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INDIA-EUROPEAN UNION FREE TRADE AGREEMENT:

EVALUATING OVERALL TRADE AND STRATEGIC COMMODITIES WITH THE EUROPEAN UNION

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Chapter I – Introduction

India was among the first countries to establish diplomatic relations with the European Economic Community (now the European Union) in 1962. These diplomatic relations have been built on the shared values and principles of democracy, the rule of law, rules-based order, and multilateralism. Agreements, such as the Joint Political Statement and the Cooperation Agreement, signed in the early 1990s paved the way for strengthening this bilateral relationship. [1] The India-EU ties are multifaceted and cover a diverse spectrum of topics including trade, investment, climate change, science, and technology, and agriculture. The partners have cooperation in various sectors including Agriculture and Marine, Environment, Pharmaceuticals, Biotechnology, Science and Technology, Infrastructure, and Information and Communications Technology.[2]

1.1 Trade Overview

The EU is India's second-largest trading partner after the US. The India-EU merchandise trade has registered an all-time high value of US$ 116.36 Billion in 2021-22 with a year-on-year growth of 43.5%. India's exports to the EU jumped 57% in FY 2021-22 to US$ 65 billion.[3] The following figure shows the trade between India and the EU from 2004 to 2023.

Figure 1: Trade between India and the European Union 2004 and 2023

In 2004, India's exports to the EU stood at US$ 10,752.066 million, while imports from the EU stood at US$ 11,241.484 million, resulting in a trade deficit of US$ 498.418 million.

Whereas, in 2023, the value of exports was US$ 73,457.900 million, while the value of imports is US$ 54,688.068 million, with a trade surplus of US$ 18,769.832 million.

Until 2012, the trade balance was in a deficit, where it grew to US$ 6,977.161 million. The trade witnessed a trade surplus of US$ 2,805.922 million in 2013, where exports stood at US$ 45,724.858 million, and imports at US$ 42,918.936 million. Thereafter, the trade again was in a deficit for two consecutive years, 2014 and 2015. Between 2016 and 2023, India's trade with the EU has been recording a surplus, as can be observed in the above figure, where the average trade surplus during this period was US$ 6,737.021 million.

Cumulatively, the value of exports between 2004 and 2023 is US$ 740,548.103 million, while the value of imports in the same period is US$ 724,773.266 million. Overall, India's trade with the EU has been increasing and is bound to increase further in the coming years.

So, with this backdrop, why is a Free Trade Agreement (FTA) between India and the EU of importance?

The world is currently looking to reduce its dependence on China as the primary manufacturing hub, and India has the opportunity to take its place and become the world's factory. Many leaders believe that a manufacturing-led and export-oriented economic growth model could work well for India, just as it did for other Asian countries like China and Japan.[4] India also has a large pool of skilled and unskilled labour, which is essential for becoming a low-cost manufacturer and exporter, similar to China and Japan. To realise this ambition, India needs to strategically manoeuvre its ties with its largest trade partners. One way to do this is to negotiate fair and favourable free trade agreements (FTAs) with its trading partners, such as the European Union. An FTA with one of the world's largest economic powerhouses could significantly bolster India's trade, helping her reach closer to her ambitious dreams of being a manufacturing hub.

1.2 Purpose of the India-EU FTA

The overarching purpose of the agreement is to deepen the India-EU economic and strategic cooperation as well as to generate new prospects for growth prosperity and sustainable development.[5] The agreement must be mutually beneficial. According to a study by the European Parliamentary Research Service, exports from the EU to India would rise by about 52 per cent to 56 per cent, while imports from India would rise between 33 per cent and 35 per cent in most scenarios under a potential FTA that partly liberalizes trade in goods and services. The report said, *"Gains from increased trade for both sides are between 8 billion and 8.5 billion euros"*. [6]

Considering that both partners have similar fundamental values and common interests and are two of the largest open market economies, the trade deal will help to diversify and secure the supply chains, boost economic opportunities for businesses, and bring significant benefits to the people. Both sides are aiming for the trade negotiations to be broad-based, balanced, and comprehensive, based on the principles of fairness and reciprocity. [7]

The talks of an FTA between India and the EU date back to 2007. Between 2007 and 2013, the two trading partners held 16 rounds of talks. However, they were suspended in 2013 due to the EU's insistence on liberalizing Indian tariffs on goods such as automobiles, alcoholic beverages, and dairy products, along with India's demands for greater access to the EU markets for its skilled professionals. [8] The talks finally took flight again after nine long years when suspensions were lifted in June 2022, when the Union Minister of Commerce and Industry, Mr. Piyush Goyal, and the Executive Vice-President of the European Commission, Mr. Valdis Dombrovskis formally re-launched the India-EU FTA negotiations. [9]

So far, seven rounds of negotiations have taken place since July 2022. The seventh round began on February 19, 2024, in New Delhi, and is likely to focus on

services and investments, building on earlier talks that covered goods and public procurement.[10] Generally, however, there is still a need for significant work and engagement on the main substantive issues where the partners' respective positions diverge.

Based on this, in this report, the author seeks to assess the trends in India's trade, explore the trade dynamics between India and the EU, and analyse and identify the commodities that both partners can benefit from trade.

Chapter II – Objectives

The objectives of this study are to:

- Analyse India's overall exports and imports across commodities in the past twenty years.
- Identify those goods that both partners could trade under the FTA, that is beneficial for both.

Chapter III – Methodology

This study adopts a quantitative approach to assess the objectives, based on secondary, time-series data. The secondary data has been collected at the commodity level from the International Trade Centre's Trade Map.[11] These commodities have been classified under HSN (Harmonised System of Nomenclature). There are over 5000 commodity groups arranged in a legal and logical structure. The HSN structure contains 21 sections, with 99 chapters, about 1,244 headings and 5,224 subheadings. Sections and chapters describe the broad categories of goods. In this study, the author has used the 4-digit commodity data for our analyses. [12]

To analyse India's overall exports and imports, and India's exports to and imports from the EU across commodities in the last two decades, descriptive statistics have been employed. Descriptive statistics include aggregates, arithmetic means and percentages of exports and imports between 2004 and 2023. Moreover, a Compound Annual Growth Rate (CAGR) has also been calculated for both, to identify commodities with high and low CAGR.

Chapter IV – Analysis

This chapter delves deep into India's overall trade and its trade relationship with the EU. It analyses trends in India's overall trade across commodities and identifies commodities that will be mutually beneficial to trade for both parties.

4.1 Trends in India's Trade

India is emerging as an important strategic partner in today's intrinsic geopolitics. It is, therefore, important to understand how India's trade has fared so far.

The following figure shows preliminary trends in India's overall trade between 2004 and 2023. It can be observed that both, imports, and exports have consistently increased since 2004.

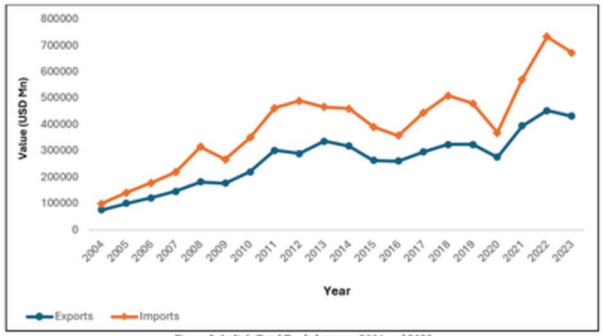

Figure 2: India's Total Trade between 2004 and 2023

The total exports in 2004 stood at US$ 75,904.2 million, while total imports stood at US$ 98,981.129 million, resulting in a trade deficit of US$ 23,076.929 million. Whereas, in 2023, the total exports increased by 468.37per cent to US$ 431,418.49 million, while total imports grew by 578.91 per cent to US$ 671,997.35 million. This resulted in a trade deficit of US$ 240,578.858 million. As the chart above shows, India's overall trade has always been in a deficit. This deficit has increased by US$ 266,811.91 million between 2004 and 2023, a growth of 941.51 per cent.

The above chart also shows interesting trends regarding India's integration with the rest of the world. There are some obvious dips in both exports and imports. The first dip is noticeable in between 2008 and 2009 when the global financial crash hit the world. Here, the fall in imports (15.62 per cent) is relatively more than the fall in exports (2.80 per cent). Thereafter both exports and imports picked pace and grew till 2014. Between 2014 and 2016, India's overall trade witnessed a dip, primarily due to global demand slowdown and fall in crude prices. Between 2015 and 2016, exports fell by 1.11 per cent, while imports fell by 8.73 per cent. The final dip between this 20-year period was seen between 2019 and 2020, owing it the COVID-19 pandemic, which brought the global economy to a standstill. During this period, exports fell by 14.78 per cent, However, the general trend suggests that India's trade has been consistently growing, highlighting the level of integration with the rest of the world.

This phenomenal increase in India's trade can be firstly attributed to liberalization of the economy in 1991, which has since been consistently growing. This, coupled with a large domestic market demand, making the manufacturing sector attractive to foreign direct investment by means of policies such as 'Make in India', fostering diplomatic relations and significant growth in trade ties, among other reasons, have led to impressive growth in India's trade.
The following sections explore India's exports and imports in greater detail.

4.1.1 India's Exports to the World

Between 2004 and 2023, India exported goods worth US$ 5,289,962.6 million. During this period, 2004 recorded the lowest export value of US$ 75,904.2 million, whereas 2022 recorded the highest export value of US$ 452,684.21 million. On average, India exports US$ 264,498.1 million worth of commodities, with an average year-on-year growth rate of 10.87 per cent.

The commodity that has been exported the most between 2004 and 2023 is 'Petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing …', whose export value stands at US$ 824,063.8 million, whereas the commodity that has been exported the least during this period is *'Horsehair and horsehair waste, whether or not put up as a layer, with or without supporting …'*, whose export value stands at US$ 15,000.

The following figure shows India's top ten export commodities between the years 2004 and 2023. Together, these ten com-

modities contribute US$ 5,289,962.62 million and account for 39.18 per cent of the total exports.

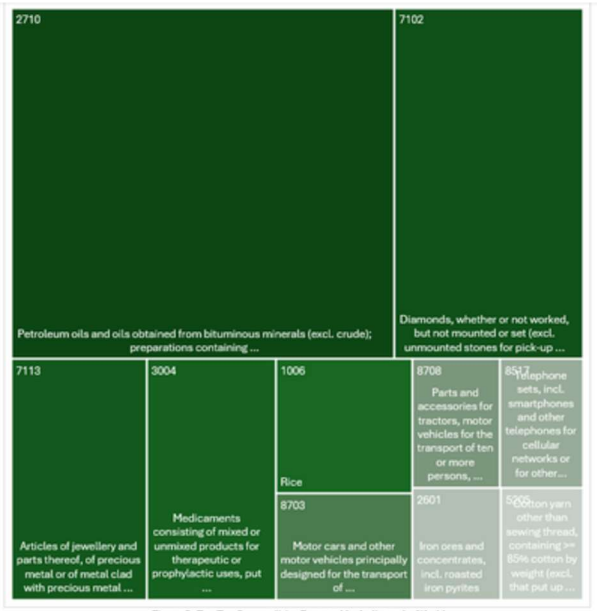

Figure 3: Top Ten Commodities Exported by India to the World

The 'Petroleum oils and oils obtained from bituminous minerals' commodity ranks first, having a cumulative export value of US$ 824,063.8 million, and makes up 15.58 per cent of the total exports. This is followed by 'Diamonds', having a cumulative export value of US$ 406,213.7 million, making up 7.68 per cent of the total. 'Articles of Jewellery' rank third, with a cumulative export value of US$ 199,503.8 million, contributing 3.77 per cent to the total. The 'Medicaments' commodity ranks fourth, having a cumulative export value of US$ 190,148.1 million, contributing 3.59 per cent to the total. 'Rice' ranks fifth, with a cumulative export value of US$ 112,180.8 million, making up 2.12 per cent of the total exports.

Ranking sixth is *'Motor cars and other motor vehicles'*, with a cumulative export value of US$ 88,836.21 million, making up about 1.68 per cent of the total exports. *'Parts and accessories for tractors, motor vehicles for the transport of ten or more persons'* ranks seventh with a cumulative export value of US$ 69,653.7 million, accounting for 1.32 per cent of total exports. *'Telephone sets, incl. smartphones and other telephones for cellular networks or for other wireless ...'* ranks eight with a cumulative export value of US$ 65,455 million, accounting for 1.24 per cent of the total. 'Iron ores and concentrates' ranks ninth, having a cumulative export value of US$ 60,715.09 million, and makes up 1.15 per cent of the total. *'Cotton yarn other than sewing thread'* ranks ninth and has a cumulative value of US$ 55,842.3, accounting for 1.06 per cent of the total exports.

While these commodities rank the highest when it comes to their export values, they are, however, not the fastest growing. Using the Compound Annual Growth Rate (CAGR), the author estimated their growth rates, as well as identified the export commodities that have fast and slow growth.

The export commodities that have grown the most include 'Antimony and articles, 'Copper Ores and concentrates', 'Non-radioactive isotopes', 'Flours, meals and pellets', 'Tubes, pipes and fittings', 'Knitted or crocheted fabrics', 'Self-propelled railway/tramway coaches', 'Ceramic flags and paving', 'Linseed', and 'Gold'. The following table lists the rate at which these commodities have grown between 2004 and 2023. These commodities have contributed a cumulative export value of US$ 33,945.2 million and make up about 1 per cent of India's exports. Reasons for their fast growth could be attributed to better glob-

al demand and betterment of manufacturing capabilities.

Table 1: Top Ten Commodities, exported by India to the World, with the Highest CAGR

Export Products to the World with the highest CAGR (Top 10)			
Product code	**Product label**	**CAGR**	**Total Value ($ Mn)**
8110	Antimony and articles thereof, n.e.s.; antimony waste and scrap (excl. ash and residues containing ...	55.03%	237.352
2603	Copper ores and concentrates	54.23%	935.935
2845	Non-radioactive isotopes; inorganic or organic compounds of such isotopes, whether or not chemically ...	49.05%	117.272
2301	Flours, meals and pellets, of meat or meat offal, of fish or of crustaceans, molluscs or other ...	48.00%	1556.145
7507	Tubes, pipes and tube or pipe fittings "e.g., couplings, elbows, sleeves", of nickel	45.84%	139.883
6004	Knitted or crocheted fabrics, of a width > 30 cm, containing by weight >= 5% of elastomeric ...	44.48%	899.358
8603	Self-propelled railway or tramway coaches, vans and trucks (excl. those of heading 8604)	43.81%	650.967
6907	Ceramic flags and paving, hearth or wall tiles; ceramic mosaic cubes and the like, whether ...	43.70%	11138.308
1204	Linseed, whether or not broken	41.49%	160.98
7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured ...	41.17%	18109

The author also identified commodities that registered a decline in their growth. These include 'Vessels and other gloating structure', 'Articles of gut', 'Linoleum', 'Lead ores and concentrates', 'Lead waste and scrap', 'Tall oil', 'Tanned or crust hides and skins', 'Mushrooms and truffles', 'Cinematographic films', and 'Reservoirs, tanks, vats and similar containers.

The following table lists their growth rate between 2004 and 2023. Together, these commodities have contributed about US$ 1,611.956 million and make up approximately 0.03 per cent of India's exports. Plausible explanations for the decline could be reduced global demand or shift of consumers to better alternatives.

Table 2: Bottom Ten Commodities, exported by India to the World, with the Lowest CAGR

Export Products to the world with the lowest CAGR (Bottom 10)			
Product code	**Product label**	**%**	**Total Value ($ Mn)**
8908	Vessels and other floating structures for breaking up	-39.68%	147.226
4206	Articles of gut, goldbeater's skin, bladders or tendons (excluding silkworm gut, sterile catgut, ...	-30.05%	24.695
5904	Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering ...	-26.20%	3.679
2607	Lead ores and concentrates	-25.60%	595.634
7802	Lead waste and scrap (excluding ashes and residues from lead production "heading No 2620", ...	-25.40%	2.343
3803	Tall oil, whether or not refined	-24.37%	0.612
4104	Tanned or crust hides and skins of bovine "incl. buffalo" or equine animals, without hair on, ...	-22.74%	430.654
2003	Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid	-22.48%	191.91
3706	Cinematographic film, exposed and developed, whether or not incorporating soundtrack or consisting ...	-21.99%	211.341
7611	Reservoirs, tanks, vats and similar containers, of aluminium, for any material (other than ...	-21.72%	3.862

Apart from these, 51 commodities registered a CAGR of -100%. This is because by 2023, these commodities registered a value of US$ 0. Similarly, there are 28 commodities which were not traded 2004, making the CAGR undefined.

4.1.2 India's Imports from the World

Between 2004 and 2023, India imported goods worth US$ 7,968,079.114 million. During this period, 2004 recorded the lowest import value of US$ 98,981.129 million, whereas 2022 recorded the highest import value of US$ 732,565.99 million. On average, India imports US$ 6,323.87 million worth of commodities, with an average year-on-year growth rate of 12.89 per cent.

The commodity that has been imported the most between 2004 and 2023 is 'Petroleum oils and oils obtained from bituminous minerals, crude', whose import value stands at US$ 1,873,071.79 million, whereas the commodity that has been exported the least during this period is *'Pig fat, free of lean meat, and poultry fat, not rendered or otherwise extracted, fresh, chilled,...'* whose export value stands at US$ 1,000.

The following figure shows India's top ten import commodities between the years 2004 and 2023. Together, these ten commodities contribute US$ 4,128,630.01 million and account for 51.81 per cent of the total exports.

The *'Petroleum oils'* commodity ranks first, having a cumulative import value of US$ 1,873,071.8 million, and contributes 23.51 per cent to the total imports. This is followed by *'Gold'*, having a cumulative

import value of US$ 621,672.6 million, accounting for 7.80 per cent of the total imports. *'Diamonds'* ranks third, with a cumulative import value of US$ 391,106.035 million, and accounts for 5.91 per cent of the total imports. *'Coal'* ranks fourth with a cumulative import value of US$ 322,100.109 million, and accounts for 4.04 per cent of the total imports. The *'Petroleum gas and other gaseous hydrocarbons'* commodity ranks fifth, with a cumulative import value of US$ 249,349.633 million, and accounts for 3.13 per cent of the total imports.

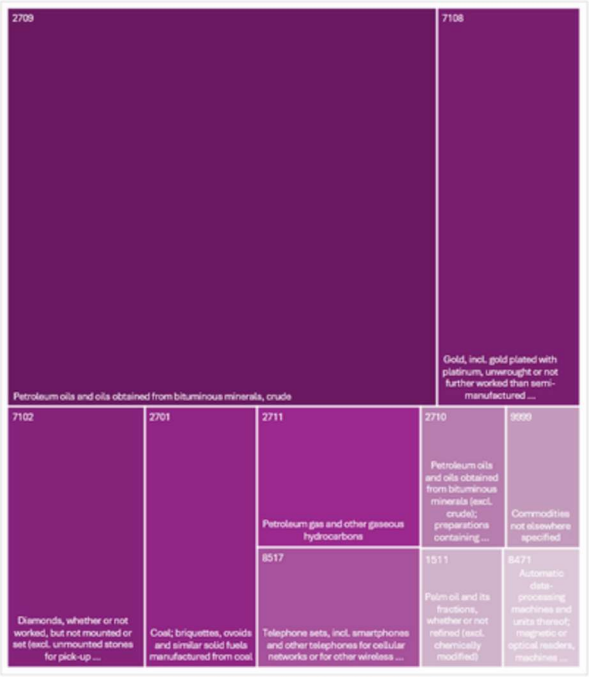

Figure 4: Top Ten Commodities Imported by India from the World

Ranking sixth is *'Telephone sets including smartphones and other telephones'*, which contributes US$ 215,160.139 million, and accounts for 2.70 per cent of total imports. *'Petroleum oils and oils obtained from bituminous minerals, excluding crude'* ranks seventh, with a cumulative import value of US$ 132,180.926 million, which is 1.66 per cent of the total. The category 'Commodities not elsewhere specified' ranks eighth, having a cumulative import value of US$ 114,810.758 million, which is 1.44 per cent of the total import value.

Ranking ninth is *'Palm oil and its fractions'* which has a cumulative value of US$ 108,699.322 million, making up 1.36 per cent of the total. Lastly, ranking tenth is 'Automatic data-processing machines and units' which accounted for US$ 100,478.691 million, making up 1.26 per cent of the total import value.

While these commodities rank the highest when it comes to their import values, they are, however, not the fastest growing. Using the Compound Annual Growth Rate (CAGR), the author estimated their growth rates, as well as identified the import commodities that have fast and slow growth.

The import commodities that have grown the most include 'Other oils and their fractions, obtained solely from olives', 'Garments, knitted or crocheted, rubberised or impregnated', 'Women's or girl's overcoats, car coats, capes, cloaks', 'Original engravings, prints and lithographs', 'Paintings', 'Rape, colza, mustard oil and fractions thereof', 'Copper, unrefined; copper anodes', 'Original sculptures and statuary', 'Sunflower seeds, whether or not broken', and 'Vanilla'.

The following table lists the rate at which these commodities have grown between 2004 and 2023. These commodities have contributed a cumulative import value of US$ 33,945.2 million and make up about 1 per cent of India's exports. Reasons for their fast growth could be attributed to better global demand and betterment of

manufacturing capabilities.

Table 3: Top Ten Commodities, imported by India, with the Highest CAGR

Product code	Product label	CAGR	Total Value
1510	Other oils and their fractions, obtained solely from olives, whether or not refined, but not ...	49.74%	80087
6113	Garments, knitted or crocheted, rubberised or impregnated, coated or covered with plastics ...	41.03%	6762
6102	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, ...	39.37%	43584
9702	Original engravings, prints and lithographs	39.10%	4452
9701	Paintings, e.g. oil paintings, watercolours and pastels, and drawings executed entirely by ...	38.22%	1237886
1514	Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically ...	38.11%	1709788
7402	Copper, unrefined; copper anodes for electrolytic refining	37.74%	11446232
9703	Original sculptures and statuary, in any material	37.61%	366268
1206	Sunflower seeds, whether or not broken	37.12%	21193
905	Vanilla	36.19%	89040

The following table lists the commodities with the lowest CAGR, which include Nuclear Reactors, Self-propelled railway or tramway coaches, Cobalt ores and concentrates, Coins including legal tender, and Nickel Ores and concentrates. They have contributed about US$ 1,560.45 million and account for approximately 0.020 per cent of India's imports.

Table 4: Bottom Ten Commodities, imported by India, with the Lowest CAGR

Product code	Product label	CAGR	Total Value
2605	Cobalt ores and concentrates	-30.14%	267.088
2608	Zinc ores and concentrates	-24.19%	578.484
3706	Cinematographic film, exposed and developed, whether or not incorporating soundtrack or consisting ...	-22.19%	34.412
2824	Lead oxides; red lead and orange lead	-18.59%	75.441
2509	Chalk	-17.37%	6.859
1703	Molasses resulting from the extraction or refining of sugar	-17.00%	113.241
1208	Flours and meals of oil seeds or oleaginous fruits (excl. mustard)	-16.25%	8.454
714	Roots and tubers of manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar ...	-13.91%	234.008
3704	Photographic plates, film, paper, paperboard and textiles, exposed but not developed	-12.94%	8.454
7011	Glass envelopes, incl. bulbs and tubes, open, and glass parts thereof, without fittings, for ...	-11.16%	234.008

These commodities have registered a decline in their growth during the reference period, implying one of three possibilities. One, their demand has fallen. Two, these commodities are now being manufactured in the country and their production caters to most of the domestic market demand. Or three, there are better, cost-effective alternatives available for consumption.

Apart from these, 39 commodities registered a CAGR of -100%. This is because these commodities were not traded in 2023, thereby registering an import value of US$ 0. Similarly, there are 63 commodities which were not traded in 2004 registering an import value of US$ 0, thereby making the CAGR undefined.

4.2 Trade Dynamics between India and the European Union

4.2.1 Trends in Exports

Between 2004 and 2023, India exported 1,260 commodities worth US$ 805,055.01 million to the European Union (EU). During this period, 2023 was the year where Indian exports to the EU was the highest, while 2004 was recorded as the year with least the least export value. The average value of India's exports to the EU during this reference period was US$ 638.93 million, with an average year-on-year growth rate of 11.05 per cent.

The commodity that was exported the most to the EU is 'Petroleum oils and oils obtained from bituminous minerals', whose cumulative export value stood at US$ 110,966.14 million. The commodity that was exported the least is 'Live bovine animals', having a cumulative import value of US$ 1,000.

The following figure shows India's top ten export commodities to the European Union (EU) between 2004 and 2023. Together, these commodities contribute US$ 270,700.66 million and account for 33.63 per cent of India's exports to the EU.

Figure 5: Top Ten Commodities Exported by India to the European Union

'Petroleum oils and oils obtained from bituminous materials' ranks first, having a cumulative export value of US$ 110,966.14 million. It accounts for 13.78% of all exports to the EU. This is followed by *'Diamonds'*, having a cumulative export value of US$ 45,235.75 million, and accounts for 5.62 per cent of all Indian exports to the EU. The next ranked commodity is *'Medicaments'* having a cumulative export value of US$ 20,066.71 million, accounting for 2.49 per cent of Indian exports to the EU. *'Footwear'* ranks fourth with a cumulative export value of US$ 15,639.55 million and makes up 1.94 per cent of the total. *'Telephone sets'* ranks fifth with a total export value of US$ 15,253.66 million, accounting for 1.89 per cent.

Ranking sixth is *'Parts and accessories for tractors, motor vehicles'*, which contributed US$ 14,768.64 million making up 1.83 per cent of the total exports to the EU. *'T-shirts, singlets, and other vests'* ranks seventh, having a cumulative export value of US$ 13,636.001 million, and accounting for 1.69 per cent of the total export value. *'Women's or girls' suits, ensembles, jackets, blazers, etc.'* ranks eighth, having a cumulative export value of US$ 12,749.96 million, accounting for 1.58 per cent. Next, *'Motor cars and other motor vehicles'* ranks ninth, contributing US$ 12,271.46 million, accounting for 1.52 per cent of the total exports to the EU. Lastly, ranking tenth is *'Heterocyclic compounds'* contributing US$ 10,112.77 million, accounting for 1.26 per cent of the total exports to the EU.

While these commodities rank the highest when it comes to their export values, they are, however, not the fastest growing. Using the Compound Annual Growth Rate (CAGR), the author estimated the commodities' growth rates, as well as identified the import commodities that have fast and slow growth.

The export commodities that have grown the most include 'Molasses', 'Ceramic flags and paving', 'Zinc dust, powders and flakes', 'Swords, cutlasses, bayonets', 'Linseed', 'Carriages for disabled persons', 'Manganese and articles hereof', 'Article of cement, concrete or artificial stone', 'Aluminium wire', and 'Chamois leather'.

The following table lists the rate at which these commodities have grown between 2004 and 2023. These commodities have contributed a cumulative export value of US$ 2,157.65 million and make up about 0.27 per cent of India's exports to the EU. Reasons for their fast growth could be attributed to better global demand and betterment of manufacturing capabilities.

Table 5: Top Ten Commodities, exported by India to the EU, with the Highest CAGR

Export Products to the EU with the highest CAGR (Top 10)			
Product code	**Product label**	**CAGR**	**Total Value ($ Mn)**
1703	Molasses resulting from the extraction or refining of sugar	55%	576.632
6907	Ceramic flags and paving, hearth or wall tiles; ceramic mosaic cubes and the like, whether ...	50%	1024.173
7903	Zinc dust, powders and flakes (excl. grains of zinc, and spangles of heading 8308)	48%	21.981
9307	Swords, cutlasses, bayonets, lances and similar arms and parts thereof, and scabbards and sheaths ...	46%	26.251
1204	Linseed, whether or not broken	44%	75.972
8713	Carriages for disabled persons, whether or not motorised or otherwise mechanically propelled ...	44%	225.293
8111	Manganese and articles thereof, n.e.s.; manganese waste and scrap (excluding ash and residues ...	42%	37.225
6810	Articles of cement, concrete or artificial stone, whether or not reinforced	42%	45.208
7605	Aluminium wire (excl. stranded wire, cables, plaited bands and the like and other articles ...	41%	105.525
4114	Chamois leather, incl. combination chamois leather (excl. glacé-tanned leather subsequently ...	40%	19.391

The following table lists the commodities with the lowest CAGR, which include Articles of gut, Cement, Radiators for central heating, Tanned or crust hides, Raw silk, Instrument panel clocks, Groundnut oil and its fractions, Natural rubber, Wristwatches and other watches, and, Other raw hides and skins. They have contributed about US$ 348.43 million and account for approximately 0.05 per cent of India's imports.

Table 6: Bottom Ten Commodities, exported by India to the EU, with the Lowest CAGR

Product code	**Product label**	**CAGR**	**Total Value ($ Mn)**
4206	Articles of gut, goldbeater's skin, bladders or tendons (excluding silkworm gut, sterile catgut, ...	-32%	15.955
2523	Cement, incl. cement clinkers, whether or not coloured	-28%	17.683
7322	Radiators for central heating, non-electrically heated, and parts thereof, of iron or steel; ...	-28%	9.298
4104	Tanned or crust hides and skins of bovine "incl. buffalo" or equine animals, without hair on, ...	-26%	131.117
5002	Raw silk "non-thrown"	-25%	4.054
9104	Instrument panel clocks and clocks of a similar type for vehicles, aircraft, vessels and other ...	-25%	7.188
1508	Groundnut oil and its fractions, whether or not refined, but not chemically modified	-24%	79.671
4001	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary ...	-24%	107.713
9101	Wrist-watches, pocket-watches and other watches, incl. stop-watches, with case of precious ...	-22%	1.461
4103	Other raw hides and skins, fresh, or salted, dried, limed, pickled or otherwise preserved, ...	-21%	9.285

These commodities have registered a decline in their growth during the reference period, implying one of three possibilities. One, their demand has fallen. Two, these commodities are now being manufactured in the country and their production caters to most of the domestic market demand. Or three, there are better, cost-effective alternatives available for consumption.

Apart from these, 106 commodities registered a CAGR of -100% because these commodities were not traded in 2023, thereby having a value of US$ 0. Similarly, there are 124 commodities were not traded in 2004, also having a value of US$ 0, and thereby making the CAGR undefined.

4.2.2 Trends in Imports

Between 2004 and 2023, India imported 1260 commodities worth US$ 766,358.9 million from the European Union (EU). The average value of India's imports from the EU between this reference period is US$ 608.22 million, with an average year-on-year growth rate of 8.69 per cent.

The commodity that was imported the most from the EU is 'Diamonds, whether or not worked, but not mounted or set', with a cumulative import value of US$ 107,240.58 million, while the least imported commodity from the EU is 'Rye', with a cumulative import value of US$ 1,000.

The following figure shows India's top ten import commodities from the European Union between 2004 and 2023. Together, these commodities accounted for US$ 221,338.18 million, making up 28.88 per cent of India's imports from the EU.

'Diamonds' ranks first, having a cumulative import value of US$ 107,240.58 million accounting for 14 per cent of the total imports from the EU. This is followed by 'Powered aircrafts' with a total import value of US$ 20,517.71 million and accounting for 2.68 per cent of the total imports from the EU. Ranking third is *'Commodities not elsewhere specified'*, which is used to classify goods for import/export purposes

based on their nature, composition, and intended use. It has a cumulative import value of US$ 18,997.70 million and accounts for about 2.48 per cent of all imports from the EU. The *'Parts and accessories for tractors, motor vehicles'* commodity ranks fourth, having a cumulative import value of US$ 17,968.37 million, and makes up 2.34 per cent of the total imports. The *'Telephone sets, including smartphones and other telephones'* commodity, ranks fifth with a cumulative import value of US$ 11,950.98 million and accounts for 1.56 per cent of imports from the EU.

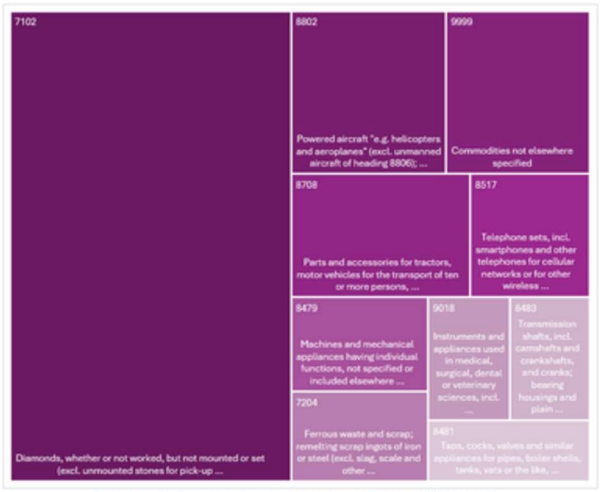

Figure 6: Top Ten Commodities Imported by India from the EU between 2004 and 2023

Ranking sixth is the *'Machines and mechanical appliances'* commodity which contributed US$ 10,570.02 million, accounting for 1.38 per cent of the total imports from the EU. This is followed by the *'Ferrous waste and scrap'* commodity which contributed US$ 9,953.50 million making up 1.30 per cent of the total. The eighth ranking commodity is *'Instruments and appliances used in medical services'*, which accounted for US$ 8,197.50 million, accounting for 1.07 per cent of the total imports. Ranking ninth is the *'Transmission shafts'* commodity which accounted for US$ 7,973.99 million, making up 1.04 per cent. Lastly, 'Taps, cocks, valves and similar appliances' ranks tenth, which contributed US$ 7,967.80 million, accounting for 1.04 per cent of the total imports from the European Union.

While these commodities rank the highest when it comes to their export values, they are, however, not the fastest growing. Using the Compound Annual Growth Rate (CAGR), the author estimated the commodities' growth rates, as well as identified the import commodities that have fast and slow growth.

The import commodities that grown the fastest are 'Petroleum gas and other gaseous hydrocarbons', 'Coke and semi-coke of coal', 'Other oils and their fractions', 'Sunflower-seed, safflower or cotton-seed oil and fractions thereof', 'Wood pulp obtained by a combination of mechanical and chemical pulping processes', 'Reservoirs, tanks, vats and similar containers, of aluminium', 'Quicklime, slaked lime and hydraulic lime', 'Milk and cream', 'Apples, pears and quinces, fresh', and 'Original sculptures and statuary, in any material'.

The following table lists the rate at which these commodities have grown between 2004 and 2023. These commodities have contributed a cumulative import value of US$ 7,962.88 million and make up about 1.03 per cent of India's imports from the EU. Reasons for their fast growth could be attributed to better global demand and betterment of manufacturing capabilities.

Table 7: Top Five Commodities, imported by India from the EU, with the Highest CAGR

Top 10 Import Products from the EU with the highest CAGR			
Product code	**Product label**	**CAGR**	**Total Value**
2711	Petroleum gas and other gaseous hydrocarbons	70.12%	2791094
2704	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	67.15%	3079119
1510	Other oils and their fractions, obtained solely from olives, whether or not refined, but not ...	57.81%	76246
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, ...	56.88%	783834
4705	Wood pulp obtained by a combination of mechanical and chemical pulping processes	51.72%	638612
7611	Reservoirs, tanks, vats and similar containers, of aluminium, for any material (other than ...	43.59%	52157
2522	Quicklime, slaked lime and hydraulic lime (excl. pure calcium oxide and calcium hydroxide)	42.76%	11179
401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	42.27%	10400
808	Apples, pears and quinces, fresh	42.10%	454640
9703	Original sculptures and statuary, in any material	40.17%	29599

The following table lists the commodities with the lowest CAGR, which include 'Tubes and pipes', 'Residual products of the chemical and allied industries', 'Silk yarn', 'Cinematographic film', 'Flat panel display modules', 'Antimony and articles thereof', 'Waste of man-made staple fibres', 'Watch movements', 'Cullet and other waste and scrap of glass', and 'Tanned crust hides and skins of goats'. They have contributed about US$ 2,593.14 million and account for approximately 0.34 per cent of India's imports.

Table 8: Bottom Five Commodities, imported by India from the EU, with the Lowest CAGR

Bottom 10 Import Products from the EU with the lowest CAGR			
Product code	**Product label**	**CAGR**	**Total Value**
7305	Tubes and pipes, having circular cross-sections and an external diameter of > 406.4 mm, of ...	-28.56%	351326
3825	Residual products of the chemical or allied industries, n.e.s.; municipal waste; sewage sludge; ...	-20.80%	5128
5004	Silk yarn (excluding that spun from silk waste and that put up for retail sale)	-19.92%	904
3706	Cinematographic film, exposed and developed, whether or not incorporating soundtrack or consisting ...	-19.89%	1365
8524	Flat panel display modules, whether or not incorporating touch-sensitive screens	-19.87%	2097279
8110	Antimony and articles thereof, n.e.s.; antimony waste and scrap (excl. ash and residues containing ...	-18.74%	4090
5505	Waste of man-made staple fibres, incl. noils, yarn waste and garnetted stock	-17.10%	32856
9108	Watch movements, complete and assembled	-17.05%	1240
7001	Cullet and other waste and scrap of glass; glass in the mass (excluding glass in the form of ...	-14.40%	50139
4106	Tanned or crust hides and skins of goats or kids, pigs, reptiles and other animals, without ...	-14.25%	48813

These commodities have registered a decline in their growth during the reference period, implying one of three possibilities. One, their demand has fallen. Two, these commodities are now being manufactured in the country and their production caters to most of the domestic market demand. Or three, there are better, cost-effective alternatives available for consumption.

Apart from these, 59 commodities registered a CAGR of -100% because these commodities were not traded in 2023, thereby having a value of US$ 0. Similarly, there are 166 commodities which were not traded in 2004, thereby also having a value of US$ 0, making their CAGR undefined.

4.3 Commodities under the FTA

In this section, the author will discuss the commodities that can be traded by India under the FTA. The author has, using statistical analysis, identified and categorised commodities under their respective HSN Chapters (2-digit codes). The author will also discuss the partners' demands under the FTA with respect to trade in commodities.

From the Indian perspective, eight of the top ten commodities that we export to the EU have witnessed trade surpluses. For these eight commodities, there have been a trade surplus of US$ 178,232.76 million. There are two commodities for which we are dependent on imports, namely, Diamonds (7102) and Parts and accessories for tractors, motor vehicles (8708). Between 2004 and 2023, for Diamonds, there has been a trade deficit of US$ 62,004.82 million, while for Parts and accessories for tractors, there has been a trade deficit of US$ 3,199.72 million.

Similarly, nine of the top ten commodities imported from the EU have had trade deficits between 2004 and 2024, implying we import these commodities more than we export them. The trade deficit value of these nine commodities is US$ 134,496.4 million. There is one commodity with a trade surplus of US$ 3,302.67 million.

This is the Telephone sets commodity (8517).

The author of this report suggests that for exports, India should keep its focus on the eight commodities with trade surpluses. Diamonds are a volatile commodity, in the sense that their trade largely depends on the state of the global economy. As for Parts and accessories for tractors, motor vehicles, impetus should be given to domestic manufacturing to achieve self-sufficiency, aligning with India's vision of an Atmanirbhar Bharat. Even though having trade surplus, impetus should also be given to Telephone sets manufacturers to aid Telecom industry.

Under the FTA, the EU is seeking better market access for three categories of commodities, namely, automobiles, dairy products and wines and spirits. In the HSC Classification, automobiles are classified under Chapter 84 titled *'Nuclear reactors, boilers, machinery and mechanical appliances', dairy products are classified under Chapter 04 titled 'Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included'*, and wines and spirits are classified under Chapter 22 titled 'Beverages, spirits and vinegar'.

Under Chapter 84, 87 commodities are traded at the 4-digit level. Between 2004 and 2024, these commodities were exported to the EU with a cumulative value of US$ 48,886.46 million, while they were US$ 160,381.84 million worth of commodities were imported from the EU during the same period, resulting in a trade deficit of US$ 111,495 million.

Under Chapter 04, 10 commodities have been traded between 2004 and 2024, these commodities were exported to the EU with a value of US$ 281.19 million and imported from the EU with a value of US$ 469.178 million. This has resulted in a trade deficit of US$ 187.98 million.

Under Chapter 22, 9 commodities have been traded between 2004 and 2024, where they were exported to the EU with a value of US$ 287.91 million and imported from the EU with a value of US$ 1,812.72 million, resulting in a trade deficit of US$ 1,524.81 million.

The commodities that the EU is seeking market access for are already being imported from the EU more than they are being exported from India to the EU. In this view, it may be interpreted that the EU wishes to broaden its market access in India, by means of tariff cuts. Tariff cuts, however, may prove to be an impediment for India. The domestic automobile industry is well developed, but there is a thrust towards indigenous manufacture, rather than the import of fully made-up vehicles. The dairy industry, on the other hand, needs protection due to the small farmers involved in the sector. As for alcohol, it may be possible for tariff reductions, but maybe not to the extent sought by the EU, given a burgeoning domestic industry.

On its part, India is seeking an easier visa regime for its professionals to work in EU countries. This may be difficult to provide throughout the EU given the differing regulations in individual countries. Lower tariffs are also being sought in areas such as textiles and apparel, while agricultural

products face a variety of non-tariff barriers that need resolution. Furthermore, new regulatory hurdles are emerging, such as the Carbon Border Adjustment Mechanism, a carbon tariff on carbon-intensive products such as cement, which also need to be resolved. Other areas of dissent include digital regulation and personal data protection. These are the areas where there is greater stringency in the EU. In contrast, the regulatory framework is at a preliminary stage in India.

Chapter V: Conclusion

Free Trade Agreements are not just meant for better terms of trade. FTAs when negotiated tactfully can truly help two partners grow their economies favourably, but also improve the partners' integration in the world, economically, socially, justly, and diplomatically. The India-EU FTA will lead to better integration with the world economy for both partners. The question of how this could be achieved arises here.

The EU is seeking wider market access via tariffs cuts for automotives and automotive parts, dairy products and wines and spirits. The author's general analysis so far suggests that doing so will not be favourable for India since India imports more than it exports these commodities. Tariff cuts in these areas may be improbable due to India's vision of an Atmanirbhar Bharat.

India's demands from the FTA are more administrative in nature. These demands include increased access for Indian professionals in the EU countries. This may prove to be difficult since each country has different rules. India is also facing new regulatory challenges which have, to a certain extent, restricted market access for Indian producers in certain industries.

The author's analysis suggests that India should continue providing a better manufacturing environment for the top commodities it exports and should strive to resolve or ease any regulatory hurdles our producers may be facing.

As Tomasz Kozlowski, EU Ambassador to India, in 2019 rightly said at a conclave on India-EU cooperation in trade and sustainable development organised by the Confederation of Indian Industry (CII) and Amfori, an EU trade association, "... both sides should consider that the FTA will not be profitable to both in all the sectors and that only the final balance should be positive for both". Afterall, this is truly the outcome we hope for from the FTA.

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