

The EU-India summit: on the threshold of change

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»» The EU-India partnership is entering a new phase. The frequency of bilateral meetings and consultations was stepped up prior to the EU-India summit held in New Delhi on 10 February 2012. The output of the summit shows potential for a step-change in bilateral relations, setting the stage for progress towards a more strategic partnership. Renewed political engagement from the EU side has been the main catalyst for change. Important differences persist on international issues and at the multilateral level. But there has been a significant attempt to set the bilateral compact right. Over and above the customary menu of policy issues on the summit agenda, the EU and India managed to advance three areas of cooperation: trade, security and energy. The EU-India Broad-based Trade and Investment Agreement (BTIA) - the world's largest of its kind - is to be completed this year. A new roadmap makes security cooperation between the EU and India more tangible. Energy cooperation has been extended to include India's development and environmental concerns.

OVERDUE PROGRESS

During the past few years, lethargic EU-India relations have weakened the strategic value of this under-delivering partnership. There has been a clear gap in perceptions and priorities. The relationship contained a large number of issues without much

Highlights

- Political momentum is building to set the EU-India partnership on stronger grounds.
- The last summit delivered agreements to enhance cooperation on security, energy and innovation while the conclusion of the EU-India trade deal was postponed.
- The partnership remains shallow on regional and global issues, including on major geopolitical concerns such as Iran.



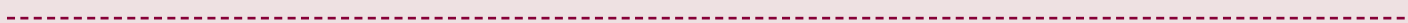
effort at deepening any policy substance whether at the bilateral, regional or multilateral level. The partnership remained largely focused on the annual summits which ran desultorily through a catalogue of policy issues carefully worded by diplomats weeks in advance. Interaction between politicians during the rest of the year has been thin. Day to day proceedings in technical working groups did not further the political process, as advocates of a functional approach would have expected. Synergies have been even less visible on regional or multilateral issues, given low levels of mutual understanding. Discord has been compounded by dissonant normative approaches to the changing global order, for example on the limits of national sovereignty, and a different ranking of priorities on the global agenda. Rather, disagreements were exposed time and again on dealing with the Afghanistan-Pakistan conundrum, maritime cooperation, climate change and the military intervention in Libya, among other issues.

Against this sobering background, the recent summit delivered encouraging progress on security and energy issues, while momentum built up towards the conclusion of the trade deal. The EU and India have already missed at least four deadlines to wrap up negotiations on the BTIA, which began in 2007. At a time when growth in most EU member states stagnates is anaemic and India returns a 7 percent growth rate, the BTIA would substantially enhance much needed bilateral trade. Overall trade in goods and services amounted to €86 billion in 2010. It represented 19 per cent of India's exports and 14 per cent of imports. Besides being India's largest trading partner, the EU is also India's largest source of foreign direct investment –

a cumulative €20 billion since 2000. However, India accounts for a meagre 2.6 percent (2010) of the EU's total trade pie, attracting only 1.1 per cent of the EU's global investments. In services, Indian exports to the EU touched €8.1 billion in 2010, while imports reached €9.8 billion.

Frenzied negotiations occurred in the months preceding the summit. The Union's high representative Catherine Ashton's visit to India in January managed to advance talks. The EU trade commissioner Karel de Gucht met with Indian commerce, industry and textiles minister, Anand Sharma, a day prior to the leaders' meeting. Yet the bilateral free trade pact, touted as the world's largest, could not be concluded in time for the summit. Furthermore, while the EU commission president José Manuel Barroso spoke of an accord by the autumn, the same was not explicitly promised by the Indian government. The summit reflected a broad political sense that the trade deal will be sealed by the end of the year. However, the road ahead is pitted with residual challenges.

Differences in key sectors are still holding up the final stages of negotiations. These include: the extent of market access, government procurement, geographical indications, services, automobiles and wines and spirits. The EU is aiming for tariff cuts on wines and automobiles from the existing 150 per cent and 60 per cent respectively. For India, professional mobility is crucial. India is increasingly pursuing better market access for services rather than goods in bilateral accords, given its fast growing skilled workforce. The EU would also like to see greater liberalisation of foreign investment



in services in India, notably in the retail, legal and postal sectors. But progress stumbles on the need for modifying national legislation. For example, India would have to amend its Advocates Act to facilitate Europe's access to legal services. The Singh government has recently faced considerable difficulties from opposition parties in passing the retail bill which would have had an important read-over to the EU-India talks.

The Indian health industry and activists still remain exceedingly cautious on the issue of generic drug manufacture despite EU reassurances of a clause ensuring that 'nothing in the proposed agreement would limit India's

freedom to produce and export lifesaving medicines'. Now labelled the world's pharmacy, India's €20 billion drug industry provides lifesaving medicines at affordable rates to many poor countries to treat illnesses that include HIV, malaria, asthma and cancer. It produces more than 80 percent of the world's HIV medicines. Given

that half of the India's generic drugs production is used domestically, the impact of the BTIA will be felt at home as well as abroad.

The summit represented an opportunity for the EU to inform India on the economic state of affairs in Europe and reassure the Asian giant of measures taken to overcome the debt and banking crisis, restart growth and restore market confidence in the euro. However EU president Herman Van Rom-

puy's efforts at convincing prime minister Singh to invest in the European Financial Stability Facility delivered little. While India recognises that a European recovery remains vital for global economic stability, it is reluctant to commit financially on a bilateral basis. Instead, references were made to the role of the G20 in dealing with the financial crisis and to the reform of the international financial governance system.

While concluding the trade deal by the end of 2012 remains the top priority for the parties, leaders have taken further steps to deepen cooperation in other important domains. Building on a series of experts' meetings, the summit agreed a roadmap for reinforced cooperation in the areas of counter-terrorism, cyber-security and counter-piracy. An EU-India Joint Working Group on Counter Terrorism met exactly a month before the summit. In December 2011, talks on anti-piracy cooperation led to plans for joint military operations in the Indian Ocean. The EU deploys between five and ten combat vessels under its EUNAVFOR Somalia anti-piracy operation and is keen on developing synergies with the Indian navy. Advancing maritime cooperation is critical given that two thirds of India's oil imports and 90 percent of EU's imports are transported by sea.

Two important declarations were also signed on, respectively, enhanced Cooperation in Energy and on Research and Innovation Cooperation. The Joint Declaration on Energy will strengthen cooperation in the field of renewable energies (off-shore and nuclear), clean coal technologies, energy efficiency of products and buildings, grids (including

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integration of renewables), and promote energy security, efficiency and safety in a sustainable manner. Priorities include India's development challenges, with a focus on increasing access to electricity for hundreds of millions of Indians and alleviating chronic power cuts. The initiative will also reduce carbon emissions. Given India's goal to develop clean energy through nuclear power, concluding the EU-India R&D Agreement on Civil Nuclear Energy (Fission) would pave the way for closer cooperation. Such agreement would complement India's trade in nuclear energy with EU member states like France.

A future innovation-oriented partnership was underscored as a key lever for growth in the current context of economic slowdown. The joint declaration on research will expand the scope of existing strategic cooperation (beyond water and bio-resources to energy, health and information and communication technologies). Collaboration in vocational training has been upgraded. Europe's pilot initiative - the strategic forum for international Science and Technology cooperation (SFIC) - will launch its first pilot project with India. India is already the EU's fourth largest international partner under its 7th Framework Programme for science and technological development, with Indian researchers and research organisations participating in 135 projects as compared to 97 projects under the predecessor FP6 scheme.

NOT GOING GLOBAL YET

Enduring differences limit the development of a truly strategic dimension to the partnership at the multilateral level. On regional issues,

leaders have simply committed to continue the recently launched foreign policy dialogue which would enable more in-depth consultations than half-day formal summits. Candid discussions would certainly enhance cooperation by increasing mutual understanding. But serious divergence persists on multilateral issues given profound differences in respective threat perceptions in dealing with the implications of the Arab Spring or with the Iranian nuclear question, for example.

While India has supported the recent UN Security Council draft resolution backing an Arab League peace plan for Syria, its approach to Iran is at variance with the EU's. The EU would like to harness its strategic partnership with India in an effort to persuade Iran to abandon its suspected nuclear weapons programme. However, Iran is an important partner for India - its second-largest supplier of crude oil after Saudi Arabia, providing around 12 percent of India's oil imports. New Delhi accepts UN sanctions levied on the Islamic Republic, but refuses to abide by EU (or US) sanctions. On the contrary, India announced that a sizeable trade delegation would soon travel to Iran to explore exports of tea, wheat, rice, pharmaceuticals, as well as construction and infrastructure projects. Advocating the path of diplomacy, India seems keen on exploiting the economic opportunities that will open up as EU member states walk away from doing business with Iran.

The partnership fails to deliver synergies on other multilateral issues too. The public row between Indian environment minister Jayanthi Natarajan and EU climate



commissioner Connie Hedegaard which halted the plenary session of the UN Framework Convention on Climate Change summit at Durban in December 2011 exposed important differences on the definition of respective responsibilities for curbing emissions. India aligns instead with China and the US, who have denounced the European Emissions Trading Scheme as a trade barrier. Such disputes will not lend themselves to an easy solution in the foreseeable future. The forthcoming international conferences on Nuclear Security in South Korea, the Mexico G-20 Summit, the Rio+20 Conference in Brazil and the Biological Diversity Conference in India will offer important tests for the summit's vague agreement to improve cooperation on the multilateral stage.

CONCLUSION

The EU-India strategic partnership should be seen as work in progress, building from the bottom up. This approach can help generate sufficient confidence to develop synergies on regional and multilateral issues. At the bilateral level, the summit delivered concrete strategic work plans on selected priority issues. In the future, summits should move away from formal discussions on a wide array of points to a deeper exchange on three or four principal issues. Greater EU political presence in Delhi succeeded in enhancing the political dimension of the partnership. The appointment of a seasoned politician as head of the EU delegation in India has been a step in the right direction. An EU-India friendship group in the Indian Lok Sabha will complement the process

from the Indian side. In this vein, visits from Indian politicians to the EU capital would add a much needed layer to the partnership. Such interactions will not only increase the EU's visibility in India, but also help foster a better understanding of each other's role in the new developing global architecture. With a view to 2012, concluding the BTIA will be crucial to restore confidence in the strategic partnership. After years of mutual neglect, the EU and India are potentially on the threshold of a more positive phase in their relations.

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