V4-INDIA PARTNERSHIP AS AN EXAMPLE OF BROADER EU AND INDO-PACIFIC REGION PARTNERSHIP

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Abstract
The EU has stepped up its efforts to reinforce its presence in Asia, especially in the Indo-Pacific region, due to its increasing geo-strategic importance for the EU, high mutual interconnectedness, as well as trade and investment engagement. In September 2021, the EU adopted its first Indo-Pacific Strategy. The aim of the paper is to point out the development of the partnership between the EU and the Asian (Indo-Pacific) region based on an evaluation of an analysis of trade and investment cooperation between the EU and India with a focus on mutual trade and investment relations between the Visegrad Group countries and India (and point out the comparative advantages that the V4 countries might use to extend mutual trade cooperation). The paper is based on trade analysis and uses the empirical methods of RCA and Grubel-Lloyd indices. There is room for expanding cooperation between the V4 countries and India in deepening intra-industry trade in commodities where the countries have a similar RCA profile. Moreover, the cooperation could complement bilateral relations between both regions.

Implications for Central European audience: The paper evaluates V4's competitiveness and assesses V4's export potential (RCA index) with India and potential trade prospects with India (RCA1) to confirm that there is room for expanding trade cooperation between the regions. We consider the V4 countries to be one of the regions that could deepen its mutual relations with India and intensify political dialogue and, therefore, take mutual cooperation and relations to the next level as well as deepen cooperation in the Indo-Pacific region.

Keywords: EU; Asia; Indo-Pacific; Visegrad Group; trade
JEL Classification: F10, F15, F19

Introduction

Relations with the fast-growing Asian region are one of the biggest challenges for the EU and its trade policy. The history of EU-Asia relations dates back to the 1960s and 1970s, when financial assistance began to be provided to developing countries in Asia, and the first informal cooperation started to emerge, gradually gaining importance and leading to the conclusion of bilateral agreements in the 1980s and 1990s. In addition to providing development assistance, the main purpose of these agreements was to deepen mutual trade and economic cooperation (Cihelková, 2003). From the European Economic Community's (EEC) point of view, relations with the Asian region were unbalanced and economic support represented only a tenth of the volume of aid to Asia (Doidge, 2017).

Significant changes took place in the 1990s. Between 1989 and 1991, the bipolar system of the world economy collapsed, and progress was made in extending European integration to new member states, resulting in the rise of the EU as a major economic power in world affairs. On the other hand, Asian countries had seen a rapid pace of economic growth, their share in world trade had grown, and the importance of regional integration in Asia had increased as well. Even China had undergone a change from a centrally controlled economy to a more market-oriented one. All this provided an opportunity to suggest a context for stronger ties between the EU and Asia (Balme & Bridges, 2008). The EU's main goal was to ensure its competitiveness not only on the markets of Asian countries but also on the international stage (Mazur, 2018).

The EU's first attempt at policy coordination, strengthening economic relations with Asia and deepening integration with the region was a strategy adopted in 1994 – Towards a New Asia Strategy (Lai et al., 2019). The strategy set out goals the EU should pursue in concluding a new policy towards Asia. The general aim of the EU was to strengthen its presence in Asia, contribute to development and stability, and consolidate democracy and the rule of law in the region. It was also important for the EU to deepen economic cooperation. Therefore, strengthening political dialogues at bilateral and multilateral levels became a priority (Commission of the European Communities, 1994). This strategy provided the impetus for building an EU–Asia partnership, and the Asia-Europe Meeting (ASEM) established in 1996 became one of the key tools providing an open forum to discuss a wide range of topics of common interest. In the Strategy for Asia, adopted in 2001, the EU set out a strategic framework to strengthen its presence in Asia with the intention to become more involved not only in the economy but also in the political and security fields (European Commission, 2001).

The basis for enhanced cooperation and engagement with Asia, especially with the Asia-Pacific region, is free trade agreements (FTAs) as platforms pursuing the EU's values and interests (European Commission, 2021b). The Asian region (especially Korea, India and ASEAN) was identified as one of the top priorities for strengthening trade and economic integration through the new-generation FTAs already in the Global Europe trade strategy (Drieniková & Zubaľová, 2013). Today, the EU is a major trading partner for many Asian countries and has established strategic partnerships with China, India, Japan, South Korea and ASEAN.

In September 2021, the EU adopted a strategy for the Indo-Pacific region (EEAS, 2021). The adoption of the strategy should be perceived as the beginning of a new approach to the region (Grare & Reuter, 2021). The idea of an Indo-Pacific region is not new; it gained popularity in political and academic circles already in the 2000s (Denisov et al., 2021). However, it has been revived into a geopolitical concept as a response to the changing balance of power in Asia and the more assertive role played by China in the region. The Indo-Pacific is expected to be the place where the most important geopolitical competition of the 21st century will take place (Mohan, 2019). This concept gained popularity and came to be a more preferred term than its predecessor, the “Asia-Pacific” term (Denisov et al., 2021; Pant & Basu, 2021). As for the EU, until recently, it focused exclusively on the Asia-Pacific region; the Indo-Pacific did not figure in any documents. The only exception was France, which thanks to its overseas territories had developed a strategy towards the region in 2018, and at the same time had been trying to promote this concept within the EU (Grare & Reuter, 2021).

Thus, there has been a growing demand for cooperation with countries of the region to take on greater visibility and engagement, while offering alternative sources of cooperation. In this context, according to Pant and Basu (2021), India’s participation and role in the region have grown significantly arguably due to the pandemic of the COVID-19 disease. India is also aspiring to become a connecting link between Europe and Asia, and moreover, India does not present a political dilemma, unlike cooperation with China (Gulevich, 2019). The cooperation between the EU and India has been based on sharing of key values and principles, such as democracy, freedom, the rule of law, human rights and the promotion of peace and stability. Nevertheless, historically, India has not received the attention it deserves compared to other Asian countries, and relations have tended to work below their potential. India is an ideal partner for the EU as it becomes richer, younger and with huge growth potential. In recent years, both sides have sought to renew and deepen partnerships in many areas, including trade (Moens, 2021; Borrell, 2021).

The Visegrad Group should be perceived as an appropriate platform for India to engage in Central and Eastern Europe. Mutual cooperation is in India's interest and could open a new chapter in its partnership with Central Europe (Chaudhury, 2019). The Visegrad Group (V4) is an informal platform for the cooperation of four Central European countries – Slovakia, Poland, Hungary and the Czech Republic. The V4 cooperation is not institutionalized, it is based solely on the principle of periodic meetings of its representatives at various levels (Visegradgroup, n. d.). The Group has also been willing to expand its cooperation with India, particularly in the transport, energy, agricultural, defence and pharmaceutical sectors, investment, research and development (Gulevich, 2019).

1 Literature Review

The EU has presented its strategy towards the Indo-Pacific region relatively recently (in 2021) and has thus joined other major players with a strategic outlook for the region (Kugiel, 2021). Hence, we can expect an increasing interest among academics in trade and economic implications of the strategy for the developing partnership between the EU and Indo-Pacific region countries. Meanwhile, countries in the region have also formulated their own Indo-Pacific strategies. As for the Indo-Pacific strategy of India, the country’s approach towards the region is centred on ASEAN (Krishnamurthy, 2021). When it comes to relations with the EU, India focuses predominantly on security cooperation in the Indian Ocean and on capacity building in South Asia (Mohan, 2019). The EU perceives the region mainly in terms of economic and trade interests but also in terms of potential security risks (Selivanov & Casarini, 2018). After the adoption of the Indo-Pacific strategy by the EU, Mohan (2019) in her contribution stressed that the EU, in its strategy, perceives India as one of the alternatives to Chinese investments and technology in terms of digital partnership and infrastructure connectivity (Mohan, 2021). Kugiel (2021) considers the Indo-Pacific as a key region for the EU–India strategic partnership and recommends prioritizing non-security areas.

In relation to the EU–Asia Partnership, the literature has recently focused on the trade and investment links between the two regions (with a particular focus on the Asia-Pacific region) based on the connectivity strategy (adopted in 2018). In this regard, Okano-Heijmans and Sundar (2018) discuss the EU–India relations and accentuate that cooperation connecting both economic and political fields is needed.

As for the closer relations between the Visegrad Group and Asia, Laš (2017) takes a closer look at the cooperation and relations of V4 countries with East Asia, mainly in the 21st century, emphasizing that there is a growing space for deeper cooperation, trade exchange, cultivation of mutual relations and trade exchange.

Some authors have focused on cooperation between Central European countries and India. Svobodová and Fernandes (2014) state that despite limited trade and political contacts in the past, there are mutual interests in enhancing relations and cooperation. Tremendous investment and trade opportunities can be found in research and development, infrastructure, construction, transport, communication or energy. According to Kugiel and Upadhyay (2017), both partners have been gradually taking steps to improve their engagement, in particular in political interactions. The prospective trend in economic linkages has been noticed as well.

In this context, Dubey (2021) suggests adopting an inclusive approach for the broader Central European region in the framework of the EU–India partnership as a basis for India's future strategic engagement in the region. He also reminds and emphasizes the important position of the four Visegrad countries in India's efforts to diversify its trade and investment relations within Europe. In the first decades of the 21st century, the partners have revitalized their ties in various areas – IT services, food and agro-processing technologies, renewable energy, cybersecurity, defence, aircraft and automobile sectors.

2 Methodology

The aim of the paper is to point out the development of the partnership between the EU and the Asian (Indo-Pacific) region based on an evaluation of an analysis of trade and investment cooperation between the EU and India with a focus on mutual trade and investment relations between the Visegrad Group countries and India (and point out the comparative advantages that the V4 countries might use to extend mutual trade cooperation). We decided to focus our attention on the Indo-Pacific region due to the new EU strategy towards this region, and we have chosen India and Visegrad Group countries to examine ways to improve trade relations and build on successful past cooperation and relations, weakened after the Cold War. India began to focus on Western European economies, and the V4 countries primarily sought integration into the EU. After joining the EU, these countries became important economic players in the Central and Eastern European (CEE) region and have been among the fastest-growing EU economies in recent years.

To achieve our aim, we used several theoretical methods in the form of general methods. At the same time, empirical methods of revealing comparative advantage and intra-industry trade (Grubel-Lloyd index) were used.

To evaluate a country's competitiveness and assess a country’s export potential, we used the revealed comparative advantage (RCA) index, the term coined by Balassa in the 1960s. Since then, the RCA index has been widely used in scientific and economic papers and studies (Obadi & Korček, 2016).

RCA1 provides useful information on potential trade prospects with trade partners, as countries with similar RCA profiles are unlikely to have high bilateral trade intensities, except intra-industry trade involvement (World Bank, 2010). Based on this theory, we then compare the RCA results for the V4 countries and for India to point out promising commodities for future trade. RCA is calculated as follows:

$$RCA1 = \frac{\left(\frac{Xij}{Xit}\right)}{\left(\frac{Xwj}{Xwt}\right)} \tag{1}$$

Where:

- X_{ij} – the country *i*'s exports of the product *j*,
- X_{it} – total exports from the country *i*,
- X_{wj} – world exports of the product *j*,
- X_{wt} – total word exports.

The country *i* is said to have a revealed comparative advantage in the product *j* when its ratio of exports of the product *j* to the country's total exports of all goods exceeds the same ratio for the product *j*'s share in world trade (UNCTADStat, n. d.) The formulation of the result depends on the achieved value of the index. If RCA1 > 1, the country has a revealed comparative advantage in the product *j*. If RCA1 < 1, the country has a revealed comparative disadvantage in the product *j* (Obadi & Korček, 2016). It indicates that the country exports less than the reference group average in each product.

An alternative RCA index (RCA 2) is a slightly modified RCA 1 index and provides information on whether a country is a net exporter or a net importer of a given commodity. It is computed to make reference to the country's trade performance and recognises the possibility of simultaneous exports and imports within a particular commodity or industry (Utkul & Seymen, 2004).

It is calculated as follows:

$$RCA2 = \frac{(Xij - Mij)}{(Xij + Mij)} \tag{2}$$

Where:

- X_{ij} – the country *i*'s exports of the product *j*,
- M_{ij} – the country *i*'s imports of the product *j*.

The index can reach negative values, its ratio ranges from -1 (X_{ij} = 0 and revealed comparative disadvantage; there is no export for the given product, or it exists only to a small extent) to +1 (M_{ij} = 0 and revealed comparative advantage), which indicates that there is no or only limited import. However, there exist ambiguities around the zero values: if RCA2 = 0, export = import ($X_{ij} = M_{ij}$); and if 0 < RCA2 < 1, it indicates revealed comparative advantages (Greenaway & Milner, 1993; Utkulu & Seymen, 2004; Kašťáková et al., 2019).

Based on the theory that countries with similar RCA profiles are unlikely to have a high trade value in a given commodity or product with the exception of intra-industry trade, we also used the Grubel-Lloyd index to determine whether and to what extent there is intra-industry trade between the Visegrad Group and India. The Grubel-Lloyd index (GL) measures intra-industry trade as a percentage of a country's trade, assuming trade is balanced, and thus means that exports and imports are the same (Kašťáková et al., 2019).

The GL is calculated as follows:

$$GL = 1 - \frac{|Xkij - Mkij|}{Xkij + Mkij} \tag{3}$$

Where:

X_{kij} – the country *i*'s exports of the product *k* to the country *j*,

M_{kij} – the country *i*'s imports of the product *k* from the country *j*.

For our analysis and the calculation of these indices, we used foreign trade data from the International Trade Center (ITC), the Trade Map database. We selected data for 2019, as the COVID-19 pandemic broke out in 2020, which significantly affected world trade and could temporarily change the mutual trade structure.

For the purposes of further research, it would be appropriate to continue to assess the possibilities for deepening cooperation by developing a model and examining the variables that most affect mutual trade. We will consider this model in the context of further developments to examine where the conflict between Russia and Ukraine is headed and the reactions of the international market (rising prices of raw materials, fuels and energy) and how this will affect EU/V4 and India relations. In the conditions of an ever-escalating conflict and constantly changing conditions on the international market, the assumption of the development of mutual cooperation is uncertain.

3 Results and Discussion

3.1 EU–India trade in goods

In the early days of modern trade ties, starting with the launch of EEC–India diplomatic relations in 1962, the trade volumes were relatively low. In the 1970s and 1980s, after the EEC began to apply GSP preferential tariffs on trade with India and after the signing of the first trade agreements, mutual trade cooperation, mainly in agricultural products, textiles, cotton and leather increased. The EU has been one of India's largest trading partners since the 1980s. While the value of trade was 6.3 billion USD in 1984, , the trade grew by almost 55% in the next ten years, and in 1994 the trade between the two partners amounted to 13.96 billion USD (Mohapatra, 2015).

As we can see in Figure 1, the trade grew by an average of 11% per year after 2008. After 2011, the trade declined due to the debt crisis and the trade exchange between 2012 and 2016 continued to weaken. The reason was the suspension of negotiations on the free trade agreement and the orientation of both regions towards other trading partners. After 2016, the bilateral trade in goods started to grow again, reaching 80 billion EUR in 2019. In the pandemic year 2020, the mutual trade dropped by 16%, reaching 67 billion EUR (ITC, 2022). Since 2011, the trade balance has been negative for the EU. In general, the growing imports of products from India to the EU market are also supported by the fact that India benefits from non-reciprocal preferential treatment when entering the EU market under the GSP (European Commission, 2020).

Figure 1 | EU trade in goods with India (2008-2020, billion EUR)

Source: Own preparation based on ITC (2021b)

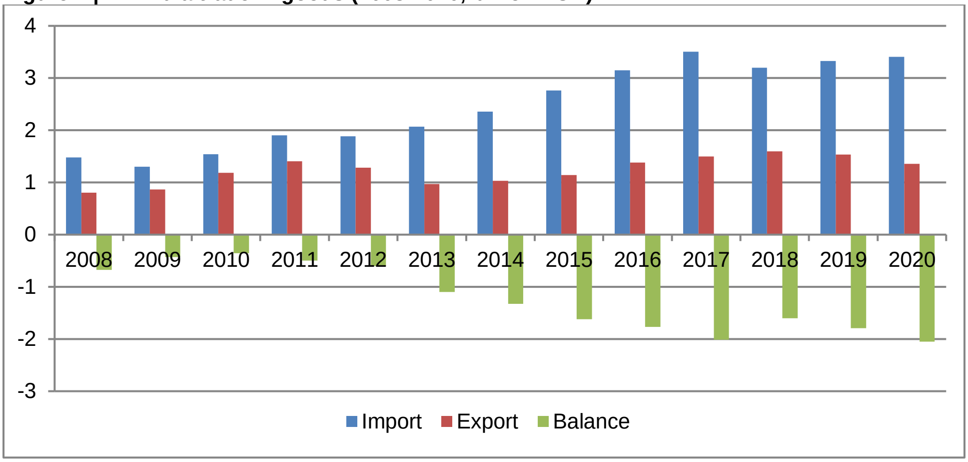
The main export items to India in 2019 included products in the category of machinery and mechanical equipment with a total value of 13.31 billion EUR, which accounted for 30% of the total exports. Furthermore, pearls and precious metals (16%), products of the chemical industry (15%), base metals and articles thereof (10%) contributed significantly to the exports. Other commodities accounted for less than 10% of the exports (ITC, 2021b). Textiles and clothing have been the most important import commodity from India to the EU since the beginning of the trade cooperation, accounting for 5% of the total textile imports to the EU (Eurostat, 2021).

3.1 V4–India trade in goods

Diplomatic relations between the V4 countries and India were formally established for the first time after India's independence. During the Cold War, the relations were very close with regular high-level visits, thanks to India's political proximity to the USSR. During the second half of the 20th century, the V4 countries made a significant contribution to India's industrial development. Czechoslovakia participated in the establishment of more than sixty industrial enterprises in India, and the military industry was an important area of cooperation. Poland helped India with the construction of the steel industry as well as in the mining, energy and engineering industries. Hungary provided India with know-how in the textile, leather and pharmaceutical industries, telecommunications, railway equipment and aluminium production, thus making a significant contribution to the development of manufacturing in India. After the fall of the USSR, the relations between the V4 and India weakened significantly, and trade and investment cooperation was reduced to a minimum (Lukaszuk, 2020). Following the global financial crisis of 2007-2008, which became the main incentive for the V4 countries to increase cooperation with non-European countries, the V4 countries began to diversify their economic ties and create non-neighbourhood partnerships (Dubravčíková et al., 2019). India is one of the countries with which the V4 countries have been striving to build on their trade and investment relations for more than 10 years. One of the most important obstacles to intensified relations has been India's limited interest in the V4 region. India's foreign policy priorities were mainly in Western Europe.

Given the size of both regions, trade relations between the V4 countries and India are below potential, accounting for only 3.62% of the total EU–India trade. The V4 countries together accounted for 4.5% of EU exports to India and only 2.7% of imports from India to the EU. Figure 2 shows the development of mutual trade between the V4 countries and India between 2008 and 2020.

Figure 2 | V4–India trade in goods (2008-2020, billion EUR)



Source: Own preparation based on ITC (2021b)

The trade between the V4 and India began to grow after the accession of the V4 countries to the EU, and it increased by 69% between 2004 and 2008. Subsequently, however, the trade fell by 9% in 2009 due to the global economic and financial crisis. In 2010, the trade flows revived, and the mutual trade increased by 16% year-on-year. In the last decade, the value of the bilateral trade fell more sharply in 2013 due to the sovereign debt crisis in the EU. Following the economic recovery, the trade between the V4 and India increased by almost 20% between 2014 and 2017 (4.7 billion EUR). After a short decline in 2018, the mutual trade increased in 2019 (4.8 billion EUR). However, in 2020, it declined to 4.7 billion EUR due to the international trade deterioration and a decline in export of V4 countries (ITC, 2022).

Due to the growing inflow of foreign direct investment from India to the V4, the mutual trade is dominated by imports from India to the V4 countries, covering the demand for components for automotive, engineering and pharmaceutical companies (Berg et al., 2016). For this reason, the trade balance between the V4 and India in the long term has been negative.

Territorially, the Republic of Poland is India's largest trading partner among the V4 countries and India's eighth largest trading partner within the EU. In 2019, the value of their mutual trade exceeded 2.4 billion EUR (2.3 billion EUR in 2020), an increase of 53% compared to 2008. In 2019, the value of mutual trade between Hungary and India was 665 million EUR (667 million EUR in 2020) and between the Czech Republic and India, it was 1.4 billion EUR (the same value in 2020). On the contrary, the Slovak Republic has the lowest values of trade with India among the V4 countries. Their mutual trade represented 383 million EUR in 2019, an increase of 215 million EUR compared to 2008. In 2020 the trade declined to 366 million EUR (ITC, 2021b).

As for the commodity structure of exports, 28% was machinery and mechanical equipment, 16% was electrical machinery and equipment, 10% was mineral fuels, 7% was transport vehicles and 6% was organic chemicals. Other commodities accounted for less than 4% of the exports. The main import commodities from India to the V4 included machinery and mechanical equipment, which accounted for 11% of the total imports, and organic chemicals, which accounted for 9% of the total imports. Electrical machinery, and clothing and clothing accessories accounted for 8% of the imports, pharmaceuticals and footwear for 7% of India's imports to the V4.

Table 1 shows the commodities under the Harmonized Tariff Schedule, where the V4 countries have the greatest comparative advantage and at the same time India has a comparative disadvantage. Such commodities include railway, rail and other vehicle parts and components, as well as paper products, soaps, detergents and other cleaning preparations, machinery and mechanical appliances, glass and metal products. For these commodities, the value of the RCA1 index is greater than 1, and thus the V4 countries achieve an exposed comparative advantage in the production of these products, while the RCA1 value of India is lower than 1, meaning that India has an exposed comparative disadvantage. At the same time, for these commodities, the V4 countries have an RCA2 index value higher than 0 (thus, the countries tend to export the given commodities), and India's RCA2 is lower than 0, which means that India rather imports these commodities or exports them in small volumes.

Table 1 | V4's comparative advantages and India's comparative disadvantages (2019)

HTS2	Commodity	RCA1 V4	RCA1 India	RCA2 V4	RCA2 India
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof	2.76	0.52	0.35	-0.19
49	Printed books, newspapers, pictures and other products of the printing industry	2.75	0.58	0.33	-0.02
70	Glass and glassware	2.05	0.69	0.19	-0.17
83	Miscellaneous articles of base metal	1.92	0.53	0.02	-0.20
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles	1.87	0.59	0.12	-0.18
95	Toys, games and sports requisites; parts and accessories thereof	1.75	0.19	0.04	-0.21
44	Wood and articles of wood; wood charcoal	1.64	0.21	0.33	-0.64
18	Cocoa and cocoa preparations	1.49	0.22	0.04	-0.13
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	1.35	0.56	0.35	-0.19

Source: Own calculation based on ITC (2021b)

Table 2 contains the commodities where India has the greatest comparative advantage and the V4 countries have a comparative disadvantage. These are mainly plant products – coffee, tea, waxes, gums and plant knitting materials, pharmaceutical products and textile products, such as cotton, carpets or other textiles.

Table 2 | V4's comparative disadvantages and India's comparative advantages (2019)

HS2	Commodity	RCA 1 India	RCA 1 V4	RCA 2 India	RCA 2 V4
13	Lac; gums, resins and other vegetable saps and extracts	7.27	0.35	0.55	- 0.40
52	Cotton	6.46	0.12	0.66	- 0.43
57	Carpets and other textile floor coverings	6.41	0.73	0.85	- 0.16
53	Other vegetable textile fibres; paper yarn and woven fabric of paper yarn	5.09	0.31	0.08	- 0.11
09	Coffee, tea, maté and spices	3.86	0.63	0.65	- 0.16
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	3.42	0.69	0.06	- 0.36
03	Fish and crustaceans, molluscs and other aquatic invertebrates	2.89	0.46	0.96	- 0.16
55	Man-made staple fibres	2.86	0.33	0.30	- 0.38
54	Man-made filaments	2.64	0.47	0.38	- 0.26
32	Tanning or dyeing extracts; dyes, pigments, paints, varnishes, putty and mastics	2.50	0.71	0.25	- 0.33
62	Articles of apparel and clothing accessories, knitted or crocheted	2.14	0.68	0.86	- 0.11
58	Special woven fabrics; tufted textile fabrics; lace, tapestries; trimmings; embroidery	1.89	0.44	0.28	- 0.43
41	Raw hides and skins (other than fur skins) and leather	1.67	0.64	0.00	- 0.37
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	1.67	0.59	0.67	- 0.07
30	Pharmaceutical products	1.52	0.62	0.75	- 0.17
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	1.47	0.12	0.82	- 0.57
64	Footwear, gaiters and the like; parts of such articles	1.12	0.98	0.58	- 0.10
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	1.07	0.51	0.82	- 0.13

Source: Own calculation based on ITC (2021b)

To better assess the bilateral foreign trade relations between the V4 countries and India, we also used the Grubel-Lloyd index (GL) to determine whether there is intra-industry trade between regions. The result is presented in Table 3, which shows product groups that reached the highest GL value – as close as possible to 1, which means that there is the most intensive intra-industry trade in these commodities between the two regions. The V4 countries export these commodities to about the same extent as they import them from India. For other commodities, the value was 0.89 or less.

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Table 3 | Intra-industry trade between V4 India (2019)

HTS 2	Commodity	GL
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	0.99
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	0.96
40	Rubber and articles thereof	0.94
45	Cork and articles of cork	0.91
93	Arms and ammunition; parts and accessories thereof	0.90
83	Miscellaneous articles of base metal	0.90

Source: Own calculation based on ITC (2021b)

Comparing the export map with the analysis of the foreign trade relations between the V4 countries and India using the RCA indices, we therefore see room for increasing exports from the V4 countries to India in commodities which are listed in Table 4. The V4 countries have comparative advantages and are exporters of these commodities. India has a comparative disadvantage in the production of these products and is rather an importer of them.

Table 4 | Prospective commodities for future export from V4 to India

HS2	Commodity	Value of unused export potential	Average custom duty rate	Maximum custom duty rate
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof	194 million USD	31.2%	125%
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	379.6 million USD	8.1%	20%
70	Glass and glassware	236.7 million USD	11.1%	25%
83	Miscellaneous articles of base metal	1.1 billion USD	11.1%	25%

Source: Own calculation based on ITC (2021a), WTO (2020) and ITC (2021b)

Further significant progress in the growth of mutual trade is hindered by various factors:

- India’s growing protectionism (tariff increases) and the EU’s scepticism about the Indian market due to bureaucracy, protectionism, corruption, missing infrastructure and slow processes. Protectionism in the dairy, wine and automotive, complicating access to Indian market, and the difficult access to India’s government procurements are the obstacles to deeper trade relations (Institut Montaigne, 2021). India imposes high tariffs on imports of transport equipment, parts and components (up to 125%). For the other three commodities, the tariffs are 25%. The average tariff rate applied in India (14.1%) is almost three and a half times higher than the EU average tariff rate (4.2%) (WTO, 2020). Non-tariff trade barriers consist of additional required certificates (in addition to international standards, which imposes additional costs on exporters) in the case of miscellaneous articles of base metal, lengthy processing of permits, excessive state bureaucracy, preference of local companies in obtaining public contracts and high corruption.

- Complicated customs system, which includes other charges complicating the calculation of the customs duty and increases its average value: a tax on goods and services amounting to 18% of the value of the tax paid and a welfare supplement of 10% of the amount of the duty (European Commission, 2021a).
- Specific Indian standards deviating from international ones.
- Increasing costs of transport and supply chain problems due to the global pandemic and the war in Ukraine.
- India’s long-term refusal of FTA due to concerns about loss of competitiveness in the food sector and the automotive industry and India's different attitude to human rights and environmental issues that are part of negotiations. In May 2021, both parties agreed to start free trade agreement negotiations to boost bilateral trade (after eight years of suspension).
- The COVID-19 pandemic revealed India's dependence on trade with China; India chooses China as an alternative partner (within the Belt and Road Initiative).
- Declining market demand due to the shrinking of the middle class (since 2017) (Institut Montaigne, 2021).
- Geographical distance and India’s preferences of cheaper products in geographical proximity.
- Large and fragmented market; European companies, especially small and medium-sized enterprises, may also face the problem of unfamiliarity and misunderstanding of the Indian market, as it is a geographically and culturally remote region (Zastupitelský úřad ČR v Dillí, 2020).
- In the case of V4 countries, India's limited interest in the V4 region.

India’s Aatmanirbhar Bharat (self-reliant India) calls for technological autonomy and favours domestic manufacturers and substitute imports – it is also a reaction to the Ukrainian conflict and loss of trust in current sources of technology (from both Russia and Western partners).

Climate and trade security, as well as the conflict in Ukraine, dominate the agenda of negotiations even if India has not officially condemned the Russian invasion in Ukraine. Increasing prices of crude oil and import items and associated inflation may lead to higher import bills and balance of payment problems.

Russia is an important supplier of military equipment to India and has supported India in the conflict over Kashmir. India also counts on discounted imports of surplus oil from Russia, the revival of the ruble–rupee trade (and move away from a dollar-based rate, switching to alternative bank transactions, which can have a serious impact beyond India) and negotiates new trade deals (Austria, the United Kingdom and the United Arab Emirates). Anyway, India’s affection for Russia and Aatmanirbhar Bharat may create obstacles in future trade negotiations. On the other hand, India may benefit from the non-reciprocal GSP preferences granting it preferential duties to 37% of the products exported to the EU (European Commission, 2018).

Conclusion

The EU's relations with India have long been below their potential and in the shadow of China. In 2018, the EU issued the Joint Communication of the European Parliament and the Council: Elements of the EU Strategy for India of 2018, expressing the importance of India as a partner, setting out a vision for long-term cooperation and emphasising the EU's interest in building stronger relations with India. It reflects not only the changing perception of India as an EU trading partner but also the growing importance of mutual relations in a multipolar world. The Strategy also expresses the importance of resuming negotiations on the FTA and launching talks on a broader strategic partnership agreement. The FTA is intended to eliminate 90% of the tariffs in a wide range of sectors, including the so-called sensitive items for the Indian economy, such as food products, textiles and clothing, cars and alcohol.

We consider the V4 countries to be one of the regions that could deepen its mutual relations with India and build on past cooperation. Furthermore, the V4 countries are also attractive investment destinations, and, in addition, they seek to increase their political influence by creating partnerships with non-European countries in the V4+ cooperation format.

Mutual trade between the V4 and India has increased slightly since the countries joined the EU, although, over the years, the two regions have failed to significantly improve their relations and increase the trade flows. Given the size of the Indian market and the opportunities it presents for the V4 countries, the trade between the partners is below average in almost all industrial areas.

India offers promising opportunities to increase the involvement of the V4 countries and deepen the economic and trade or even integration ties. According to the GL index, electrical machinery and equipment (0.99) had the highest value of the intra-industry trade index in 2019 with a mutual turnover value of 541 million EUR. As many as 81 commodities had an index lower than 0.7, so we see room for expanding the trade cooperation between the V4 countries and India in deepening the intra-industry trade in commodities, where the countries have similar RCA profiles. We agree with Laš (2017) that there is a space for deeper cooperation in terms of trade and mutual interests for improving mutual relations, as stated by Svobodová and Fernandes (2014) and Kugiel and Upadhyay (2017).

As part of our recommendations, we suggest for consideration within the EU strategies:

- To issue visas for professionals and increase the mutual exchange of students; that would enhance cooperation in science, research and development, and technology.
- To initiate a common dialogue on human rights and the environment with the help of international organizations.
- To support negotiations to increase sales of armaments to support India's effort to diversify army imports (and decrease imports from Russia).

As for the V4 countries, we recommend:

- Enhancing India's position in their foreign policies. In spite of India's undisputed importance, it has not been a priority partner for the V4. Therefore, it is desirable to raise mutual awareness of both regions, to explore different forms of partnership, for example, in the form of cultural exchange, student exchange and cooperation in the field of science and research. It is necessary to consider regional differences in the vast territory of India and to focus on the most promising regions in terms of future cooperation – for example, Tamil Nadu, Kerala, Delhi and Maharashtra.

- Due to increasing pressure to limit Chinese infrastructure investments across the EU, India has the potential to become a safer alternative for the V4 countries.
- In the V4 countries, India should be perceived in the broader context of the Indo-Pacific region – the development of a partnership with India could be a starting point for the development of V4 cooperation with the wider region.

Based on the map of export potential, which shows the export opportunities of European companies to India and, at the same time, based on the analysis of foreign trade relations of the V4 countries with India using trade indices, we found that there is room for expanding the trade cooperation between the regions. The conclusion of the FTA may also help increase the trade flows in future. At the same time, given the increased political interest in the region, we conclude that V4–India cooperation could complement bilateral relations between the regions, and we expect an intensified political dialogue to lead to greater economic and trade cooperation with India, which is becoming an economic and political centre of the world economy.

In connection with the conflict in Ukraine, the shortfalls of the Russian and Ukrainian markets in V4 can be replaced by India in these products: corn, wheat, sunflower oil, iron ore, platinum, gold, copper, iron and steel, electrical conductors, etc.

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