

# Prospects for the New EU Strategy on India

## Game Changer or Business as Usual?



**Garima MOHAN**

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# Executive Summary

The new EU strategy on India marks a major moment of departure in EU-India relations. It reflects three critical shifts: firstly, the EU no longer views India from a “trade lens” only, recognizing its important geopolitical role in maintaining a multipolar Asia. Second, the strategy frames EU-India relations in the context of broader geopolitical developments, primarily the rise of China. Recognition of the China challenge and its impact not only in Europe, but also on the balance of power in Asia, has pushed the EU to change the nature of its partnerships in the region, particularly with India. Finally, the strategy links European security and prosperity to developments in Asia, broadening the scope of EU foreign policy substantially. It states, “the stability and security of Asia is increasingly important for European interests”. In this sense, the EU’s strategy on connecting Europe and Asia (2018), its China Strategy (2019), the new India Strategy (2018) and Council Conclusions on greater security engagement in and with Asia (2018) should be seen as connected building blocs of a new European approach to Asia.

This paper analyses the new EU strategy on India and highlights areas, which represent a departure from previous strategies. The paper looks specifically at proposals for greater foreign and security cooperation, for securing a rules-based order, increasing regional connectivity, improving trade and investment, and building better coordination on and with India. These proposals are commendable and respond to a long laundry list suggested by experts from both sides over a long time. They also fit well with India’s priorities, namely responding to increasing Chinese political, economic and military presence in South Asia, security in the Indian Ocean, as well as more proactive engagement in regional and global institutions. The paper also looks at instruments the strategy proposes to translate common values to “common action” – particularly more track 1 and 1.5 dialogues for coordination on broader security, economic and political issues, more avenues for technical cooperation, particularly on maritime security, counter-terrorism, nuclear non-proliferation, and EU-India cooperation in other regions like the Middle East, Central Asia and Africa.

Finally, the paper suggests ways of taking this forward and ensuring the strategy does not remain a paper tiger in the long arsenal of EU-India declarations. While more dialogues on global and strategic issues is a great

idea and will help change perceptions in New Delhi that the EU is not a strategic actor, the EU will have to ensure this is not hindered by the Indian Ministry of External Affairs' already overstretched capacities and the 30 existing EU-India dialogues. Having more track 1.5 and track 2 formats, as well as trilaterals, including with other like-minded partners like Japan and Australia, might be a cost-effective alternative. More high-level visits from the High Representative of the Union for Foreign Affairs and Security Policy (HRVP) and instituting 2+2 formats might also yield better results and visibility. Focusing on on-going debates in India and Europe in these dialogues, particularly connectivity projects, maritime security in the Indian Ocean, 5G networks and infrastructure might also open up new avenues of cooperation.

Overall the EU-India relationship has witnessed remarkable momentum over the last four years – aided by political will from both sides, the China challenge, friction in transatlantic ties, and common challenges within Europe and India. The new strategy is a good first step to build on this momentum. However, it needs to be translated into action fast.

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# Introduction

The new EU strategy on India, adopted in December 2018, marks a major moment of departure in EU-India relations. It reflects three critical shifts: firstly, the EU no longer views India from a “trade lens” only, recognizing that India plays “an important geopolitical role”<sup>1</sup> in Asia as well as on the global stage. In both its tone and emphasis, the strategy seeks to shift the EU-India partnership from one based on development and economic cooperation to an all-encompassing “strategic” partnership supporting a rules-based global order. Secondly, this strategy seeks to shift EU-India relations from common values to “common action”. In the past, while EU documents often highlighted the similarities between the two actors - both being diverse, multi-lingual democracies - neither side knew what to make of this convergence. The new strategy proposes instruments for translating this into practical cooperation.

Finally, the strategy is, in many ways, a response to broader political developments and is about more than just bilateral cooperation with India. Recognition of the China challenge, not only in Europe itself but also on the balance of power in Asia, has pushed the EU to diversify its partnerships in the region. It now views India as an important pillar for maintaining a multipolar Asia. The new strategy on India thus also overlaps and intersects with the EU’s Strategy on Connecting Europe and Asia and its China Strategy, which were released respectively in September 2018 and March 2019.

This paper will analyze the EU’s new strategy on India and highlight areas, which represent a departure from its previous strategies. The paper will look specifically at the strategy’s proposals for greater foreign and security policy cooperation, for securing a rules-based order, promoting multilateralism, increasing regional connectivity, and developing better coordination on and with India. It will also look at the suggestions the strategy makes for improving trade and investment. It will argue that if implemented, the new EU strategy on India is a game changer and has the potential to overcome longstanding obstacles in the EU-India partnership. It has the potential to pivot the EU into the list of India’s important partners, and vice-versa. Finally, the paper will also discuss how the

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1. European Commission, “EU shapes its ambitious strategy on India”, November 20, 2019, available at: <https://europa.eu>.

strategy has been received in India, looking particularly at the response from the political establishment and strategic community in Delhi.



# Cooperation on foreign and security policy

## Acknowledging India as a major pillar in a multipolar Asia

Arguably, the most important section of the new EU strategy on India is on foreign and security policy cooperation. Evolving from the earlier posture of viewing India as an important albeit distant partner, the EU now sees that Indian engagement in South Asia, with its neighbors and major regional players “will have important consequences for the EU”<sup>2</sup>. The strategy acknowledges that India occupies an “important place in a complex geo-strategic space”. Geographically, it is located at the center of key Europe-Asia trade routes and remains a “pillar of stability in a complex region”<sup>3</sup>. And that stability and security in Asia “is increasingly important for European interests”<sup>4</sup>. This link between developments in Asia and the EU’s prosperity and security is an important one and shows that EU foreign policy needs focus beyond just its immediate neighborhood.

This is a major change from previous EU-India interactions, which either didn’t focus on foreign policy issues at all<sup>5</sup>, or focused on broad topics like conflict prevention, counter-terrorism and nuclear non-proliferation on paper, but with no regular dialogues or instruments to facilitate cooperation in practice<sup>6</sup>. The result was that the EU-India partnership remained largely economic and trade-based, with no attention to broader strategic issues. This lack of strategic interactions was reflected in the fact that EU and India found it difficult to cooperate under the EU’s ATALANTA mission from 2008 on, even though countering piracy in the Gulf of Aden was a policy priority for both actors active in the region.<sup>7</sup>

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2. European Commission Joint Communication, “Elements for an EU Strategy on India”, November 20, 2018, pp. 2-3, available at: <https://eeas.europa.eu>.

3. *Ibid.*

4. *Ibid.*, pp. 11.

5. Take for example the 1994 EU-India cooperation agreement, which laid the bedrock of EU-India cooperation and focused broadly on political cooperation only.

6. See the EU- India Strategic Partnership agreement of 2004.

7. This only changed in December 2018 when Indian Navy escorted a World Food Program ship following an escort request by EU NAVFOR. For more details, see: <https://eunavfor.eu>.

Similarly, while India operated in UN peacekeeping missions in Africa, quite often in the same regions as the EU's Common Security and Defense Policy (CSDP) missions<sup>8</sup>, the two actors never found any scope for cooperation or even dialogue. Counter-terrorism was a potential area of cooperation brought up in earlier summits but without any substantial development since both sides' threat perceptions and priorities differed. While India focused on domestic and cross-border terrorism, Europe had not faced the same problems yet as it would later – with returning foreign fighters and proliferating terror attacks in European capitals. As a result, the partnership remained focused on important but nevertheless limited topics such as economic and environmental challenges within India, human rights, trade and business.

This began to shift on the ground with the 2016 EU-India Summit, which renewed the partnership in many ways.<sup>9</sup> The Modi government's proactive foreign policy of reviving old and establishing new partnerships globally, combined by a real push by the EU Delegation in Delhi meant that, slowly, EU and India began instituting regular bilateral dialogues on critical strategic issues listed as priorities by both sides, namely maritime security, cyber security, counter terrorism and non-proliferation.

The 2018 strategy wants to take this further in terms of ambition. It argues that the EU and India have common interests in their “extended neighborhoods”, particularly the Indian Ocean, Central Asia, the Middle East and Africa. While there is scope for “more coordination, joint assessments and analysis” on these regions, India's own neighborhood is highlighted as another potential area of cooperation. For a long time, India was skeptical of working with external partners in its neighborhood. However, this reluctance has now largely gone away, especially as Chinese political and economic investments are changing the South African landscape, creating new challenges for India. The EU recognizes India as an important pillar in a multipolar Asia, and sees it in many ways as a regional counterweight to China. This change in perception was already evident in Europe's response to the India-Pakistan standoff of February 2019, where both Member States and the EU alike supported India's right to self-defense against terrorism from Pakistan.<sup>10</sup> European statements criticizing Pakistan and lack of criticism of Indian strikes indicate a shift

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8. For details, see G. Mohan and P. Rotmann (2017) “Managing Conflict, Building Peace: Opportunities for Developing the EU-India Partnership”, Global Public Policy Institute (GPPi)/Carnegie India, 2017, available at: [www.gppi.net](http://www.gppi.net).

9. Compare the detailed outcomes of the 2016 Summit to the rather limited summit outputs from 2011 or 2012 for instance.

10. Statement of HRVP Mogherini on the recent India-Pakistan tensions available at: <https://eeas.europa.eu>, and the statement by France available at: [www.diplomatie.gouv.fr](http://www.diplomatie.gouv.fr).

towards de-hyphenation of India and Pakistan for many European policy makers.<sup>11</sup>

EU and India have also been coordinating behind-the-scenes on other crises in South Asia, often precipitated by Chinese political influence and economic investments. For example, Indian policy makers appreciated the strong statements from the EU on the democratic crisis in the Maldives in 2018. The new EU strategy wants to take this further and explicitly suggests working with India in third countries, particularly smaller states in South Asia that are increasingly prey to great power politics and fiscal instability resultant from China's loans and political influence as part of its Belt and Road Initiative.

## Suggested mechanisms to develop EU-India strategic cooperation

In sum, the strategy suggests taking EU-India security cooperation to new levels, going beyond bilateral issues to working together in their extended, overlapping neighborhoods. How will this cooperation take shape, given that there is no precedent or existing institutional structures? The strategy also suggests instruments for taking this cooperation forward. These include regular dialogues to lay a solid foundation. The strategy proposes upgrading the dialogue between the EU High Representative and the Indian Ministry of External Affairs (MEA) to a regular Strategic Dialogue. It also suggests regular coordination on big picture foreign policy issues, trilateral dialogues with third partners in Africa, South Asia and elsewhere, and finally enhanced dialogues on Afghanistan and Central Asia, which are fertile "new" grounds for practical cooperation given both EU and Indian presence and interests.

In addition to regular dialogues, the strategy also recommends instruments for practical, on-the-ground cooperation. These include technical cooperation on terrorism and counter radicalization, exchanging expertise on cyber security and hybrid threats, and setting in place arrangements for fostering cooperation between EUROPOL and Indian law enforcement institutions. In the maritime domain, which is very important in the Indian strategic calculus, the strategy suggests improving operational coordination in the Indian Ocean and working together on capacity building of Indian Ocean island states. Since both EU and India are important actors in conflict resolution and management, it also suggests instituting cooperation on UN peacekeeping training. Most

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11. In the past, both European MPs and bureaucrats viewed India-Pakistan largely from a same lens of interrelated problems. Indian diplomacy has worked hard to change this perception.

importantly, the EU wants to deploy a military advisor to the EU Delegation in India to guide some of these activities and add a European voice to strategic debates in New Delhi.

These proposals are commendable and respond to the long laundry list demanded by experts from both sides over a long time. They also fit well with India's priorities – namely responding to increasing Chinese political, economic and military presence in South Asia, security in the Indian Ocean, and greater engagement in Central Asia and the Middle East. They will also change the perceptions in New Delhi that Europe is not interested in security issues beyond Russia and its near neighborhood. Also, if implemented, they will go a long way in changing perceptions in Delhi that the EU is not a security actor. They might even help in creating a better understanding of the EU and its competencies.

The dialogues suggested by the EU are an interesting mechanism. As will be shown in the following sections, New Delhi has instituted several bilateral and trilateral dialogues with important partners over the last couple of years. Instituting a track 1.5 dialogue will not only provide much needed visibility to the EU, but also locate it within the constellation of India's important strategic partners. It will also allow for more nuanced and targeted cooperation on foreign and security policy by allowing both partners to identify areas of common interest. And it will change the perception in New Delhi and Brussels that they have nothing to say to each other. Given the scale and ambition of these proposals however, it is clear that these dialogues will take shape incrementally, and would require sustained interest and political will from both sides.

# Strengthening the rules-based order in Asia and the world

## Defending multilateralism

Another new avenue and unprecedented area of cooperation highlighted in the EU strategy is strengthening the rules-based order. As multilateral institutions come under threat not only from China but also the Trump administration, the EU is beginning to see India as an important partner on several reform agendas – at the UN, the WTO, as well as the G20. The new strategy seeks to establish channels of dialogue with India on multilateral issues and wants to create a link between foreign and security policy and trade and economic objectives. In order to overcome differences, the EU strategy stresses the need to coordinate positions with India in preparation, negotiation and implementation of major multilateral conferences and conventions.

This ambitious attempt stems from the fact that the EU and India no longer find themselves on the opposite sides of the aisle on several multilateral agendas. This includes the implementation of the December 2015 Paris Agreement and addressing major environmental challenges. India and EU are major players in global efforts to mitigate and adapt to the effects of climate change and are leading efforts for an energy transition. Both players were instrumental in the ratification of the Paris Agreement. EU-India cooperation on clean energy and implementing the Paris Agreement has already taken off.<sup>12</sup> The EU and its Member States also actively support the International Solar Alliance – a flagship scheme of the Modi government launched during the Paris conference on climate change. The EU wants to take this bilateral cooperation forward on multilateral forums as well.

Similarly, on the issue of WTO reform, particularly in view of the China challenge, the EU is keen to coordinate positions with and have India on board. It would also like to have a broader dialogue with India on

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12. European Commission, “India and EU strengthen partnership to implement the Paris Agreement and boost clean energy cooperation”, October 6, 2017, available at: <https://ec.europa.eu>.

the multilateral trading system, WTO modernization, the use of state-owned enterprises and subsidies as seen under China's Belt and Road Initiative (BRI), which have generated common concerns in Europe and India – as shown below in the section on Connectivity.

## The Indo-Pacific: a blind spot in the EU strategy

It is a positive step that the EU sees India as a partner in strengthening a rules-based order. However, a primary concern for India in this regard, which is left out of the EU strategy for now, is the Indo-Pacific. China's flouting of international norms and rules, whether in the South China Sea or the Himalayas is generating mistrust and anxieties across Asia. In order to maintain a rules-based order, particularly in the maritime domain, and to make sure China's rise is balanced by a strong multilateral and multipolar order, middle powers like India, Japan, Australia, ASEAN and others are coming up with their Indo-Pacific strategies. Till now Europe is completely missing from this debate, with the exception of France. All regional partners, including India, see the EU potentially playing a larger role in the Indo-Pacific in terms of burden sharing on security, particularly in the Indian Ocean, and on strengthening regional institutions and rules-based orders. The EU cannot ignore this major development in its extended neighborhood if it is serious about strengthening a rules-based order.

The Indo-Pacific debate also fits well with the ongoing European debate on the role of China. The EU Commission's ten-point strategic outlook released in March 2019 indicates that the perceptions of China in Europe have shifted dramatically. The EU now sees China as "systemic rival, economic competitor, and negotiating partner"<sup>13</sup>. Its Member States are also in the process of coming up with their own China strategies<sup>14</sup>. As Europe recognizes the political and security impact of Chinese influence and investments in Europe, it cannot ignore the impact of China's rise on Asia. In this sense EU's China strategy and its broader Asia strategies must be linked.

The new strategy on India categorically mentions that a multipolar world requires a multipolar Asia<sup>15</sup> and that "the stability and security of

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13. European Commission, "EU-China – A Strategic Outlook", March 12, 2019, available at: <https://ec.europa.eu>.

14. The Netherlands has just released its strategy on China. Other Member States are also in the process of an internal rethink, while they may not publicly release these strategies.

15. European Commission Joint Communication, "Elements for an EU Strategy on India", November 20, 2018, pp. 11, available at: <https://eeas.europa.eu>.

Asia is increasingly important for European interests”.<sup>16</sup> This is an important link for the EU to recognize and it makes the scope of EU foreign and security policy broader. It also recognizes that developments in Asia will have an impact on European security and prosperity. Asia is Europe’s largest trading partner region with USD 1.5 trillion of annual merchandise trade.<sup>17</sup> Six of Europe’s top ten trading partners are in the Asia-Pacific. A majority of European trade traverses through the key maritime choke points in the Indo-Pacific.<sup>18</sup> All of these are enough reasons for the EU to consider a greater role in maintaining a rules-based order in the Indo-Pacific, particularly with partners like India. While the strategy does not explicitly mention the region, it would be important for the EU to consider it, as it is in line with its broader goals.

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16. *Ibid.*

17. For data, see: A. Neves, W. Becker and M. Dominguez-Torreiro, “Explained, the Economic Ties between Europe and Asia”, World Economic Forum, May 14, 2019, available at: [www.weforum.org](http://www.weforum.org).

18. For details, see: G. Mohan, “Engaging with the Indian Ocean”, Global Public Policy Institute (GPPi), 2017, available at: [www.gppi.net](http://www.gppi.net).

# Promoting regional connectivity

## Similarities in India and Europe's approach

Another area the strategy correctly highlights as one with high potential for EU-India cooperation is on infrastructure development and connectivity. There is vast potential for infrastructure development in Europe and Asia<sup>19</sup>. Till now, China's BRI has been the most high-profile, and some would argue the only, player in the field. Worried about the consequences of BRI projects which have often led to debt-traps, have been financially and environmentally unsustainable, and inevitably accompanied by increasing Chinese political influence, both Europe and India want to be players in connectivity and offer alternatives to smaller countries. In many ways Europe's own encounter with BRI mirrors the South Asian experience. Both have seen bad lending practices endangering financial stability of countries (for example Montenegro, Hungary), investments in critical infrastructure like ports, and increasing political influencing efforts (for example attempts to undermine EU political unity through platforms like 17+1 and through individual Member States). All these trends are visible from Pakistan to Maldives to Sri Lanka.

The EU's connectivity strategy is a first attempt to provide an alternative narrative to BRI, promising investments in connectivity, which are sustainable, transparent, based on reciprocity and a level playing field. India does not have an explicit connectivity strategy, but is one of the few countries, which have not signed up to BRI and did not attend the Belt and Road Forums of 2017 and 2019, citing problematic lending practices and unsustainable projects, in addition to sovereignty concerns. Rather India's approach has been articulated through its initiatives and partnerships. India and Japan have partnered on a number of projects including the Asia-Africa Growth Corridor. They have also identified joint infrastructure projects in Sri Lanka, Bangladesh, Myanmar and Kenya. India is also planning to expand its partnerships and investments in connectivity within

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19. ADB estimates Asia alone will require \$1.7 trillion per year in investments to meet its infrastructure needs. See: Asian Development Bank (ADB), *Meeting Asia's Infrastructure Needs*, February 2017, available at: [www.adb.org](http://www.adb.org).



its neighborhood and priority areas like ASEAN and the Indian Ocean region.

It is clear from their official declarations that both EU and India share a common vision of connectivity – that projects should be sustainable (both economically and financially), transparent, and should respect established international standards and governance. It is therefore natural that this should be a focus area for the EU-India partnership. The EU strategy highlights two ways of taking this cooperation forward.

First it wants to increase EU investment on developing infrastructure within India. India's own infrastructure needs are huge and often are an integral first step to improving connectivity with the region. The EU wants to invest in transport, energy and digital sectors in India, particularly on standard setting and technology aspects. It also wants to support development of climate resilient infrastructure through the European Investment Bank (EIB), which recently opened offices in India. In fact, the EU has already extended financing for metro projects, green mobility initiatives and other initiatives supporting Smart Cities across India<sup>20</sup>. The European construction sector is quite interested in this partnership as well. The EU's energy technology sector also could be a good partner for India especially as India implements the world's largest energy transition program harnessing its renewable energy potential. This goal fits well with India's needs and priorities, as evident in the Indian national budget announced on 5<sup>th</sup> July 2019, which made investment in infrastructure a top priority, particularly railway infrastructure.<sup>21</sup>

Second, EU wants to work with India on infrastructure projects in third countries, particularly in South Asia. This is a welcome development for India, which often struggles with delivering projects due to bureaucratic delays and financial troubles. As shown above, India is already working with other like-minded partners like Japan to provide reliable alternatives to BRI in South Asia, and will certainly welcome more engagement from the EU.

## Taking concrete steps

While the strategy outlines the right areas, it does not specify yet which instruments would be used to take EU-India partnership on infrastructure

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20. For more details on EU investments on infrastructure in India, see: G. Mohan and D. M. Baruah, "Charting EU-India Cooperation on Connectivity", *Think Tanks Twinning Initiative*, 2018, available at: <https://euindiathinktanks.com>.

21. "India budget 2019: The key announcements and what they mean", *BBC.com*, July 5, 2019, available at: [www.bbc.com](http://www.bbc.com).

and connectivity forward. Launching the EU Connectivity Strategy in India would be a good first step to generate awareness of the EU's position and competencies on infrastructure development. It will help position the EU as a serious player and potential partner on connectivity. While many in New Delhi understand similarities in India's and Europe's approaches and their similar criticisms of BRI, overall the EU is not seen as an important player in this sector. Although Japanese and Chinese investments in the region are well known, not many are aware of institutions like EIB and their significant funding on transport projects in India and the South Asian neighborhood.

The EU can change this by establishing a dialogue or working group, similar to the EU-India working group on maritime security, as a first step. The dialogue can be used to discuss big picture issues and concepts such as international standards for infrastructure projects, as well as identifying concrete projects in third countries where India and EU can work on. The dialogue should also be a mechanism for the EU to clarify or clearly articulate the scope of the connectivity partnership it envisions with India, clarify questions of funding particularly how to mobilize private sector funding, role of Member States and their institutions etc. The EU is in the process of having these discussions with partners like the US and Japan already, finding ways of working with their connectivity strategies. It should consider adding India to the list as well.

# More coordination on and with India

## Improving coordination on India within the EU

Like other strategic partners of the EU, the complaint often heard in New Delhi is that the EU's structures and competencies are confusing, and it is easier to deal bilaterally with Member States. Additionally, Member States have often been in competition with each other and with the EU, on several issues when it comes to dealing with India. Quite often Member States also push difficult topics like human rights on the EU's plate, while preferring to deal with foreign policy and strategic issues bilaterally. The EU strategy recognizes this and aims to rectify it by improving coordination within different EU institutions and the Member States. This would be a much-needed first step towards talking in a unified voice with India. It would also make it easier for the Indian bureaucracy to work with the EU.

The strategy wants to develop better branding for the EU in India. It also wants the EU to be more flexible in negotiating and delivering within the partnership. This would be crucial to counter the image of the EU as a complex and slow bureaucratic animal in India. To do this, the strategy proposes parliamentary exchanges, regular interactions for Indian diplomats and bureaucrats, student exchanges and more targeted public diplomacy to change perceptions of the EU in India.

## Developing new channels of discussion on global and strategic issues

And finally, the strategy also wants to change Indian perceptions that the EU is not a strategic actor. By establishing more dialogues with think tanks and the strategic community in the form of track 1.5 and track 2 dialogues, the EU wants to create new channels to discuss broader regional and global trends with India. If implemented, this step can deliver big gains for the EU-India partnership, at a relatively low cost. In the past few years, these dialogues have emerged as an important instrument of Indian foreign policy. India has instituted trilateral dialogues in various configurations with US, Japan, Australia, France and Indonesia. It has also upgraded its

bilateral exchanges with the US, Japan and Australia through 2+2 dialogues and military-to-military exchanges.

The EU would be smart to take advantage of this window of opportunity. In September 2018, the EU and India conducted their own track 1.5 dialogue in Brussels, which actually fed into the development of the new strategy on India. This type of dialogue involving not just MEAs but also other ministries and think tanks – a first for both the EU and India – was well received on both sides, creating incentives for continuing this format. In addition, the EU could also think of establishing a trilateral dialogue with other like-minded partners like Japan or Australia and India. It would not only be a cost-effective way of improving the EU's visibility in the region immensely, it would also provide a platform for discussing the EU's role in the region and the instruments it brings to the table.

Overall, improving coordination on India within the EU will be a tall order to execute. Member States like France and Germany have a very different relationship and priorities with India including economic, strategic and security cooperation, compared to Central and Eastern European countries, which might largely focus on business and people-to-people exchanges. In order to achieve this, it would be necessary for the EU to create internal platforms for regular consultations on India in Brussels – through regular meetings with Member States Foreign Ministries and their Asia Divisions, with policy planners, and with the Ministries of Defense. This would go a long way towards having a common position on India related issues and it will also develop the competencies of smaller Member States who might not have a dedicated India or Asia strategy.

## Suggestions for improving trade and investments

The EU is India's largest trade partner, accounting for 12.9% of total Indian trade in 2018 ahead of both China (10.9%) and the US (10.1%)<sup>22</sup>. Trade has been the corner stone of EU-India relations. In fact the partnership started as an economic one and, in many ways, that foundation has shaped its development till date. However the relationship has stumbled over the Free Trade Agreement negotiations, officially known as the Bilateral Trade and Investment Agreement (BTIA). Even after approximately 16 rounds of talks conducted till date, the agreement remains stuck. Larger political events, like the detention of Italian marines in India<sup>23</sup>, derailed the process

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22. *India – Trade figures*, European Commission, available at: <http://ec.europa.eu>.

23. For details of the case and how it impacted EU-India Summits, see the following report: D. Busvine, "EU-India Summit off as Italian Marines Case Rankles", *Reuters*, March 16, 2015, [www.reuters.com](http://www.reuters.com).

significantly. But there are also other sticking points within the negotiations including intellectual property rights, duties, visa regimes in Europe, automobiles, and even basmati rice<sup>24</sup>. This is compounded by the fact that India remains skeptical of the utility of free trade agreements in general, and its negotiators are overly cautious after mixed experiences in the past, for example with ASEAN.

While the FTA remains stuck with little hope for revival, the EU strategy wants to focus on other areas, which hold more promise. Instituting regular business summits to discuss enhanced market access, improving ease of business, alignment with international standard and practices will provide an opportunity for the EU and India to discuss points of divergence and take into account the experiences of the private sector in both regions. The EU also wants to foster Indian investments in Europe. In fact, a higher-level strategic and economic dialogue will be a necessary platform for discussing trickier issues while not holding up progress on other areas. This dialogue would also broaden the base of EU-India interaction beyond free trade agreement negotiations and might revive this aspect of the partnership as well.

## From common values to common action

The EU-India partnership has always focused on “common values”, however what these values are and how they add to the partnership was never specified. In fact, this often was a bone of contention on matters such as human rights where the EU’s tone was seen as “lecturing” and India seen as too reluctant to engage in conversations. The new EU strategy finally has found a way to translate common values to common agendas. The strategy highlights areas, which are the focus and instruments for both Indian and European foreign policy and then, suggests ways for the partners to work together. For example, it suggests the EU should work with India in third countries to consolidate democratic processes and build capacities of transitioning regimes through strengthening electoral and parliamentary institutions. Steps like these are bound to be received well in India, which has worked with several partner countries in Africa and South Asia on building parliamentary capacities and election assistance. This is exactly the kind of “democracy promotion” efforts India is comfortable with participating in.

The EU also sees India as an important partner in building common agendas on data protection, democracy, gender equality, coordination on food security and disaster relief, and coordination on humanitarian and

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24. G. Mohan “A New Pact with Delhi”, *Berlin Policy Journal*, 2018, available at: [www.gppi.net](http://www.gppi.net).

disaster relief operations. Again, these are areas India is very active in both bilaterally and at the UN. It would be relatively straightforward for India to work with the EU, either through its existing programs or in trilateral formats.

## Conclusion: next steps

As shown above, the new EU strategy on India aims to introduce much needed reform in the EU-India relationship. It responds to critiques levelled by policy makers and experts on both sides over the last few years. It also highlights areas of focus for both Europe and India and tries to build common action around these policy preferences. Taken together with the EU strategy on China, its Connectivity Strategy and EU's ambition of becoming a security actor in Asia<sup>25</sup>, this strategy has the potential to shift the course of the EU-India partnership.

It is significant that even though the strategy is prima facie an "internal" document meant to guide the EU's own action, it elicited a formal response from the Indian MEA<sup>26</sup>. The statement shows that India EU engagement has intensified since the establishment of strategic ties in 2004. It spans over 30 dialogue mechanisms covering foreign and security policy, trade and investment, sustainable development and modernization, research and innovation, as well as people-to-people contacts. The statement says India looks forward to "not only a robust bilateral agenda, but also on regional and global issues of shared concern". This recognition of the strategy is in some ways a measure of its success and of its potential.

In order to ensure the implementation of these lofty aims and goals, the EU will have to act quickly and prioritize areas, which can fix and revise the "problematic" aspects of the relationship. The EU and its Member States' role and contributions to India's modernization agenda and energy transition are well established and well received from the Indian side. Where it lacks uptake is on global and strategic issues. Establishing more track 1.5 dialogues, which also do not demand much from already overstretched MEA capacities, would be a good start.

Similarly establishing trilateral dialogues with India and Japan or India and Australia, first at the track 2 level, will also lay the groundwork for broader EU engagement in Asia with like-minded partners. Given limited capacities on the Indian side, there might not be room for adding more dialogue mechanisms at the official level, so instituting high level

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25. Council of the European Union, "Enhanced EU Security Cooperation in and with Asia", May 28, 2018, available at: [www.consilium.europa.eu](http://www.consilium.europa.eu).

26. Ministry of External Affairs, "India welcomes Joint Communication by the European Commission on India-EU Partnership", November 26, 2018, available at: [www.mea.gov.in](http://www.mea.gov.in).

meetings of the High Representative of the Union for Foreign Affairs and Security Policy (the so-called HRVP) with the Indian foreign minister, or 2+2 formats will yield greater results and visibility. HRVP Mogherini's visits to India were few and far between and led to a few missed opportunities.

In addition to new dialogue platforms, it would be key to identify issues that can engender practical cooperation. Working together on the ground on common challenges will also bring EU and India closer as strategic partners. These issues could be around connectivity, especially on the common challenge of mobilizing private capital for infrastructure projects, on the kind of international standards on infrastructure development that should be promoted and on how to mobilize soft connectivity projects in smaller countries particularly digital and people-to-people connectivity.

Another issue of interest will be 5G networks. The topics to be discussed here could be on finding commonalities between the European and Indian debates, on the lessons learnt in the European context that could be useful for India, and on how to deal with systems with built-in dependencies on providers like Huawei. Here India-Europe exchanges can be very fruitful. The third issue of importance is maritime security in the Indian Ocean. As India wants to be a net security provider in the region, discussing what expectations it has of Europe and coordinating on security would be useful in building up the partnership.

Of course, improving the partnership would also require a response from the Indian side. India does not publish White Papers or formal strategies, however its recognition of the EU strategy was a positive sign. One enduring difficulty is that the Indian foreign policy establishment deals with the EU in a piecemeal way. Instead of a regional division working with the EU, the MEA divides European engagement into the Central Europe Division and the Europe West Division, which includes a number of Member States and the EU. This archaic division hinders cooperation and a common engagement policy towards Europe. As the MEA has recently been restructuring a number of its divisions, it would make sense to have a combined thematic division for the EU and Europe. This would pool in resources and allow sufficient capacities to deal with a significantly large organization like the EU.

It is a good sign however that the new External Affairs Minister, previously India's Foreign Secretary, has placed relations with the EU as a priority under his Ministry. This would hopefully change the usual lack of focus on the EU and might also be a good sign for reviving long stagnating

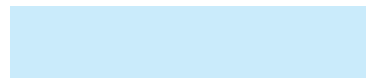


issues like the free trade agreement negotiations<sup>27</sup>. More interest in engagement with the EU from the security establishment, particularly the armed forces, is much needed. Debates in these circles about the EU remain outdated. Discussing India's priorities in the Indo-Pacific and cooperation on maritime security might help to break out of this deadlock.

Overall, one would hope the EU-India relationship has recovered from its low period where summits were suspended for four years between 2012-16, and the partnership was taken hostage to political issues. Since then political will from both sides, the China challenge, friction in transatlantic ties, and common challenges within Europe and in India's own neighborhood have led to considerable momentum in EU-India ties. The new strategy is a very good way to build on this momentum. However, it needs to be translated to action in order to ensure it does not remain yet another document and paper tiger in the vast arsenal of EU-India declarations.

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27. According to recent news reports, under new EAM Jaishankar, India will revive a number of trade talks including the RCEP negotiations and negotiations of the EU-India BTIA. S. Haidar and T.C.A.S. Raghavan, "Govt Attempts Fresh Focus on FTAs, Talks with U.S., EU and ASEAN Negotiators Next Week", *The Hindu*, July 4, 2019, available at: [www.thehindu.com](http://www.thehindu.com).



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