Summary

Since Poland joined the European Union, it has become a new gateway to the European market for the Indian goods and services. It is important to note that although India and Poland were very different, they both shared some uniqueness. Historically, both nations had a long fight for independence. Both nations experienced the nationalization process of their industries. They also equally experienced a period of socialist economic system and enjoyed close relations with Moscow. Most strikingly, both countries had undergone economic transformation whereby both systematically and gradually transited their economies from socialist models to capitalist ones. In central Europe, Poland had been considered as the main partner of India, in terms of trade and economic cooperation. India viewed Poland as a link between it and the Western Europe. Both entities are in the process to reform their legal framework to improve political and socio-economic relations by reducing legal barriers.

Key words: India, Poland, Bilateral Relations, European Union.

JEL codes: F4, F5

Introduction

The relations between India and Poland have been friendly and culturally deep-rooted for over centuries. These are exemplified by peace and cooperation in the international arena. Poland, being one of the largest countries in the Central Europe, with the continuous growth of its economy even in the period of recession in the European Union, aims at augmenting the existing economic relations in the era of globalization and liberalization. With respect to this, the study also purposed to evaluate the role of the European Union in the relations between Poland and India.

The main purpose of the study was first to establish the evolution of Indo-Polish relations and to determine obstacles for both Poland and India faced during the development process. In relation to this, the study also sought to find out the factors that contributed to sustenance of the relationship. The study was done qualitatively and was based on a historical case-study approach. The method used in data collection and analysis comprised of textual reviews,
comparison and establishments of facts and implications. The study also investigates the evolution of relations that existed between India and Poland, and the factors that helped India and Poland to sustain their relations.

Lastly, the study sought to find out how the challenges were being resolved by the two entities and the areas in which the European Union and India have substantial grounds to cooperate in the global economy and politics, which seems to be a great potential for Indo-Polish relations.

Poland – A Rising Star in the Central and Eastern Europe

Poland is considered as one of the healthiest and high-income economies of the post-Communist countries and is currently one of the fastest growing economies within the European Union. Poland is also among the three most attractive FDI destinations in the world and is recognized as a country which has one of the highest returns on foreign investment. Considering its transition to a democratic polity and market economy, high growth over the last decade, its size and strategic location seems destined to play a key role in the region and in the future of Europe.

After the collapse of the Soviet Union in 1990, many of its former satellites would have done just about anything to avoid getting sucked back into Moscow’s orbit, and to solidify a place in the West. The leaders of Warsaw have been putting reforms in place for more than a decade, not so much by studying what has worked in Europe, but by working to fulfill the requirements to join the EU and adopt the common currency of the Eurozone in order to gain access to the new markets and generous findings the European Union offers its newcomers. As a matter of fact, Europe has been focused less on the demands of dynamic growth than on ensuring stability as newcomers join. The EU membership criteria are centered on building institutions, which simply means a functioning parliament; apolitical court; honest government bureaucracies including the police; free press, media etc.¹

Poland was recognized as a breakout nation after joining the European Union in 2004, when many of the EU member states were strongly affected by the economic crisis. Poland is the only economy in Europe that did not contract in 2008, 2009, and today it has the most vibrant labor market in Europe, creating jobs at a pace so rapid that many immigrant Poles are returning from the United Kingdom, United States and other hard-hit nations to find work at home.

With a population of 38.5 million, Poland is the only nation in Eastern Europe with a domestic market large enough to satisfy the economic growth, regardless of troubles in the rest of the world. Things are so much better right

now that not only are Poles bringing their money home, they’re bringing themselves with it. Over the last decade, after the European Union opened up service industries to cross-border competition, the “Polish plumber” became a symbol of Western European fears of a great inrush of cheap labor from the East. Now the Polish plumber is heading home. While Poland lost 150,000 jobs during the recession, it later added them all back plus 100,000 more, and the unemployment rate, which had fallen steadily before the crisis is falling again.

Despite a relatively high income, Poland has not yet priced itself out of global competition. The inflation-adjusted value of the Polish zloty has remained flat for a decade.

Poland has long been a regional trendsetter. In fact, it was the first satellite state to break from the Soviet orbit. In recent years it has developed a strong education system that produces a talented workforce, a growing group of small to medium-sized companies that are competitive across Europe; well-run banks far stronger than those of its old nemesis, Russia, and good-quality consumer companies. The central bank is genuinely independent of political interference. In many ways these rising stars in the East look more solid than their Western model.

**The Relations between Poland and India**

**Historical Relations**

Historically, the relations between India and Poland can be discussed within the framework of two successive eras. The first era is the pre-Soviet period that ended with the declaration of fall of the Soviet Union in 1989. The second era is the period of 23 years following the formation of the democratic Republic of Poland after 1989 onwards.

The findings indicated that the relations between India and Poland began in 15th century; this was the period when a number of Polish writers, soldiers and missionaries visited India to discover Indian culture, civilization, Philosophy, and spiritual India. In 1820 the first book “History of Ancient India” written by Polish Historian ’Joachim Lelewel’ was published. A chair of Sanskrit was setup in the Jagiellonian University of Krakow in 1893. Indological centres and research institutes at the Universities of Warsaw, Krakow, Wroclaw and Poznan were established, where an active research in Indian studies i.e. Sanskrit and Hindi are still being performed. Recently, a new branch of research has been formed which is ‘Tamil studies’.

During the World War II around 6,000 Polish people were persecuted and were sheltered in India for a long time. Mr. Maurycy Frydman-Bharatananada, a lawyer and engineer contributed to development of industry in India. Ms
Kira Banasinska, who still lives in Hyderabad, took care of Polish children refugees from Russia, received and accommodated by India during Word War II. Apart from the above, during the Colonial fight for Independence, Mahatma Gandhi and Jawaharlal Nehru extended their full cooperation and supported the Independence movement of the Polish people which is remembered by the Polish even today. This, in turn, led to the establishment of the World Association of Poles from India with a high number of members from all over the world. At the beginning of 20th century the Polish Painter Norblin was employed by the Maharaja of Jodhpur (presently the State of Rajasthan), where his paintings could be seen even today. Feliks Topolski´s painting of Mahatma Gandhi´s assassination is kept in the President’s Bhavan of India.

Two prominent Poles; Murice Friedman (Swami Bharathananda) and Wanda Dynowska (Umadevi) were closely associated with the Freedom struggle of India and their contribution through literary writing is memorable even today. The official diplomatic relationship between India and Poland began in 1954. Before, a commercial agreement had been signed in 1949. India established its embassy in Warsaw in 1957. During the period of Cold war, due to the friendship with Russia, both became friends.

A solidarity movement let by Lech Wałęsa in 1980 became a symbolic movement for unity and over time it became a political force against the communist rule to bring free and democratic parliamentary election in 1989. After the collapse of the Soviet Union and the end of cold war both countries started establishing relations in a broader perspective and started developing their amity through their common friend the United States of America. After decline of the communist regime in 1989, both democracies strengthened their relations through the Parliamentary system and a number of delegations and heads of both countries started visiting each other to augment their further relations. These political ties led both of them to consider each other an important ally in their relations with other European and Asian nations.

**Contemporary Relations**

Poland was found to be India’s largest trading partner within the region of Central Europe and again the sixth largest economy in the European Union. Therefore, Poland served as the main “gateway” through which India could easily access the expansive European market. In this case, there were greater incentives of the investors from Europe and also a greater opportunity and chance to realize growth for Poland.


India’s economic potential has made it one of the most significant partners of Poland within the Asian region. Poland’s export to India mainly constituted equipment for power stations, arms, railways equipment, steel products and mining equipment. From the beginning of 2004, Polish export to the Asian countries, India inclusive, has been rising. It was noted that during the initial years of the 21st century, the trade volume between India and Poland rose by about 30 per cent. Poland’s main imports from India included coffee, pepper, tea, tobacco, cotton products and fiber. This amounted to approximately $498.3 million. In the period between 2005 and 2006, the export from Poland to India amounted to approximately $89 million. This mainly included military wares and geophysical services. Export of machines and other equipment during the same period amounted to approximately $32 million. At the end of 2008, Polish investments in India amounted to approximately €35.6 million while that of India in Poland amounted to approximately €28 million.4

However, Poland was found to have recorded serious trade deficit in its commercial relations with India. The relations between India and Poland could have been affected by the ambivalent perception of India toward the European Union.5 Poland was the sixth biggest economy within the European Union; this was considered in terms of size. It was noted that during 2009, when countries experienced the Global Economic Crisis, Poland was the only nation from the European Union to record an approximate 1.8 per cent growth.

With respect to economic cooperation with Poland, Patryk Kugiel stated that the quality and intensity of economic and political cooperation between the two countries had not yet reached their complete potential in the past two decades, despite largely positive historical relations between these nations. Both are among the top twenty world economies, and are among the political leaders in their respective regions, so Poland and India must now explore ways to upgrade bilateral cooperation in the emerging multi-polar world. The success of economic transformations that were initiated in the early 1990s, and the stable economic growth the two have experienced even during the times of global economic crises, coupled with increasing Poland’s political influence in the European Union and the rise of India within the scope of global economy and politics. This also meant that the two countries could benefit more from each other having closer links.6

5 Komorowski et al., New Challenges in the multipolar world: How to strengthen the EU-India relations?
6 Kugiel, The Polish Institute of International Affairs, no. 21 (2012), 1-5.
Diplomatic and Defense Relations

Apart from the diplomatic relations, India and Poland have excellent defense relations ranging from military cooperation to comprehensive cooperation relations including training and participation of peacekeeping operations of the United Nations. Both have signed a Defense Cooperation Agreement in 2003. For modernization of tanks and air defense strategies India gave a $600 U.S. contract to Poland. The T-72 tank with 800 horsepower engines were fitted with 1000 hp engine and also fitted with modern fire control systems and night vision equipments. Both India and Poland are considering privatization of their defense industries and see good prospects for mutual investments. Both regularly exchange visits and training programmes for the defense personnel of India in the latest techniques of research developed by the Polish research institutes in defense matters. India also acquired 625 assault parachutes from the Polish company Air-Pol with automatic devices ensuring their reliable opening, with a total value of US $1.5 million. Poland also delivered a batch of 80 WZT-3 ARVs to the Indian Army in 2001 for use in Kolar gold field facility in Karnataka and next in 2004. The final batch of 40 WZT-3 ARVs was assembled in India from kits supplied by Poland.\(^7\)

Apart from the above, trading aspects, based on the 1974 Indo-Polish Cooperation Agreement, both started exchanges in the areas of science and technology with more focus on the scientific and technological developments. They started to benefit each other by mutual exchange of scholars and develop scientific and technological equipments. Based on the developments both want to privatize their defense industries in order to benefit through FDI investments and to reduce the burden of the economies on the defense sector. Poland, being a member of the European Union, needs to follow all rules and regulations implemented by the European Union for achieving all goals. Developing relations with Poland and the future member states of the EU as well as continuing discussions on “Free Trade Agreement” are very important for the mutual benefits.

European Union-India Free Trade Area

Poland markets itself as an attractive gateway to the European Union and Commonwealth of the Independent States (CIS) markets. It is already India’s largest trading partner in Central Europe willing to adopt Free Trade Area Agreement along with the European Union regulations. It is very much important to analyze FTA for the improvement of future relations between India, European Union and Poland.

\(^7\) [http://en.wikipedia.org/wiki/India%E2%80%93Poland_relations (17th July 2012).]
The search for a Free Trade Area between the European Union and India began in 2007. However, due to hard issues, conclusion of the agreement took longer than expected. The relations between the European Union and India were set to go a notch higher after the meeting that took place in New Delhi in February 2012. A free trade pact between the European Union and India was expected to enhance the bilateral trade relations between the two entities. The pact was also to enhance economic and investment cooperation and was expected to set the momentum for growth of the two entities.

In the findings of this study, during the summit meeting, matters related to security were also extensively discussed at numerous levels. The study found out that during the summit, the security matters that were given attention included terrorism, cyber-security and piracy. In relation to energy issues, the summit also led to a declaration on their commitment to actually strengthen their cooperation in the areas of energy. The participants also discussed the launch of what was described as an innovative partnership. Finally, the two entities promised to work close with each other in the area of security, safety and development of clean energy.

The study led to the conclusion that despite the proposed Free Trade Area between the European Union and India, there were non-governmental entities that opposed the imminent deal; these oppositions could be the reasons the deal had taken about five years without reaching a consensus. The study further investigated what could have been causing the oppositions. The outcome showed that the request by the European Union for what was referred to as data exclusivity was one of the causes for opposition to the imminent agreement. The entities argued that the request would prevent India drug manufacturers from producing or processing cheap generic drugs. The issue of data exclusivity implied that there would be a period during which producers of drugs could maintain a monopoly on the production process, especially in cases where new drugs would be innovated. According to the obtained information, the data exclusivity clause was meant to enable drug-manufacturing companies to regain their cost of producing new drugs before other firms were allowed to engage in the production of similar drugs.

The analysis of some texts indicated that protests started in India followed the resumption of talks between India and the European Union about finalizing the agreement of Free Trade Area; according to the findings of the study, the European Union side argued that it only needed mutual agreement between it and India. Another potential obstacle to the achievement of this agreement was noted to be the domestic politics within the Republic of India. There was a common suspicion of the process of the trade liberalization between the two nations within the Congress, India’s ruling party; this was in contrast with the position taken by the government. This was found to be coupled with downright
antagonism to trade from other interested parties within the governing coalition like the communists.

The further findings of the study showed that the European Union wanted the free trade pact to take care and clarify matters of deeper integration between the two entities. These included the policy of competition in trade between the two entities, the rights set out for foreign investors, practices for open government purchasing and also clauses that could create pretexts for future trade protection. Even though the proposed Free Trade Area between the European Union and India is ambitious for both entities, the plan is also likely to face obstacles related to the different stages of their economic developments. The European Union economies are more advanced than the economy of India. The success of the agreement also depends on the understanding of coalition government running in India. In the beginning of this negotiation process it has been seen that few ruling coalition members and opposition were found to be against for the entire plan of a Free Trade Area between the European Union and India.

According to the results of other analysis, it was discovered that the imminent Free Trade Agreement between the European Union and India would have some negative consequences; these had been brought to the attention of the two entities but tended to press on with their bid to finally achieve the agreement. The analysis showed that most Indians felt that the agreement would deny most poor people, both from within India and those in third developing countries, the access to affordable drugs. This would actually be the possible case given that initial cost investments in new drugs are normally higher then the available drugs in both the markets. Due to such investment drug's prices will increase and lower society at large will be not in the position to access necessary drugs. Further analysis showed that the dire consequences of having the clause of data inclusivity would be that only the rich individuals in both middle and upper classes would have access to drugs.

Even though the ambitious Free Trade Area agreement had been pursued for five years by the European Union and India, it was evident that there were some significant obstacles which threatened its materialization. It was noted that India still imposed high tariffs in some sectors of its economy while at the same time demanded more access to the European market for its goods and services. This was viewed by the European Union representatives as being unfair to economic and commercial cooperation between the two entities. Besides, there was the issue of the European Union demanding that India should reduce tariffs on products such as wine, motor vehicles and milk and dairy products. According to the views of scholars and students of Economics, the products from the European Union region were heavily subsidized and hence would sell cheaper in India than the local similar products. The potential consequence was
found to be a possible “death” to the local industry producing similar products, especially in the dairy sector.

It was also noted that all car manufacturers in India were also found to be concerned about reduction of tariffs being implemented on finished automobiles referred to as Completely Built Units. The study exposed the fact that there was a significant concern that lowering tariffs on Completely Build Units would harm the local industry of car manufacturers. Further possible consequences of lowering of tariffs on such cars included reduced investment in automobile industry by the local Indians and loss of employment opportunities. Moreover, it was noted that India would gradually become dependent on foreign manufactured cars from the European Union countries.

This notion was a representation of other scholars whose ideas were presented in the literature review. The scholars argued that such a move would reduce India’s import tariffs by 90 per cent of all the possible tradable goods and services. This was projected to over a period of ten years. It is important to note that if the reduction in tariffs on imported cars would not be managed appropriately, it could result in the reduction in domestic output, massive loss of jobs, substantial revenue tariffs and negative implications on trade balance.

Another issue that would contribute as an obstacle was related to opening up of the Indian banking sector. According to the finding of the study, the European Union wanted India to do away with restriction on its banking licenses and foreign ownership of financial institutions as part of the Free Trade Area deal. The European Union also requested India to do away with priority sector lending on locally incorporated European Union-based banks and other financial institutions. All these requests were viewed as suspicious by India.

**Legal Scenario**

Though both countries have a number of legal provisions, they need to update the legal regulations in several areas, especially in the area of intellectual property laws. In both countries, copy right piracy is a common factor which needs to be excluded. The electronic piracy needs to be curbed. In other intellectual property rights such as patents, trademarks and services, the Polish legal regulations are better than those in India. Since Poland is the party of various European Agreements on IPR it could develop a better system.

Poland and India together entered in several bilateral treaties and Agreements to improve socio-economic relations under the given legal framework:
- Agreement on Promotion and Protection of Investments (1996)
- Agreement on Avoidance of Double Taxation (1981)

---

– Agreement on Cooperation in Science and Technology (1993)
– Agreement on Cultural Cooperation (1957)
– Agreement on Economic Cooperation (2006)
– Bilateral Agreement on Shipping (1960)
– Agreement on Cooperation in the field of Health Care and Medical Science (2009)
– Agreement on Cooperation in the field of Tourism (2009)

However, a number of modifications are supposed to be implemented by both governments e.g. Patent Act requires more tough restrictions on Patenting system, high punishment for drug piracy, policies for invention's claim etc.

**Recommendations**

This should be considered in light of the fact that the terms of relations between Poland and India is continuously changing and hence may change in the future. The way the relations have changed in the past was established through the study. Therefore, it is only logical to consider the status of the relations between Poland and India, bearing in mind the possibility of signing the Free Trade Area agreement between the European Union and India.

Therefore, future studies should narrow the scope and focus of the research to investigate the relations between India, Poland and the European Union. This is because the contemporary relations between India and the European Union have taken the approach of bilateral relations. India needs to bring some immediate changes in the following areas:

– India should follow a tough regime with IPR as a member of WTO.
– Needs to establish a good coordination between International Laws and Municipal Laws e.g. the Novartis case against evergreen patents Act. The Madras High Court on the grounds of jurisdiction between international law and municipal law has rejected the company’s request on the basis of domestic market product available in India.
– The Copy Right Law 1957 needs to be amended to prevent piracy.
– The Indian contract ACT, which is the major law for commercial purpose, needs a thorough revision.
The company law, competition act and other aspects of IPR need to be developed.

- IPR policy perspectives need to be propagated and not limited to specific fields.
- The pharmaceutical aspects need to be regulated.
- Foreign players need to be encouraged in all sectors.

There are certain fears on both sides. However, the progressive approach followed by India is acceptable and needs to be pursued by both partners.

**Conclusion**

Poland was found to be India’s largest trading partner within the region of Central Europe and again the sixth largest economy in the European Union. Therefore, Poland served as the main “gateway” through which India could easily access the expansive European market. In this case, there were greater incentives of the investors from Europe and also a greater opportunity and chance to develop Poland’s growth. India and Poland shared similar democratic values and numerous converging strategic interests exploiting potential economic cooperation. It is obvious that the relation between India and Poland can be deepen by the assurance and actions performed by both the entities and willingness to cooperate with each other with various fields and issues. There is a need to develop legal research and other aspects particularly in International Trade and Law in Poland and India. The two nations were also found to have serious and implicating disagreements between them. This was a strong point for bilateral cooperation between the two nations.

**References**


Komorowski Brownislaw et al., *New Challenges in the multipolar world: How to strengthen the EU-India relations?* Warsaw: Thinktank, 2011.


Realistyczne podejście na mocy ram prawnych Obszaru Wolnego Handlu (FTA)

Streszczenie


Słowa kluczowe: Polska, Indie, Unia Europejska, stosunki dwustronne,

Kody JEL: F4, F5