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EU-India Strategic Partnership Needs a Reality Check

Patryk Kugiel

The EU-India Strategic Partnership launched in 2004 has made only modest achievements and needs a thorough rethink. Both sides must reset cooperation and base it on a more realistic footing centred on common interests, such as economic cooperation, global governance, development cooperation, and defence. The resumption of free trade negotiations, the organisation of a long overdue bilateral summit, and more frank dialogue on contentious issues is necessary in order to utilise the partnership's potential. Poland may use this strategic drift to revitalise bilateral cooperation and play a more active role in reviving EU-India dialogue.

Eleven years after the launch of the Strategic Partnership between the EU and India, the project seems to be neither strategic, nor a partnership. Relations lack strategic substance, and neither side treats the other as an equal partner. Although the project managed to raise high hopes and produced a number of declarations and joint statements, and a long list of ambitious goals, cooperation has brought very few tangible results. The Joint Action Plan of 2005 established numerous dialogues, and was revised in 2008 to include some 40 additional subjects for cooperation.¹ In addition to annual summits held since 2000, there has been dialogue at foreign minister level, and 27 sectoral dialogues, most of which have been rather inactive.

Political dialogue lost momentum a few years back, and no EU-India Summit has been held since 2012. The situation has not improved despite the change of government in New Delhi in May 2014, and the EU is the only major centre of power that has not yet had a high level meeting with Narendra Modi, the new Indian prime minister. After Modi missed Brussels during his tour of Europe in April, the summit planned for mid-November might be postponed again. The crisis over two Italian marines held in India, mistrust towards Modi in some European capitals (he was for years boycotted by Europe for his role in violence in Gujarat in 2002), controversies over free trade area negotiations, and disputes over Indian mango imports to the EU and a ban on generic drugs from India have all affected the relationship negatively. With a deadlock at EU level, India focuses instead on strengthening bilateral partnerships with major European countries, such as Germany, France and the UK.

¹ *An EU-India Strategic Partnership*, European Commission, Brussels, 16 June 2004, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52004DC0430&qid=1426336002373&from=EN>; *The EU-India Joint Action Plan*, Delegation of the EU to India, New Delhi, 7 September 2005, http://eeas.europa.eu/delegations/india/documents/eu_india/joint_action_plan_en.pdf.

A Broad-based Trade and Investment Agreement (BTIA), under negotiation since 2007 and presented as a cornerstone of the partnership, stalled in 2012 after 12 rounds of negotiations. The deal is ambitious and comprehensive; it covers trade in goods and services, and regularises investments, intellectual property rights, competition, trade facilitation, government procurement, and dispute settlement. If concluded it would be the first huge FTA between major developed and developing economies. With the new administration in India and the recent formulation of the Trans-Pacific Partnership (TPP), as well as ongoing talks on the Transatlantic Trade and Investment Partnership (TTIP), there has come new commitment to restart negotiations, but there is little hope that they can be concluded in the near future. India is dragging its feet on the liberalisation of the finance, retail trade, and banking sectors, on public procurements, and on opening the market for EU wines, spirits and automobiles, among others. On the other hand, the EU is afraid of liberalising the market for Indian professionals and pushes for high standards in labour and environmental issues. One of the stumbling blocks in negotiations was that India demanded an “asymmetrical” approach that would reflect the inequality of the partners regarding their level of development, a request that the EU rejected.²

Although trade in goods between the EU and India rose from €33.5 billion in 2004 to €72.5 billion in 2014, the EU share in India’s trade shrank by 50% compared to the late 1990s, from 26% in 1997 to 13.1% in 2014.³ Trade volume has decreased since 2011, when it crossed the €80 billion mark. At the bilateral level, none of the EU Member States is among India’s top five trade partners. India diversified its trade and found new partners for capital and markets in the Gulf States, Japan, China and Africa. For the EU, India is the ninth largest trade partner, responsible only for 2.3 % of its trade. When services are included, bilateral trade reached €100 billion in 2014, but is still several times lower than trade between the EU and China. With the EU’s leverage on India stagnating in this respect, influence in the economic, security and strategic dimensions are also diminishing.

EU naval operation ATLANTA and the Indian navy in the Gulf of Aden have had a working anti-piracy relationship since 2011, and there have been occasional contacts between EU and Indian counterterrorism officials, but little progress was achieved on, among other things, conflict prevention, or non-proliferation of Weapons of Mass Destruction. The EU is simply not perceived as security player in Asia, due to extremely limited competences in the security field. Therefore, the most crucial issues, such as counterterrorism, intelligence sharing, and defence, are discussed at the bilateral, not multilateral, level.

India was critical of Europe’s role in the war in Libya in 2011, and in the conflict in Syria, and did not join the West in its condemnation of Russia’s annexation of Crimea in 2014, further augmenting mutual mistrust. Neither side sees eye to eye on questions of promoting democracy or humanitarian intervention.⁴ They have failed to develop closer cooperation on Afghanistan, despite both being heavily involved and sharing the same goal of a “democratic, stable and prosperous” country free of terrorism.⁵ India’s neighbour Myanmar, undergoing transition with EU support, is another missed opportunity for EU-India cooperation.

Despite much talk of “effective multilateralism” there is little evidence of concrete cooperation at the international forums, whether the UN, the WTO, climate change talks or development cooperation programmes. The EU cannot come up with a common position on UN reform without jeopardising the interests of its most powerful Member States. Climate change talks proved to be a contentious issue, as India holds the West accountable for climate change and wants it to pay the most for mitigation and adaptation. At the WTO, India and Europe are at loggerheads over the Doha Development Round of trade negotiations, and regularly invoke trade disputes with each other. Though India emerges as a major aid donor, it does not subscribe to OECD DAC standards and, unlike the West, provides aid with no strings attached in the spirit of “South-South solidarity.”

² S. Khorana, N. Perdakis, “EU and India Free Trade Agreement: Deal or No Deal?,” *South Asia Economic Journal*, vol. 11, no. 2, September 2010, pp. 181–206.

³ European Union, *Trade in goods with India*, European Commission, 10 April 2015.

⁴ See P. Kugiel, “The European Union and India: Partners in Democracy Promotion?,” *PISM Policy Paper*, no. 25, February 2012.

⁵ See P. Kugiel, “India in Afghanistan: Valuable Partner of the West,” *PISM Policy Paper*, no. 19, October 2011.

As European development aid to India was terminated in 2014, the EU seems now to be interested mostly in human rights and democracy there, which only fuels Indian frustration. Controversies raised over foreign funding for Indian NGOs, and criticism of Indian human rights records, may spark even more tensions in the future. As one Indian analyst and diplomat said, “one of the great failings in the EU-India partnership has been Europe’s tendency to preach to India on matters, such as human rights, that Indians believe they can handle on their own”.⁶ On the other hand, India is a difficult and assertive partner, seen as an arrogant, reactive, and defensive force in the international arena, with a highly protected economy and ineffective bureaucracy.

In the end, more deliverables were seen in education, science and culture. Indians have been the main beneficiaries of the Erasmus Mundus scheme for student mobility, and the European Commission supports the establishment of networks of academic and research institutions. The European Business and Technology Centre, launched in 2008, now has four offices across India, and supports business and research cooperation in the biotechnology, energy, environment and transport sectors. India was also invited to participate in flagship European projects, such as the International Thermonuclear Reactor Project (ITER) and the Galileo satellite project.

However, given the scale of India and a knowledge gap concerning Europe among Indian society, the EU still suffers from a visibility problem.⁷ It is a little known and understood entity beyond small circles of people who work on it professionally. And this information deficit is not one way; India is little understood in Europe, and is still mired in old stereotypes and clichés. Misperception is one of the main obstacles to closer cooperation.

Non-Identical Twins

These modest achievements of the EU-India strategic partnership suggest it is based on false assumptions and naïve expectations. In theory all looks good: the EU is an organisation of 28 countries and India is a federation of 29 states, both harbour a variety of nations, languages, religions, and they represent the two largest democracies in the world. In reality the differences between the two run deeper than many would have anticipated. They arise from fundamental economic, historical and structural differences.

In short, one can say that Europe is too optimistic about India, and India is too pessimistic about Europe. Europeans tend to ignore India’s fundamental internal challenges in pursuit of its trade liberalisation agenda, and have high expectations that India should take more international responsibility. However, despite fast growth in the last decade, India is still home to the largest population of people living in poverty. In nominal terms, GDP per capita is 23 times lower than in the EU on average, and more than six times lower in PPP terms. Ninety-five percent of Indians are employed in the “informal sector,” without social security. One fifth of the population has no access to electricity, and so on. Expecting India to sign up to European-like labour or environmental standards, to give up the production of generic drugs or to subscribe to binding climate change goals at the current stage of its development is both unrealistic and unfair. For India, economic growth is seen not in terms of improving quality of life, but as an existential matter. This must be better factored into the partnership.

India, on the other hand, is too pessimistic about Europe, as it considers it as a declining power and no longer a strategic player in Asia. When India discusses defence and does business with major EU Member States, the EU is seen as an economic block with diminishing global influence. Aspiring and rising India demands more say in international relations, and criticises the current world order as serving Western powers that are over-represented in global institutions.

⁶ S. Tharoor, “New India, Old Europe,” *Project Syndicate*, 15 November 2011.

⁷ See for instance: K. Lisbonne-de-Vergeron, *Contemporary Indian Views of Europe*, Chatham House, London, 2006; S.K. Mitra, The Novelty of Europe as seen from the Periphery: *Indian Perception of the ‘New Europe’ in a Multi-polar World*, Heidelberg Papers in South Asian and Comparative Politics, Working Paper, no. 28, April 2006; R.K. Jain, “Perceptions and Visibility of the European Union in India: A Study of the Media, Elites, and Public Opinion,” in J. Zajaczkowski, J. Schottli, M. Thapa (eds.) *India in World Politics and Economy*, Routledge, New Delhi, 2013; R.K. Jain, S. Pandey, “Perceptions and Misperceptions: Images of the European Union in India,” in N. Chaban, M. Holland (eds.) *Europe and Asia: perceptions from Afar*, Nomos, Baden-Baden, 2014, pp. 143–170.

Table. I. Basic Data About the EU, India and Poland

	Population, total (million)	GDP (current US\$)	GNI per capita, Atlas method (current US\$)	GNI per capita, PPP (current international \$)	GDP growth (annual %)	CO ₂ emissions (metric tons per capita)	Access to electricity (% of population)	Life expectancy at birth, total (years)	Poverty headcount ratio at national poverty lines (% of population)
EU	508.3	18.46 trillion	35,672.2	36,275.0	1.3	7.1	100	80	no data available
India	1,295	2.06 trillion	1,570.0	5,640.0	7.4	1.7 (2011)	78,7 (2012)	66.5 (2013)	21.9
Poland	37.9	548 billion	13,730.0	24,090.0	3.4	8.3 (2012)	100	76.8	0.0

Source: World Bank, World Development Indicators. Data are for 2014 if not stated otherwise.

Despite being the two largest democracies and often referring to “shared values,” India and the EU understand this differently. There are differences based on structure and philosophy in the EU and India. Although India has pursued a more pragmatic foreign policy since the Cold War, its worldview is anchored in anti-colonialism, a philosophy of non-alignment, and mistrust towards the West. While the EU is a post-modernist and supranational entity, India is a modern, Westphalian state focused on national sovereignty and the idea on non-interference in internal affairs of other states. When Europe talks about the promotion of individual human rights and democracy at the country level, India wants democratisation of the international system. India is among the emerging powers that challenge the EU as a normative power in the world.⁸ Things are further complicated by the strategic mismatch in these two players’ use of power. The EU seems weak in hard power terms, it is hard in pursuit of its soft power, while India is still strongly focused on hard power and is less active on soft power.⁹

It is also fair to mention that India is not a unique case, as most of the EU’s 10 strategic partnerships are underperforming and the concept as such, is contested.¹⁰ As an intergovernmental organisation, the EU still has a problem presenting coherent foreign policy and speaking with one voice. The recent mishandling of the refugee crisis in Europe, and internal tensions, will not help to enhance the EU’s image in India. As one Indian expert says, “To most Indians, post-modern Europe seems to be a lonely power in what is basically a Westphalian world with pre-modern and modern mindsets”.¹¹ This could, however, change with the crisis in the EU neighbourhood. The war in Ukraine and the unprecedented inflow of refugees means the “history” is back in Europe, and its post-modernist outlook is increasingly called into question. This may lead to a major reevaluation of the EU’s self-image and change external policy in relation to human rights and security more in line with the realist perspective. Paradoxically, if this pushes the EU to change its normative approach, it could also move it closer to India and narrow the differences. For the time being, India does not seem to be a strategic partner in the sense the EU stated in its 2003 Security Strategy, as a partner that “shares our goals and values, and is prepared to act in their support”.¹²

⁸ See: R.K. Jain, S. Pandey, “Indian Elites and the EU as a Normative Power,” *Baltic Journal of European Studies*, vol. 3, no. 3, December 2015.

⁹ For more on Indian soft power, see: P. Kugiel, *India’s Soft Power: New Foreign Policy Strategy*, New Delhi: KW Publishers, 2015.

¹⁰ T. Renard: “The Treachery of Strategies: A Call for True EU Strategic Partnerships,” *Egmont Paper 45*, April 2011.

¹¹ R. K. Jain, S. Pandey, “Indian Elites and the EU as a Normative Power,” *op. cit.*, p. 120.

¹² *A Secure Europe in a Better World: The European Security Strategy*, Council of the European Union: 12 December 2003, p. 14.

Towards a Realistic Partnership

Despite all the differences there is still great scope for cooperation. The EU is the largest trading partner and main source of capital and technologies indispensable for India's growth. India offers the last huge consumer market, and is the fastest growing major economy and an emerging pole of the new, multi-polar world order. While the EU must pay more attention to understand why cooperation hasn't taken off, it should also focus on areas of shared interests. Moreover, it is better for the EU to confine itself to areas in which it has clear competences, such as trade, development cooperation or global governance.

First, there is an urgent call to revitalise economic cooperation and re-launch the Broad-based Trade and Investment Agreement (BTIA) negotiations. To break the deadlock and create an atmosphere more conducive to negotiations, the EU may for instance make some concessions on mobility. When the EU is willing to accommodate several hundred thousand refugees from the Middle East it may also be capable of accepting 50,000 Indian professionals, in a move that would bring mutual benefits in the long term. It is also suggested that "the EU could consider granting "data secure status" to India, which would help many Indian IT companies to reduce costs and increase their competitiveness".¹³ If the conclusion of the BTIA is to send a positive signal, negotiators should focus not on what is ideal but on what is deliverable. One needs to consider whether a less ambitious deal is better than no deal at all.

Even if BTIA is not in place, India's ambitious transformation agenda offers many opportunities for cooperation. Skills development, smart cities, industrial corridors, environment and green technologies, and atomic energy are all areas in which many European companies have great expertise. If Modi's government can implement its ambitious reform agenda and make India more business friendly, it can boost economic cooperation. Regardless of the BTIA talks, the EU may step up trade related technical assistance, lowering no-tariff barriers to cooperation. A new EU Partnership Instrument may serve especially well for this purpose.

Second is reform of global governance. The EU and India share an interest in rule-based and more effective multilateral order, but see their roles differently. As long as Europe focuses on defending its privileged position in the world system, India will try to challenge this and move closer to other BRICS countries. India cannot be simply co-opted into existing institutions, but is willing to reformulate global norms, regulations and institutions with the EU. If India is to take more responsibility for peace, security and development it must be given more say in global affairs. The sooner the EU accepts this the more strategic cooperation will be possible. In a multi-polar world, no longer dominated by the United States, India will not always agree with the EU, but can still be seen as a more trustworthy partner than Russia or China and as a swing state that is better for the West to keep close on a number of specific issues. This is already recognised by the United States, which is re-engaging India vigorously to balance China's dominance in Asia. To form more legitimate, representative and effective world institutions, the EU may accommodate some of India's claims by supporting its bid for a seat on the UN Security Council. It will, however, require difficult discussion within the EU to form a common policy on UN reform. Moreover, the EU may consider backing India's inclusion in non-proliferation nuclear organisations, such as the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), the Wassenaar Arrangement and the Australia Group. Thus far the EU has taken no steps as significant as the nuclear deal between the U.S. and India, a move that would underline the strategic character of the partnership.

Third, when the donor-beneficiary relationship ends, it will be time to start development cooperation in third countries. Although important differences between the EU and India in this domain persist,¹⁴ both can start concrete trilateral projects serving stabilisation and transition in Afghanistan or Myanmar. At the regional level, the EU can lend support to the Indian initiative of the North-South Transport Corridor, which would connect South Asia with Europe via Iran, Caucasus and possibly Ukraine, and could supplement the China Silk Road initiative. This would enhance connectivity between the regions, and help

¹³ G. Sachdeva, *Evaluation of the EU-India Strategic Partnership and the potential for its revitalization*, European Union, June 2015.

¹⁴ See: E. Mawdsley, "Development and the India-EU Strategic Partnership: Missing incentives and divergent identities," *ESP Policy Brief*, no. 14, October 2014.

to stabilise countries along the corridor. The EU can co-finance the initiative with its regional and bilateral development programmes and its financial institutions (such as EBI and EBOR). Signing a nuclear agreement and the forthcoming normalisation of ties between Europe and Iran, the latter a traditional partner of India, will remove an important irritant in EU-India relations, and may pave the way for new joint projects, including on infrastructure development.

Fourth is defence and military cooperation. Europe can become a major supplier of high-end military technologies to India, for both strategic and commercial reasons. As trade in military equipment is a bilateral issue that would bring profits to the European defence industry, the EU has an interest in using this route to lessen India's dependence on Russia, opening the door for closer cooperation in other areas.

Finally, a lot can still be done to enhance cooperation in countering terrorism, maritime security on the Indian Ocean, and so on. Migration, multiculturalism, and cybersecurity are other current topics that are of increasing importance for both sides.

Less but Better

The long overdue EU-India Summit would be the best opportunity to renew the political commitment to the partnership and set new goals for cooperation centred on well-defined and shared interests. If Modi's visit to Brussels planned for mid-November were to be postponed yet again, this would send a negative signal, but also give both sides more time to better re-evaluate their relationship.

India must find fast a credible way to end the crisis over the Italian marines, as this has poisoned EU-India relations for too long. The EU should "listen more and lecture less" while dealing with India.¹⁵ Both must take into consideration not only the potential, but also the constraints and aspirations of the other. It is important to acknowledge that, due to economic, historical and structural differences, their views on a number of international issues will not always converge. While the EU and India must continue discussion on the most difficult and contentious problems in order to narrow the gap in understanding, they should prioritise cooperation in areas in which their interests converge, and come up with concrete proposals for joint action. And, while pushing for FTA, it should be remembered that there is much more than trade in this relationship.

If there is one lesson from the last decade of the strategic partnership, it is that "business as usual" is not an approach that will work, and that its continuation can only lead to more mutual frustration and alienation. Initial assumptions about the strategic partnership, based on "shared values and common interests," were too optimistic and did not stand up to the test of reality. Hence, the first precondition for the partnership to move forward is to address the information deficit and build more mutual understanding and trust. There is dire need for a realistic reassessment of what went wrong and why, and where to start again. This has been recognised by the EU, which supported the establishment of a network of European and Indian think tanks to scrutinise the relationship and come up with new ideas for cooperation. This must be further strengthened by the facilitation of academic exchanges, civil society dialogue, joint research, cultural cooperation, and so on. As European aid to India is to cease, the EU delegation should strengthen its economic and political departments to focus on the most important strategic relations. It is also worth considering whether to launch a "European Culture Centre" to promote the EU across India, and raise visibility and attractiveness.

In the end, the quality and progress of this partnership will depend on internal reforms in India and in the EU, especially upon the latter's ability to speak with one voice and present a more coherent foreign policy. Naturally, relations with India will remain to a great degree at the bilateral level, but the EU can at least initiate discussion, and coordinate and facilitate forming a common position of its 28 Member States on important topics for India, such as terrorism, non-proliferation, UN reform, and so on. The new agenda of the renewed partnership must be more realistic, and less ambitious. It is often better to focus on

¹⁵ R.K. Jain, "India-EU Strategic Partnership: Perceptions and Perspectives". *NFG Working Paper Series*, no. 10, July 2014, NFG Research Group *Asian Perceptions of the EU*, Freie Universität Berlin, p. 20.

a narrower list of priorities and areas of cooperation, than to boost rhetoric. Pragmatic partnership is much better than strategic declarations.

For Poland, the current situation may offer some opportunities. On the one hand, while EU-India cooperation is under-performing it means that Poland should reinvigorate efforts to strengthen bilateral ties and push for strategic partnership, as a fourth EU Member State partner and the first among the new Member States (EU13). On the other hand, Poland may play more active role in reviving EU-India relations. The fact that both the president of the EU Council and the Head of the EU Delegation in New Delhi are Poles gives Poland unique leverage to shape the EU-India agenda. As a non-colonial power with a record of cordial relations and cooperation with India, and a country undergoing its own transition from a socialist to market economy, Poland can bring more pragmatism to the relationship, renew trust, and facilitate new initiatives. It can represent the voice of the 13 new Member States, which between them have enjoyed only around 5% of EU-India trade. This in itself points towards great, untapped potential for economic cooperation.