

# India and the EU announce path-breaking trade pact

**I**ndia and the European Union, already bound by a strategic partnership, on October 13 announced a path-breaking trade and investment agreement in Helsinki, Finland, that will be New Delhi's biggest yet.

The announcement was made at the end of the seventh India-EU summit, with Prime Minister Manmohan Singh telling a press conference also attended by Finnish and E.U. leaders that the two parties had decided to "further deepen our political and strategic dialogue and expand our economic and trade relations".

Talks between the two sides lasted until midnight October 12 as they negotiated the finer details of the trade and investment agreement. The Indian side was led at the talks by the experienced Commerce and Industry Minister Kamal Nath, who also led the Indian delegation to the World Trade Organisation (WTO) talks.

On October 13, EU Trade Commissioner Peter Mandelson announced: "The significance of this move is that (a) developed (bloc) and a big developing country alike are setting out to advance trade liberalisation in tandem. We will each gain, but so too will the rest of the world because any agreement between us will set new standards for openness and global trade rules."

Kamal Nath later explained the importance of the decision: "It is going to be the largest trading agreement India is going to have. It is a very large spread." The pact is expected to take shape within two years, although business communities from both EU and India want this done in one year.

European Commission President Jose Manuel Barroso told reporters later that what



Prime Minister Manmohan Singh shaking hands with the Prime Minister of Finland Matti Vanhanen at the 7th India-European Union Summit in Helsinki, Finland, on October 13.

was being envisaged was a free trade agreement. "Of course it is a free trade agreement," he said. "I am very happy. This is very important for European consumers. India is a major player. This is a major strategic decision."

Minister Kamal Nath, however, differed on the terminology, saying it should be called "trade engagements" rather than a free trade accord.

The EU is India's largest trading partner, accounting for a fifth of New Delhi's trade. The EU is both the leading foreign investor in India and also a major destination for Indian investors.

The Europeans believe that Indian trade is

defined by huge untapped potential.

An EU-India agreement would be ambitious, covering not just goods but services, non-tariff barriers and rules on issues such as investment, competition and public procurement as well. It will also improve the enforcement of rules on the protection of intellectual property rights.

During the day, Manmohan Singh and EU leaders, including Finland Prime Minister Matti Vanhanen, whose country now heads the 25-nation bloc, discussed a variety of issues ranging from instability in their respective neighbourhoods, terrorism, nuclear non-proliferation and North Korea.

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## ■ Highlights of the Joint Statement

- The EU and India reiterated their commitment to the Strategic Partnership launched at the fifth EU-India Summit in The Hague.
- They welcomed the steady, significant intensification of the dialogue between the strategic partners.
- The EU and India stand committed to the rules-based multilateral trading system.
- They encouraged an expansion and deepening of trade and investment linkages and decided to advance their bilateral trade relations.
- They expressed their commitment to

promoting international peace and security and work together towards achieving economic progress, prosperity and sustainable development, as well as promoting good governance.

- The leaders welcomed the recently established EU-India Security Dialogue, held for the first time in May 2006.
- The Summit underlined the importance of a strong, effective and efficient U.N. and the leaders also recognised the need for a comprehensive U.N. reform.
- They reaffirmed their long-term commitment to assist the Afghan Government in

the stabilisation and rebuilding of Afghanistan. In this context, both sides welcomed the holding of the second Regional Economic Cooperation Conference (RECC) in New Delhi on 18-19 November 2006.

- They reaffirmed their shared interest in working together as partners for disarmament and for countering the proliferation of WMD and their delivery systems.
- The leaders emphasised the urgent need for the international community to promote a comprehensive peace plan for the Middle East/West Asia