

A DEEP TRADE RELATION BETWEEN INDIA AND FRANCE

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Abstract: Relation between India and France is Traditionally old and has proved both of the countries in so many situations that both are mutual friends with strategic partner. France was the first country with which India entered into an agreement on civil nuclear cooperation following the waiver given by the Nuclear Suppliers' Group, enabling India to resume full civil nuclear cooperation with the international community. France and its defense industry also actively contribute to the "Make in India" programme in the defense sector. The first conventional submarine, Scorpene, which started being built in India in 2008 with transfer of technology and support from DCNS . India have balance trade of 880 million € in the year 2019 having India export to France 6238 million € in comparison to France export to India with 5358 million € which is favourable for India

Keywords: Economic relations, Bilateral trade, Foreign Policy, Both countries investment.

1. INTRODUCTION

Relations between India and France were reinforced with the creation of the Strategic Partnership in 1998, which demonstrates the ties of friendship and trust between the two countries. Regular meetings between Indian and French authorities fuel an in-depth, long-term political dialogue. The French President thus made a State visit to India from 9 to 12 March 2018, emphasizing the strengthening of our strategic partnership, our commitments to combating climate change, and our common desire to develop human exchanges and encourage mobility between France and India. France is the first country with which we initiated a Strategic Dialogue after our 1998 nuclear tests when France refused to impose bilateral sanctions on us and displayed a far greater understanding of India's security compulsions compared to other countries.

France is the 5th largest economy of the world with a total GDP of € 3.06 trillion in 2019 with a GDP growth rate of 1.7% in 2019. It had a Per Capita GDP (PPP) of \$ 41761 in 2019. France is an important member of the G-7, OECD and G-20. Its technological strengths make it the leader in sectors such as aviation, space, food processing, transport, railways and agricultural research. However, France's business interaction with India is not commensurate with its intrinsic economic capacity.

2. INDIA AND FRANCE ECONOMIC AND COMMERCIAL RELATION

The economic and commercial relations are an important component of India's bilateral relations with France. The economic reforms process in India, eleven Prime Ministerial visits from India to France (in 1992, 1995, 1998, 2003, 2005, 2008, 2009, 2011, 2015, 2017 & 2019), the visit of our President to France (in 2000), visit of the French Prime Minister to India (in 2003), the visits of the French President to India (in 1998, 2006, 2008, 2010, 2013, 2016 & 2018) and the growing French interest in establishing their presence in Asian markets including in India have all contributed to the broadening of economic links. The series of high-level visits in the commercial and economic field reflects the growing interest of both the governments in expanding trade between the two countries. France considers India an important market for its products and is looking to increase the number of joint ventures and encouraging investments in and from India.

India's main exports to France include: garments (18.55% share); mineral fuels & oils (10.12%); nuclear reactors, boilers, machinery & mechanical appliances (7.60%); vehicles other than railway or tramway rolling-stock (6.31%); electrical machinery & equipment (5.62%); organic chemicals (5.17%); footwear (4.70%); leather articles (3.43%) and gems & jewellery (3.27%).

Top French exports to India include: aircraft & spacecraft (42.38%); nuclear reactors, boilers, machinery & mechanical appliances (15.16%); electrical machinery & equipment (13.57%); optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus (4.09%); organic chemicals (2.91%); plastics & articles thereof (2.52%); pharmaceuticals (2.10%); iron & steel (1.99%); miscellaneous chemical products (1.73%) & articles of iron or steel (1.19%)

In 2019, the India-France bilateral trade stood at € 11.59 billion (+0.60%) as compared to the corresponding period the previous year. India's exports to France were valued at € 6.23 billion, up by 4% during this period. Meanwhile, Indian imports from France decreased by 3.07% to € 5.35 billion.

India-France Trade in Goods in the last 10 years (in Million €)

Year (Jan. to Dec.)	Indian Exports to France	French Exports to India	Total Trade	Balance of Trade for India	Y-o-Y % Changes in Total Trade
2010	4,130	2,900	7,030	+1,227	+30.83%
2011	4,696	2,769	7,465	+1,927	+6.23%
2012	4,656	3,256	7,912	+1,400	+5.98%
2013	4,440	2,713	7,153	+1,727	-9.59%
2014	5,216	2,704	7,920	+2,502	+10.70%
2015	5,218	2,703	8,548	+2,196	+7.91%
2016	4,669	3,910	8,580	+759	+0.37%
2017	5,362	5,345	10,707	+17	+24.79%
2018	5,993	5,529	11,522	+463	+7.61
2019	6,238	5,358	11,596	+880	+0.64

Source: French Ministry for Economy & Finance (Data rounded off to nearest million €)

3. TRADES IN 2020

In May 2020, India-France bilateral trade stood at € 389 million. India's exports to France stood at € 229 million. Main exports to France included: T-shirts, singlets and other vests of cotton, knitted or crocheted; castor oil and fractions thereof; radar apparatus; medicaments; semi-finished products, of iron or non-alloy steel; heterocyclic compounds with nitrogen hetero-atom[s] only; women's or girls' dresses of cotton; women's or girls' dresses of artificial fibres; cane molasses resulting from the extraction or refining of sugar; women's or girls' blouses, shirts and shirt-blouses of man-made fibres.

Meanwhile, French exports to India stood at € 159.6 million. Main exports to India included: insecticides; supported catalysts with nickel or a nickel compound as the active substance, n.e.s.; vaccines for human medicine; other confidential organic chemicals; aerials; medicaments containing insulin but not antibiotics; casing and tubing, seamless, of a kind used for drilling for oil or gas, of stainless steel; machinery for making paper or paperboard; parts of machinery of heading 8426, 8429 and 8430, n.e.s.; diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents whether or not on a backing, and certified reference materials.

4. BILATERAL TRADE IN SERVICES

Based on annual data provided by the French Central Bank (Banque de France), Indian exports of services to France recorded a decrease of 4.05% in 2018 (January to December) as compared to the same period of the previous year (January to December) from € 2.56 billion to € 2.45 billion. The following categories of services registered a growth (in descending order): pension & insurance services (+276%), building & public works (+100%), maintenance & repair services (+21.15%), financial services (+13.18%), transport (+11.65%), cultural, leisure & personal services (+9.09%), commission for use of intellectual property (+7.18%) & other services for businesses (+0.86%). However, the following categories have shown a decrease: manufacturing services supplied by physical inputs held by third parties (-38.93%), travel (-33.97%) and telecommunication, computer & information services (-20.10%).

In 2018, Indian imports of services from France registered a growth of 10.86% last year from € 1.73 billion in 2017 to € 1.92 in 2018. The following categories contributed to this increase: pension & insurance services (+225%), manufacturing services supplied by physical inputs held by third parties (+59.52%), maintenance & repair services (+56.42%), transport (+17.31%), telecommunication, computer & information services (+15.38%) and cultural, leisure & personal services (+11.11%).

In 2018, travel has gone down by 19.10%, financial services have decreased by 10.25%, other services to businesses declined by 6.72% & commission for use of intellectual property recorded a decrease of 5.47%.

India-France Trade in Services over the last 5 Years (in Million €)

Year (Jan.-Dec.)	Indian Exports to France	French Exports to India	Total	Y-o-Y % of Increase/Decrease
2014	2,149	1,531	3,680	+25.94
2015	1,715	1,695	3,410	-7.33
2016	1,775	1,463	3,238	-5.04
2017	2,563	1,739	4,302	+32.85
2018	2,459	1,928	4,387	+1.97

Composition of India-France Trade in Services in 2018 (in Million €)

No.	Major Categories of Services	Indian Exports to France	Indian Imports from France
1.	Manufacturing services supplied by physical inputs held by third parties	69	67
2.	Maintenance & repair services	63	219
3.	Transport	364	630
4.	Travel	206	254
5.	Building & public works	10	12
6.	Pension & insurance services	94	91
7.	Financial services	103	35
8.	Commission for use of intellectual property	164	138

9.	Telecommunication, computer & information services	437	165
10.	Other services to businesses	937	305
11.	Cultural, leisure & personal services	12	10
12.	Goods & services of public administration	0	3
13.	Other services (not included elsewhere)	0	0
	Total	2,459	1,928

5. FRENCH INVESTMENTS IN INDIA

France has emerged as a major source of FDI for India with more than 1,000 French establishments already present in India. France is the 9th largest foreign investor in India with a cumulative investment of USD 8.54 billion from April 2000 to March 2020 which represents 1.82% of the total FDI inflows into India according to statistics provided by the DIPP. The highest FDI equity inflows are in the services sector (14.57%), with cement & gypsum products (11.39%) in the second place, followed by air transport (including air freight) (9.12%), petroleum & natural gas (8.72%) and automobile industry (4.57%).

Most big French groups have their subsidiaries in India. There are also a few joint ventures and liaison offices of French companies in India. 39 of the 40 CAC 40 (French Stock Market Index) companies are present in India. Around 50-70 SMEs are also present in India essentially in the mechanical and pharma-chemical sectors. French companies are present in a wide range of sectors: services (BNP Paribas, Capgemini, Havas, Sodexo, etc.); pharmaceutical-chemical (Arkema, L'Oréal, Sanofi, Total, etc.); aerospace (Airbus, Dassault, Eurocopter, Safran, Thales, etc.); agro-food (Bongrain, Danone, Lactalis, Lesaffre, Pernod Ricard, etc.); electronics (Crouzet, Gemalto, Oberthur, Safran, STMicroelectronics, etc.); construction mechanics (Alstom, Cermex, Legris Group, Poclain, Sidel, etc.); electrical components (Hager, Legrand, Schneider Electric, etc.); automobile (Faurecia, Michelin, Plastic Omnium, Renault, Valeo, etc.).

French investments cleared during 2020 include amongst others Systra (rural/urban transport system), Decathlon (sports products & equipment), CMA Terminals (terminals for container vessels) and Athena Pharmaceutiques (pharmaceutical formulations).

[According to the estimates from the French Embassy in India, French companies employ around 300,000 persons in India and have a turnover of more than USD 20 billion and have a minimum stock investment portfolio of USD 19 billion].

6. INDIAN INVESTMENTS IN FRANCE

According to the 'Business France Annual Report 2019', a public operator supporting French investors in India and Indian investors in France, there are more than 120 Indian companies operating in France (including sub-subsidiaries), employing more than 8,000 persons.

Eighteen Indian investment projects were recorded in France in 2019, creating or maintaining nearly 360 jobs, up strongly from 2018.

Indian projects often involved decision-making centers (11 projects, representing one-third of jobs) and production/manufacturing operations (three projects; 90 jobs). Logistics was particularly important in terms of jobs, providing half the number of jobs created in 2019.

Investments were mainly made in the software and IT services sector (six projects; 104 jobs), while the pharmaceuticals/biotechnologies sector was responsible for nearly 30% of jobs generated by Indian investment.

Location-wise, Indian companies invested primarily in île-de-France (Paris region) (four projects), Auvergne-Rhône-Alpes (three projects; 38% of jobs) and Provence-Alpes-Côte d'Azur (three projects).

In 2019, the leading European recipient of job-creating investment from India was the United Kingdom, attracting 24% of all Indian projects in Europe, followed by the Netherlands (20%), while France received 7%.

As per 31st December, 2018, the FDI stock in France was 184 million.

Indian investments in France have been growing and it is estimated that the total stock of Indian investments in France is approximately € 1 billion. Indian investment in France has come in different sectors such as pharmaceuticals (Biological E, Dishman, Sun Pharma, Wockhardt & Zydus), ITeS (HCL Technologies, Hinduja Tech, Infosys, Ittiam, Mindtree, Tata Consultancy Services & Wipro), wine (Kingfisher), steel (Electrosteel & Tata Steel), railway wagons (Titagarh Wagons), aerospace (Aeque & Axiscades), Auto Parts (Banco Products & SMRC), Two-wheelers (Mahindra Two Wheelers) and Metal Forging (Aditya Birla & Bharat Forge) amongst others.

Samvardhana Motherson Group (automotive) with a workforce of 2,300 persons, Tata Group (software & ITeS, metals and metalworking) with 2,000 employees, UPL (chemicals & plastics) with 500-600 employees, Mahindra&Mahindra (automotive) with a workforce of 500 and Centum Electronics (electronic equipment) with the same number of persons are the five largest Indian employers in France.

In 2019, 61% of Indian investments in France were in decision-making centers; 3% of foreign investments in this area were made by Indian companies. Last year, 33% of Indian investments in France were in the software/IT services sector; 3% of foreign investments in this sector were made by Indian companies.

The following four Indian companies invested in France in 2019: i) GeneStore: A specialist in genomics, GeneStore is developing a personalized care path proposal tool based on the genomic profiles of patients. Its aim is to establish 100 test laboratories worldwide. For its first European site, Genestore chose France. It has taken over the cell biology research company ICDD, located in Provence-Alpes-Côte d'Azur, and plans to invest €500,000, ii) Dualeap: This company develops innovative technological solutions and processes in various industries such as aviation, energy and the maritime sector. As part of the international development of the aerospace industry and to meet its growth, Dualeap decided to establish its headquarters in Toulouse (Occitanie). It plans to invest € 13 million in the development and marketing of its ClearBox solution and to hire 15 to 20 employees in the next three years, iii) DS Group: Founded in 1929, this group has a portfolio of activities covering a varied number of sectors, such as the food industry, hotels and packaging, among others. DS Group acquired a 12% stake in Lalique Group, a company specializing in the production of luxury glass objects. For Lalique, this investment will lead to the development of new commercial opportunities in the Indian market & iv) Modi Group: Representing the Indian cosmetic brand Colobar, Modi Group is continuing its development in France through the acquisition of French company Provaine, which owns the customizable varnish brand 'La nail revolution' in Toulon (Provence-Alpes-Côte d'Azur Region). The investment amounts to € 5 million and will result in five jobs being maintained.

7. BILATERAL MECHANISMS TO PROMOTE TRADE AND INVESTMENTS

India-France Joint Committee for Economic & Technical Cooperation (JCETC) was set up on 26th January, 1976 through an exchange of letters between the Ministers of Commerce and Foreign Trade. Meetings are held at Ministerial level alternately in Delhi and Paris. This Joint Committee is the major institutional mechanism for cooperation in the economic and technical sector. The 17th session of the Joint Committee was held on 24th October, 2017 in Paris. The entire gamut of bilateral economic and commercial relationship was reviewed at the meeting, and both sides agreed to continue and intensify cooperation.

Joint Working Groups (JWGs) at the senior official level have also been constituted through MoUs to deal with specific aspects of economic cooperation, including for Agriculture and Food Processing, IT & Telecommunications, Roads, Sustainable Urban Development and Energy. During the visit of French President to India (14-15 February 2013), the two countries further agreed to establish an annual bilateral Economic and Financial Dialogue (EFD) between the two Finance Ministries on economic and financial issues. The first such Economic and Financial Dialogue was held in Paris on 29th October 2013.

8. RECENT MINISTERIAL VISITS FROM INDIA TO FRANCE

11-12 November, 2019 - External Affairs Minister, Dr. S. Jaishankar, visited Paris and held Talks with Mr. Jean-Yves Le Drian, France's Minister of Europe and Foreign Affairs. The two Ministers discussed Issues of Bilateral Partnership and International Importance. EAM also attended the 2nd edition of the 'Paris Peace Forum' where he participated in a High-Level Panel-Discussion on Multilateral Governance of Cyberspace. He also called on the French President on the sidelines of the Forum. EAM later addressed a Gathering of Prominent Business Representatives and Think-Tank Members and gave an Interview to French daily newspaper Le Monde.

23-24 October, 2019 - Minister of State for External Affairs, Shri V. Muraleedharan, visited Reunion Island along with a Business Delegation to participate in a Summit Meeting on 'Regional Economic Integration in the Indo-Pacific' organized by France. He held conversations with several French Ministers and also called on French President, Mr. Emmanuel Macron.

7-10 October, 2019 - Raksha Mantri, Shri Rajnath Singh, visited Paris for the second bilateral Ministerial-Level Annual Defence Dialogue with his Counterpart, Ms. Florence Parly, France's Minister for the Armed Forces. During the visit, RM also called on the French President, Mr. Emmanuel Macron, and interacted with Heads of Key French Defence Industry Enterprises. RM also visited Bordeaux to attend the Handing Over Ceremony of the first Rafale Fighter Aircraft to be acquired from France under the Inter-Governmental Contract signed in September 2016. He also visited select Defence Industry Sites in France.

30 November-1 December, 2018 - Visit to Le Puy and Lyon of Dr. G. Parmeshwara, Deputy Chief Minister of Karnataka & Minister for Bengaluru Development, for a Study Tour on Municipal Solid Waste Management.

21-23 October, 2018 - Smt. Harsimrat Kaur Badal, Minister for Food Processing Industry, inaugurated the Biennial Food Innovation Exhibition, 'SIAL', at Paris-Nord Villepinte (Paris Region). The Meghalaya Chief Minister, Shri Sangma, visited Paris on this occasion as also a delegation from the State of Manipur. Minister Badal had a bilateral meeting with the French Minister of Agriculture, Mr. Didier Guillaume, on 21st October, 2018 at Paris-Nord Villepinte on the opening day of the Fair. The Minister delivered the opening address at the 5th edition of the 'France-India Agri-Business & Food Processing Industries' Conference organized by the India-France Chamber of Commerce and Industry on 22nd October, 2018.

11-12 October, 2018 - Smt. Nirmala Sitharaman, Defence Minister, attended in Paris the 1st 'Ministerial Meeting of the Bilateral Annual Defence Dialogue between India & France' along with the French Minister of Armed Forces, Ms. Florence Parly.

4-6 October, 2018 - Visit to France of a 7-Member Delegation led by Shri M.C. Sampath, Minister for Industries, Govt. of Tamil Nadu, to promote the 2nd 'Global Investors' Summit' on 23-24 January, 2019 in Chennai

27th September, 2018 - Shri Sa. Ra. Mahesh, Minister for Tourism & Sericulture, Govt. of Karnataka, visited the 40th Annual International Event for the French Travel Market 'IFTM Top Resa' in Paris.

18-20 September, 2018 - Shri Chaudhry Birendra Singh, Union Minister of Steel, attended the Ministerial Meeting of GFSEC at the OECD Headquarters in Paris.

29-30 August, 2018 - Visit to France of a 4-Member Delegation led by Shri K.J. George, Minister of IT and Large and Medium Size Industry, Govt. of Karnataka

18-19 June, 2018 - Visit to Paris of Smt. Sushma Swaraj, External Affairs Minister, to name the Indian Cultural Center

31 May-4 June, 2018 - Visit to France of Shri Suresh Prabhu, Minister of Commerce, Industry and Civil Aviation, for an Informal Gathering of WTO Trade Ministers on the Sidelines of the OECD Ministerial Council Meeting in Paris. The Minister called on Mr. Laurent Fabius, President of the Constitutional Council and also met Ms. Elisabeth Borne, Minister of Transport, to discuss Cooperation on Issues of Bilateral Importance. Shri Suresh Prabhu visited the Airbus Manufacturing Facility and also saw the IndiGo Passenger Planes being built at Toulouse. He finally had discussions with Mr. Fatih Birol, Executive Director, International Energy Agency, on Issues regarding the World Energy Security.

22nd May, 2018 - Visit of Shri Ponnaiah Ayyapan Radhakrishnan, Minister of State for Finance and Shipping, to Monaco for Meetings with the Minister of Foreign Affairs and the Minister of Finance and Industry

12th December, 2017 - Visit of Shri R.K. Singh, Minister of State (Independent Charge) for Power and New & Renewable Energy, for the 'One Planet Summit' organized by the French Foreign Office in Boulogne-Billancourt (Paris Region)

9. CONCLUSION

Both Sides noted that there has been positive progress in the development of bilateral trade and economic relations between their countries. They reaffirmed that the India-France Administrative Economic and Trade Committee (AETC) provides an appropriate framework to assess and find ways to further promote the bilateral trade and investment as well as to speed up the resolution of market access issues to the benefit of economic operators. In this regard, it is need of the hour to further jointly strengthen work on solving trade and investment issues of concern for the French and Indian companies, including by additional ways and mechanisms.

Trade-substituting French investments in India grew rapidly after India began opening up its economy in the 1990s but the potential here is vast and still largely untapped. The expansion of Indo-French services trade is a promising area because it does not involve France being constrained by EU-wide sanitary and phyto-sanitary measures, quotas or ACP preferential tariffs against Indian exports as in food and clothing, nor Indian sanitary and phyto-sanitary measures against French produce. Manufactured goods trade can also be the starting point for trade-substituting investments in manufacturing and services

India and France have much to gain from mutual trade and investment in goods and in services. As noted in this study, the potential is vast. Past patterns of trade and investment indicate that synergies present were not reaped in trade nor designed in value chains of mutual investments. Trading in commodities where comparative advantages are noticeable would benefit both countries. The neglect in developing Indo-French Economic Relations cannot be overcome through political dialogue. Rather, a higher mutual economic engagement threshold through systematic removal of institutional impediments could pave the way for actualization of Indo-French trade and investment potential, which in turn, may ignite political interest.

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