracies. Ultimately, political relations between the two regions will continue to strengthen, which will in turn lead to long-term economic cooperation.

The Future Of Trade Between India And Europe; What Role Will India Play In Shaping Europes Economy?

To directly answer this question - India will play a pivotal role in aiding the future development of the European Union. As previously stated, the Asian service-oriented power is poised to maintain annual GDP growth of 8% up to 2030, which would propel India into the second place position for worlds largest economy.

India will continue to increase investments in infrastructure, signalling their focus on growing their exports to Asia and Europe.

Whats more is the recent statements by Indian financial supervisors stating that they plan to invest nearly \$1.5 trillion into infrastructure projects within the next decade - a feat that will see India pouring nearly \$100 to \$200 billion into construction each year.

Given the fact that they are the service-hub of the East, this is an interesting move by Indias economic advisers. This move signals their commitment to establishing a larger manufacturing sector, which is interesting considering China - the manufacturing powerhouse of the world - lives right next door.

However, I do believe this is a smart move.

With a shift from a service-oriented economy to a more balanced economy within India, I would argue that European countries would be tempted to take advantage of the cheap labor in India and begin to outsource much of their manufacturing roles there. Countries in Eastern Europe such as Ukraine and Russia would be more likely to import from India because it could essentially shave

off hundreds of kilometers off the transportation trip as opposed to importing from China, which would obviously save time and money.

For this transition to take place however, India needs to maintain political stability within their boundaries as well as with Europe - which I do not see being even a slight issue - as well as maintain technological development to stay competitive, and secure long-term trading partners with Western countries. Also, India has had armed conflict with Pakistan and with China and there is always the small chance that hostilities escalate again the future. Border disputes are not fully resolved between the countries.

Does Europe Need Strong Economic Ties With India In Order To Prosper?

I wouldnt say that Europe as an entirety is going to be reliant on just one market to succeed - they are simply far too big and far too diversified to fail because of this.

However, leaders of Europe realize the economic potential that India provides and they are going to do everything in their power to retain close ties with the Asian power.

Bilateral trade between Europe and India has more than doubled in the last decade, making the European Union Indias number one trade and investment partner. Two-way trade in goods between the EU and India reached EUR 77.3 billion in 2015, or EUR 211 million per day. If we add services, total trade now exceeds EUR 100 billion/year, or EUR 275 million per day!

Furthermore, the European Union is also Indias most important source of Foreign Direct Investment, with almost EUR 5 billion of EU outward investment to India in 2014. Investment from India destined for the EU was over EUR 1 billion.

The EU and India hope to increase their trade in both goods and services - as well as investment - through the negotiations for a free trade agreement (better known as Broad-based Trade and Investment Agreement – BTIA) that they launched in 2007.

The building blocks for a century of Eurasian economic growth are being laid as we speak. Numerous trade agreements, infrastructure projects, investment pool banks, and bilateral partnerships are emerging throughout this region and this all points to the notion that: The 21st century will be Asias for the taking; Europe is just along for the ride.

Kaynak/Source: