
The Impact of the ‘Green’ Initiatives Undertaken by The European Union on Its Trade Relations with India

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Abstract

The EU Green Deal, launched in 2019 by the European Commission, acts as a roadmap for socioecological evolution, and is identified as an important link in strengthening global relations. The Green Deal would not only promote sustainable development in the EU by cutting down carbon emissions in the future and providing the basic structure for a greener economic strategy, but would also help in promoting ties with India, in such spheres which have not been explored yet, like bilateral trade in cleaner technology, investments in sunrise industries, knowledge sharing, cooperation with relation to sustainable development and even cleaner finance.

Accordingly, the paper delves into the analysis of the deal launched by the Commission for the promotion of trade and sustainable development, along with analysing the trade relations between India and the EU with reference to the Green Agenda. Further, the paper seeks to study the future potential areas for cooperation in pursuance of implementing the deal, with special emphasis on the Corporate Sustainability Reporting Directive to be adopted later this year, and puts forth a varied set of recommendations and suggestions for the same.

Keywords: EU-India Trade, Climate Change and Environment, EU Green Deal, Sustainable Development.

Introduction

In the past few decades, pursuant to signing the Cooperation Agreement in 1994 [1], the relationship between India and the European Union (EU) has been rapidly advancing, to much more than just trade and economic cooperation. However, with the advent of the COVID pandemic, drastic chaos was created in the global economy in more ways than imaginable, and the whole world has been attempting to recover from the tremendous devastation caused. During such tumultuous times, the need to establish an unprejudiced, values-based and eco-friendly growth became substantially higher.

Resultantly, the partnership between India and the EU gained significant traction.[2] In an attempt to improve the environmental and social sustainability of their respective economies, both the States have undertaken several protective measures, with EU being at the forefront of sustainable development and policy framing,[3] and India continually moving forward in terms of ecological awareness and conservation.[4]

Furthermore, ever since the global pandemic, the States have worked together towards the preservation of global order and successful multilateralism. A joint commitment by the States in the India-EU Summit, 2020, [5] also sought to pursue prosperity, security and most prominently, sustainable development, by virtue of their relations. Such common objectives and corresponding economic structures of both the States act as a stimulus in establishing a replenished, international, green multilateralism.

It still needs to be examined whether the European Union's Green Deal, established in 2019, has aided in climate protection and sustainable growth and much of an effect has the Green New Deal had on trade between India and the EU?

The paper seeks to critically analyse the policy and governance revolving around India-EU trade relations, with special emphasis on the EU Green Deal, [6] which aims to work towards sustainable development and greener economic growth. Since the climate change, coupled with the pandemic, has the potential to disturb the effectiveness of trade and supply globally, and along with it the drastic economic and social transformation that negatively affects countless lives, it becomes relevant to study the impact of the recent developments on the trade relations between the States.

Thereby, the paper provides a holistic review of the Corporate Sustainability Reporting Directive undertaken by the EU to ensure environmentally sustainable practices for companies on a large scale, and the impact of such measures on the trade relations between India and the Union, together with the obstacles and challenges faced by

the States along the way. Lastly, it analyses the potential areas for cooperation pertaining to the aforementioned topics and discusses how India could address issues of sustainable development in trade negotiations.

The research was carried out in line with a primarily doctrinal research technique, and it was done so by employing a pragmatic strategy. The object of this study is to draw attention to the various initiatives pursued by India and the EU to promote sustainable development. Examine how the European Green Deal and its constituent parts have affected trade ties between India and the EU. To identify promising new avenues for cooperation between the two regions in terms of green commerce and funding.

Literature Review

Melania and Gabriel Ciot examine the Green Deal's objectivity and implementation in CEE in their paper. [7] It is stated that regional cooperation, coordination between regional laws and the contract, and interdependencies led to better deal implementation, according to the authors. The authors examined Romania's decision-making and policy implementation to execute the Green Deal. Their paper suggests measures to boost Green Deal implementation. However, the exclusivity of the different member states and the difficulty to admit Brussels' centralised lawmaking ultimately affecting the coordination with the member states' different environmental policies is an area which needs further research and analysis.

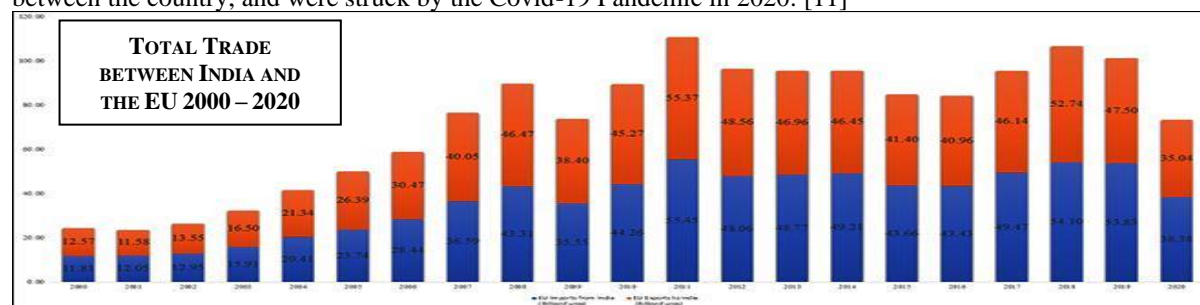
Furthermore, In their paper Hosuk Lee-Makiyama have also tried to bring forward the strategical and logistical issues with the execution of the Green Deal. [8] The objectives of the deal are cost prohibitive, making their attainment difficult for smaller member states. And if measures are pursued to implement the Green Deal's goals, the GDP is predicted to plummet by 0.3% to 0.7%. There is also considerable variation across the member states in even these prices. In the paper, the discrepancy between the Green Deal's projected costs and the available funding is made evident. Accordingly, the authors recommend for a transition that is both cost-effective and accompanied by a sensible climate policy for the member states in order to accomplish the goals of the green accord. However, the article ignores the fact that investigating the viability and adaptability of a central EU climate law to propel the EU Green Deal is crucial. In addition, it emphasises the necessity for a green and climate-savvy strategy but doesn't provide a convincing explanation of how to implement such a plan. When accounting for the fact that the expected GDP loss will be different for each EU member state, a unified policy may not be the best solution to meeting the demands of all of the EU's countries.

If we consider the contemporary scenario, the short-term effects of the pandemic were rather beneficial for the climate viz. less emissions, low level of pollution, etc. caused by global lockdowns. However, the long-term effects, have been researched by Francesca Colli in her article, by dividing the paper into two sections – firstly, those who optimistically work out their resources and continue the green deal; and secondly, the pessimistic states to stop the execution in the wake of a health-pandemic and lack of resources. [9] Since the full impacts of the epidemic have not yet become apparent, the article can only serve as a predictor. The article, however, offers some perspective on the pandemic and its related consequences on the implementation of the EU Green Deal, which it further categorises into three parts: public attention and delay; economic burden among the unequal; and, diminishing trust between EU states. There's a good chance that these factors contributed to the downfall of the Green New Deal. However, the article ignores the silver linings that may help member nations cope with the pandemic's negative impacts, such as the enhanced global engagement, coordination, and interdependencies. The fact that the epidemic has people thinking about the environment as a whole may actually help to ensure the Green Deal's survival and expansion.

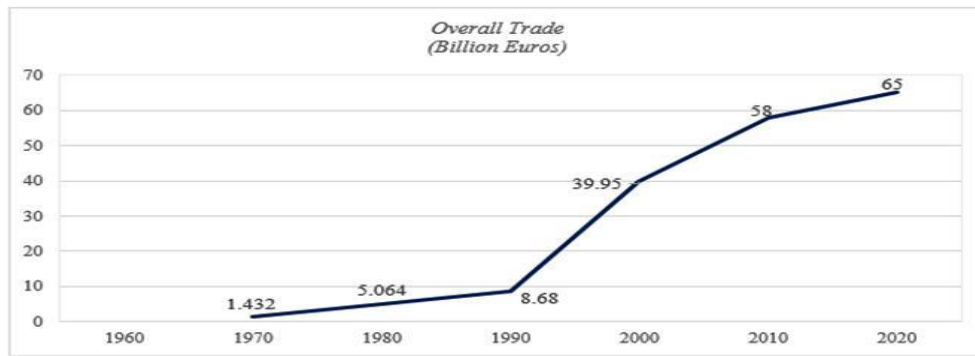
Critical Analysis

Relation Between India and The EU In Relation to The Green Agenda

The EU is the largest trading partner that India has, contributing to 11% of the total trade, with a relation of about 90 billion US Dollars. [10] Similarly, India is the tenth-largest trader for the Union, amounting to around 2% of its total trade. As can be observed from the graphical representation attached below, wherein blue represents the EU Imports from India and red represents the EU Exports to India, the trade relations have been flourishing between the country, and were struck by the Covid-19 Pandemic in 2020. [11]



Source: Eurostat and UN COMTRADE Database on International Trade



TRADE Timeline of India – EU Trade Relations: 1960s – 2020s

Data obtained from Eurostat Context – Statistical Regime 4

Subsequent to the strong trade relations, the partnership between both the States has developed into more novel areas, comprising of climate change, environment and the utilization of cleaner technologies. A joint commitment by the States in the India-EU Summit, 2020, sought to pursue prosperity, security and most prominently, sustainable development, by virtue of their relations. They also reasserted their commitment to the Paris Agreement [12] and renewed their agreement to further the cause of scientific and cooperative development, thereby facilitating joint technological development in all sectors. [13]

The EU-India Clean Energy and Climate Partnership [14] was launched in 2016, and acts as a catalyst in energy transitions in India. It has also promoted clean technologies, including roof top solar panels, smart grids and even storage technologies.

Similarly, India and EU have also been cooperating on energy transition under the Mission Innovation, [15] which involves 22 countries along with the European Commission and seeks to increase innovation when it comes to global energy.

Further, apart from renewable energy, both the regions have partnered up in order to speed up the implementation of multiple objectives relating to sustainable goals, predominantly SDG 12, [16] which deals with sustainable consumption and production.

The EU-India Resource Efficiency Initiative [17] also seeks to support the Indian Government in adopting measures which promote the resource efficiency all over priority areas. The initiative not only assisted with the exchange of knowledge and information, but also encouraged capacity building and strengthened collaboration between various organizations.

The Ministry of Environment, Forest and Climate Change in India [18] also drafted a policy for resource efficiency, [19] to deliver a framework that deals with the efficient utilisation of resources and upcycles waste in all sectors. The move will foster the ambition of sustainable consumption and production, and help in the creation of livelihood as well as in the creation of investment opportunities across all economic sectors. [20]

Areas For Future Cooperation with Respect to The Eu Green Deal

SUSTAINABLE FINANCE: Sustainable finance at the EU level intends to support the aims and objectives established by the Green Deal, by enabling investments in private sectors, for transitioning into a climate-neutral and resource efficient economy. [21] An international platform relating to sustainable development, that was launched by the European Commission in 2019, [22] after collaborating with some major developing nations like India, can assist in the scaling up of environmentally sustainable capital investments.

India, a platform participant, has created a programme called Business Responsibility Reporting to increase transparency toward shareholders and assure that all connected investments are sound environmentally. Thus, the SEBI required the 100 largest listed companies to disclose the BRR in compliance with the National Voluntary Guidelines. In 2015, it was expanded to cover all of the 500 largest publicly traded companies. However, SEBI has replaced the BRR with Business Responsibility and Sustainability Report, which will be required for the top thousand businesses by market capitalization starting in fiscal year 2022. Further, there is a hope that the inclusion of the National Guidelines on Responsible Business Conduct, [23] will improve ESG integration and reporting upon implementation. As a result, the Indian financial sector will be exposed to the notion of green finance, which would then create space for cooperating with the EU, which is now in the process of launching a Green Finance Taxonomy for the European financial market. [24] It is also important to emphasise that as a consequence of this discussion, the EU and India may be able to envision the establishment of unified financial standards, which would then mobilise private capital for the purpose of mitigating climate change and adapting to its effects in both regions.

Carbon Markets

With relation to carbon markets, it is pertinent to note that in order to achieve the objectives laid down in the Green Deal document, the relevance of implementing Article 6 of the Paris Agreement cannot be ignored. [25] Its goal is to "promote an integrated and harmonised strategy" in order to assist nations in meeting their "nationally determined contributions" (NDCs) through the means of voluntary international collaboration.

Participation in the carbon markets within India proved to be advantageous for certain industries and companies when it comes to increasing their level of efficiency and competitiveness in the market. This is especially true when one considers the diverse nature of the industrial sector in India, as well as the environmental mandates and compliance requirements that apply on a global scale. [26]

The Emissions Trading Scheme put forth by the European Union [27] offers not only learnings relating to the multiple aspects of the carbon market, but also structuring factors like the allocation of allowance, measures for stabilising price and mechanisms to conduct monitoring and review. In view of this, there is sufficient scope for cooperation on the international market, and the development of the structure of carbon pricing in India. [28]

Notably, India is a long way from building a domestic ETS; nonetheless, the sharing of knowledge and the provision of a platform for learning are two of the most important components that could contribute to successful collaboration. It is also important to note that the European Union and China have been working together closely in regard to the carbon trading programme, which has resulted in a wealth of information that may be utilised in the process of transferring the scheme to India. [29]

The Just Transition

The Just Transition [30] aims at offering a unique opportunity for growth, as has been acknowledged in the Green Deal. It provides for the protection of workers and their livelihood in activities relating to the extraction of fuel, followed by its distribution and consumption. This mechanism is the outcome of the EU Green Deal, [31] that would include forming a Fund for the same. However, the mechanism only focuses on nations that are a part of the European Union, and there is no significant external characteristic. Methods like co-financing and a green reward mechanism for reducing the emission of greenhouse gases will ensure that these energy transitions protect consumer interest and promote sustainable development. [32]

Further, with relation to India, clean and affordable energy is extremely crucial for dealing with the multiple developmental challenges. However, the country is transitioning away from coal, in order to alleviate the effects of climate change.

There now exists an opportunity to reconstitute the solutions for the challenges faced by land and livelihoods of the persons engaged in such labour. Both the EU and India can now share their knowledge and encourage one another by conducting several programmes for enriching the capacity and can even find out how policies can be formulated at different levels domestically, so as to create winning opportunities for all. [33]

Corporate Sustainability Reporting Directive

Replacing the rather old and ineffective Non-Financial Reporting Directive (NFRD), [34] a new standard is getting in place for European companies to conduct continuous reporting on the effect of climate change on the environment. This is the Corporate Sustainability Reporting Directive (CSRD), [35] that is yet to replace the older one. However, the new system has more reporting requirement and increased number of corporates required to comply with those requirements.

The objective of the EU behind such strategies is the right and stake-holding of the general public and the investors to know the sustainability and environmental efficacy of the different businesses. [36] The EU commission in its commentary on the NFRD remarked at the insufficient reporting system which would often omit information marked important by the stake-holders. These limited reporting would generally lead to "accountability gap". The insufficiency with NFRD and the otherwise lacking legislations gave birth to the idea of CSRD. The CSRD not only requires "double materiality" but also the sustainability data of each company in a standardized form. [37] However, these compliances are for companies meeting any two of three given conditions:

- a) 40-million-euro turnover;
- b) Assets worth 20 million euro; and,
- c) At least 250 employees [38]

However, the compliance expands to all non-EU-based companies as well, provided that they either have their subsidiaries in the EU or securities in the EU-regulated market. This means that any Indian company with its business in the EU will now be as liable as any EU company to report under the CSRD regarding its compatibility with the sustainability and viability of its business. [39] This age-long problem of escaping liability by foreign and native companies due to absence of a proper standard compliance system gets covered once CSRD is made applicable. The CSRD is expected to get into effect later this year, followed by a second-set of compliance standards next year.

Conclusion And Suggestions

The European Union's Green Deal is reflecting its robust commitment in accomplishing the agenda related to sustainability in its Sustainable Development Goals.[40] The development strategy is striving towards transforming EU to a low carbon region, with net zero emission by the year 2050. It seeks to restore some of the most significant economic sectors within the region, including agriculture, waste management, construction and even energy.

However, it is pertinent to note that even though the Green Deal addresses issues related to regional sustainability, the effects of this Green Deal shall be far-reaching, owing to the significance of the role played by the Union in the development of technology, finances, trade and politics as well. The Deal has also promoted the hope that renewed thinking can assist other regions in attaining sustainable development and climate goals, when combined with increased cooperation, effective diplomacy, greater collaborations between the regions. [41] It must also be ensured that the concerns relating to the environment are addressed during the implementation of these measures. [42]

In the context of the relationship between India and the European Union, it is imperative that both regions collaborate on reducing the negative effects of climate change, promoting social inclusiveness, and achieving climate-related goals. In order to allow the adoption of newer ideas and the mitigation of environmental concerns, there is also a need to improve technological, institutional, and human capacities. This is necessary in order to meet the requirements of the situation. In light of the fact that India and the EU are both attempting to adopt a mutual roadmap in furtherance of their declarations on cleaner technologies and resource efficiency, the potential areas of collaboration are enormous and will significantly expand as India and the EU work together to establish sustainable development.

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