

How to boost EU-India relations

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Key points

India is an emerging player on the global stage, thanks to its growing economy and its strategic role in Asia as a balancing power. The EU cannot ignore India's rise, especially given its own aspiration to be an effective global actor – a status that unfortunately the EU has not yet attained. Nevertheless, EU-India relations have stagnated, confined to an economic and bureaucratic nature, and need to recover momentum. The EU should therefore nurture the current relations and intensify its efforts in the medium term, working towards a reconciliation of the different priorities.

To strengthen the EU-India partnership, the EU should also address the lack of understanding on the part of member states, by convincing them and their industries of the added value of collectively cooperating with India on issues of common concern, and on the part of India, by demonstrating the benefits of dealing with the EU as a counterpart. The EU could thereby improve its credibility as a partner and create a conducive political space with India, in which European business would also gain.

General recommendations

For the European Commission and the European External Action Service, in order to enhance the EU's added value

In relation to EU member states,

- raise awareness among member states of the added value of negotiating as a collective power instead of bilaterally; and
- coordinate the engagement of European business in specific projects in India.

In relation to India, leverage the EU's soft power, more specifically,

- valorise the EU's strengths;
- boost public diplomacy, including through the appointment of two permanent diplomatic attachés to the EU Delegation (one cultural and one public);
- better explain the EU's foreign policy;
- promote track 2 and 1.5 dialogues;
- facilitate youth and research mobility; and
- encourage the Indian media to set up foreign correspondents in Brussels.

For the European External Action Service and the European Commission, in order to create a political space

- Increase the frequency and magnitude of high-level exchanges, including scheduling a visit by the High Representative/Vice President (HR/VP).
- Have the chairman of the EU Military Committee accompany the HR/VP at high-level visits.

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1. Introduction

Following initial enthusiasm after the launch of the strategic partnership in 2004,¹ relations between the EU and India have lost energy. The EU now plays a marginal role in India's strategic thinking. The two parties hold several policy dialogues (on disarmament, counterterrorism, counter-piracy and cyber security) but these have been confined to bureaucratic exchanges, in which the counterparts engage without much commitment or therefore progress. Unfortunately, up to now the EU has failed to consider the geopolitical importance of relations with India, especially in the broader Asian context, where a new Great Game is being played.

The upcoming EU-India summit on 30 March 2016 is an opportunity to raise the level of the policy dialogues, inject political commitment and start building a more effective strategic partnership. The EU Global Strategy on Foreign and Security Policy, which is due to be presented to the European Council in June, should also reflect upon how to strengthen EU-India ties in the future.

2. What kind of partner is India for the EU?

When India imagines world powers in 30 years, it envisages itself sitting at a table with the US, China and Russia – there is no chair for Brussels. Indeed, the EU struggles to pose as a security actor and such a lack of assertiveness leads to diminished credibility and attracts little interest in cooperation.² Relations that are less than rosy on the political side look the same from an economic perspective, which is usually the core

of EU relations with third countries.³ The EU bloc remains India's largest trade and investment partner, but bilateral trade in goods has been stagnating in the last five years, at around €80 billion. The stock of EU foreign direct investment in India (€36 billion in 2012)⁴ is still limited compared with that of other big economies: China and Hong Kong have attracted more than €250 billion, Russia €193 billion and Brazil €257 billion of EU investment. The negotiations for a Broad-based Trade and Investment Agreement (BTIA), which started in 2007, have been stalled since 2013.

The reasons that led the EU to look for a strategic partnership 12 years ago hold even truer today:⁵ India is a partner that cannot be overlooked given its geography, demographics, economy, military and nuclear power status. Thanks to its position – notably as a potential balancing power against China and as a stabilising one in the unstable South Asian region – along with its internal market of 1.25 billion people and economic growth of around 7% a year for the last five years,⁶ India has a big role to play in the Asian context. Yet the current standstill in Indian regional and international affairs has to shift. The dilemmas for India's external strategy are multiple: Rapprochement or continued animosity towards Pakistan? What stance to take on Afghanistan? How to avoid encirclement by China, which holds good relations with Pakistan, Iran and Sri Lanka, and controls the source of the Brahmaputra River in the north-east? How to deepen links with Russia without risking the good relationship with the

¹ See "Strategic Partnership: The European Union and India", Delegation of the European Union to India (http://eeas.europa.eu/delegations/india/eu_india/political_relations/strategic_partnership/index_en.htm).

² Samir Saran, "The European Union as a security actor: View from India", Bundeszentrale für politische Bildung, Bonn, March 2014.

³ Thomas Renard, "The EU's strategic partnership agreements: Balancing geo-economics and geopolitics", Egmont, Brussels, June 2015.

⁴ See "Direct investment outward stocks by main destination", Knoema.com (<http://knoema.com/tec00052/direct-investment-outward-stocks-by-main-destination>).

⁵ Javier Solana, "The European Union and India", Brookings Institution, Washington, D.C., August 2014 (<http://www.brookings.in/the-european-union-and-india/>).

⁶ See "GDP growth (annual %)", World Bank (<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>).

US? Moving towards a more assertive stance under Prime Minister Narendra Modi's government (which took office in May 2014), New Delhi now feels it can pick and choose its partners. Countries such as the US, Russia, Japan, Israel and Australia are courting India to strengthen their respective economic and political ties. The EU should pay more attention to this ongoing race and be competing.

However, given the reality of ongoing EU–India relations, and the fact that India is a low priority for the EU, aiming today at a full-fledged, highly effective partnership with India may be unrealistic. India certainly shares a wider neighbourhood in-between and is an important geostrategic actor, but it currently does not share the priorities of the EU. It is important to manage expectations – such relations cannot be overhauled in a matter of a few months. The EU should focus on what is achievable given the current tools at its disposal. Many of the prospective gains could be achieved through enhancing soft power, i.e. projection of the EU's added value in the fields of public diplomacy, culture and coordination of the economic interests of EU member states.

Still, the divergence of priorities and the present geostrategic equilibrium may well change in the medium term. The EU should therefore nurture the relations and intensify its efforts, working towards a reconciliation of priorities. The aspiration should be to overcome differences and transform common values into common interests.⁷ Through today's efforts, the EU–India strategic partnership could be strengthened whenever the need arises and generate the benefits of closer cooperation.

3. What are the gains for the EU?

A stronger partnership with India would benefit the EU's foreign policy – without compromising on immediate interests – by augmenting the

EU's global standing and power projection. By proving its ability to engage in solid and diversified partnerships with strategic partners and global actors, the EU would enhance its credibility as an effective actor. By establishing good relations in the security field with strategic partners in Asia, such as India, the EU would also advance its foreign policy to a more mature stage.

By shifting the paradigm of EU–India relations and reinforcing the partnership, the EU could benefit from India's growing market – in ways similar to those pursued by countries such as the US and Israel. The EU, as a union of member states, would profit from deeper, more fruitful cooperation, boosting European industry through access to India's expanding market. This would certainly create a more favourable context for negotiations on the BTIA, unleash the economic opportunities it holds and open India's domestic market – which has great potential for further growth, especially if the government in New Delhi is able to bring about its programme of reforms.

While waiting for the conclusion of an ambitious trade agreement, current European business operations in India would be greatly supported. The European defence sector in particular is export-oriented – partly owing to cuts in the defence budgets of member states and rising competition from growing economies like China's – and therefore keen on entering third countries' markets. India is a perfect candidate, not only because of its market potential (it is the world's largest arms importer),⁸ but also because it shares fundamental democratic values. Defence cooperation involves a strong political dimension and is an indication of a close mutual understanding of the geopolitical environment. By stepping up EU–India collaboration and creating a conducive political space, the EU

⁷ See the remarks of the head of the EU Delegation to India, Ambassador Tomasz Kozłowski, "EU, India to hold summit-level meeting in 2016", *Business Standard*, 16 December 2015.

⁸ See "Arms Imports (SIPRI trend indicator values)", World Bank (http://data.worldbank.org/indicator/MS.MIL.MPRT.KD?order=wbapi_data_value_2014+wbapi_data_value+wbapi_data_value-last&sort=desc).

could also facilitate European defence cooperation with India's government and industrial sector. The EU could therefore assume a role, inspired by the US model, through which it uses its political weight to back shortlisted EU firms when negotiating with the Indian government, contributing to a positive outcome.⁹

4. What would India gain?

Closer political cooperation would have a positive effect on the growth of India's economy, which is the primary focus of the new coalition government, the National Democratic Alliance. The EU, being India's largest trade partner and investor, is the prime choice as a source of know-how and investment. In a context of deeper cooperation, India could benefit from EU coordination of investors for big infrastructural projects. It could also take better advantage of the size of European industry – especially in the defence sector – to diversify its imports, and eventually establish a strong manufacturing base of its own through the knowledge acquired,¹⁰ in line with the goal of the much-publicised Make in India programme.¹¹

India, through closer security cooperation with the EU, which has different priorities but no conflicting interests, would also reinforce its stature as a global actor – instrumental to its bid for a permanent seat on the UN Security Council.

5. How to strengthen the EU-India partnership

In spite of a long history of relations between India and individual EU member states, there is

⁹ Stefania Benaglia, *EU-India defence cooperation*, IAI, Rome, 2016.

¹⁰ Karine Lisbonne-de Vergeron, *India and the EU: What opportunities for defence cooperation?*, European Union Institute for Security Studies, Paris, July 2015.

¹¹ See "Make in India: Defence Manufacturing" (<http://www.makeinindia.com/sector/defence-manufacturing>).

a profound lack of knowledge and understanding between India and the EU, which exacerbates the reciprocal underrating of each other's potential. India's lack of interest can be ascribed mainly to the absence of a fundamental understanding and basic knowledge of the EU and its functioning, also resulting from little exposure to EU affairs. The complexity and potential of the EU as a global actor and strategic partner has yet to be grasped by India to a full degree.

This flawed approach is mutual, however, as there is a lack of understanding of India's potential by the EU, coupled with low expectations by member states of the EU's added value compared with the option of conducting bilateral relations. To remedy this situation, the EU should work on two equally important fronts: i) convincing member states of the added value of acting as a bloc, by accentuating the EU's value as a coordinator, and ii) demonstrating to India the advantages of dealing with the EU as a collective actor, by leveraging its soft power. To do so, the EU should implement a series of measures to raise its profile and create a conducive political space.

5.1 *Raise the EU's standing as an effective partner*

To bridge the awareness gap within the EU and increase member state expectations of the added value of working through and with the EU, the EU's multiplier effect should be further demonstrated.

Accentuating the EU's added value. Concluding negotiations with India can be a real challenge because of its lack of transparency in administrative procedures. The EU should raise awareness among member states of the added value of dialogue with India as a bloc through EU coordination (rather than acting bilaterally) on issues of common concern. Reflecting the peculiarities and challenges posed by India, member states' leverage is indeed multiplied when coordinated compared with individual member state undertakings. Unfortunately, there are not many examples of coordination

yet, partly because of member states' sceptical approach towards the added value of the EU. One of the few examples is the successful coordination of the Indo–European Water Forum, which facilitates the contributions of member states and European companies to the Indian government-led Clean Ganga initiative.¹² Several other initiatives are pending, and if the related agreements are successfully concluded they could deliver a positive multiplier effect, such as in aviation, for which the Horizontal Aviation Agreement was signed in 2008 but is still awaiting ratification. In addition, there is the Common Agenda on Migration and Mobility, which was proposed by the EU to India in 2013, and the cooperation on civil nuclear energy as per the bilateral agreement Euratom–India, which has been signed but is not yet in force. The EU could identify more potential projects and areas of cooperation and could coordinate with member states, thereby facilitating access to India's market by European firms/entities in those specific sectors.

The EU should also prove its added value to European business, besides its continual engagement in trying to resolve the various market access issues that characterise India's market (relatively high custom duties, standards and regulations that are rarely harmonised to international standards, retroactive taxation, weak protection of intellectual property rights and so on). One way to do so is to create platforms to facilitate coordination between European companies and consortia seeking investment opportunities in India, especially in the context of the many programmes backed by the Indian government, through which investment by technologically advanced companies is encouraged (at least on paper).¹³

¹² See "Indo-European Water Forum Discusses Major EU-India Partnership in Water Sector", 23-24 November 2015, New Delhi, Press Release (http://eeas.europa.eu/delegations/india/documents/press_release_indoeuropeanwaterforum.pdf).

¹³ Among these are the previously mentioned Make in India programme, but also the Smart Cities initiative in the urban development sector, or Digital India, which aims at improving online infrastructure and increasing Internet

The platforms could offer intelligence and counselling to companies willing to participate in these initiatives. Such action would be greatly helped by the active representation of European companies' interests through an effective EU chamber of commerce, which would complement and coordinate the activities of the bilateral chambers of commerce. Another approach is to offer political backing when European companies are facing serious challenges from Indian authorities: this could happen mostly in procedures of public procurement, which usually involve large financial resources and may include companies from more member states. The EU, by leveraging its aggregate weight, could be more effective than individual member states. As mentioned, this could be particularly potent in the defence sector, where India's government seems to give more credence to government-to-government dynamics than to those at the government-to-business level.

5.2 Leverage the EU's soft power

By further explaining the EU's functioning, the added value of dialogue with the EU as a union would be clear. To demonstrate to India the benefits of dealing with the EU as a collective actor, the EU should leverage its soft power. This could be achieved by valorising the EU's strengths, enhancing public diplomacy, better explaining the EU's foreign policy, promoting track 2 and 1.5 dialogues, facilitating youth and research mobility and encouraging the Indian media to set up foreign correspondents in Brussels.

Valorising the EU's strengths. The EU should capitalise on its soft power and advance its use by valorising its strengths, such as the EU's economic power, as both an institution and a union of member states, the EU's capacity to reach consensus and the Indian diaspora living and working in the EU. Indeed, despite the EU

connectivity, or again the building of five industrial corridors between India's major industrial cities.

being the world's largest economy,¹⁴ in a survey conducted by the Pew Research Centre on "How Indians see the world", the EU was not viewed by the interviewees as a global power, with only 1% considering the combined "countries of the European Union" a leading economic power (compared with 3% regarding Japan, 10% China and 66% the US as leading economies).¹⁵ The EU should also valorise its role as a normative power and its unique skill of legislative coordination among member states. Undeniably, India suffers from the fragmentation of its 29 states, which often have conflicting interests and do not share a common agenda. Hence, India observes with interest the capacities that the EU has acquired to harmonise its market and reach consensus among member states and various stakeholders. Finally, the EU should also explore and activate the potential of the Indian diaspora working and living in the EU – which is the second largest after that living in the US.

Enhancing public diplomacy. The EU should also increase its visibility and reach out to the Indian public to improve understanding of the EU's unique nature and potential. EU public diplomacy is mainly financed through the Partnership Instrument. Thanks to the restructuring of the instrument, as of 2017 the EU should be able to step up its work towards these objectives, particularly owing to an increased mobilisation of its funds. The EU Delegation in India should also be supported by two diplomatic attachés (one public and one cultural) – working in conjunction with the member state embassies in New Delhi – to increase the visibility and understanding of the EU. Towards this aim, several other actions could be undertaken, such as improving coordination with member state cultural institutes, exploring possibilities for cooperation and exchange between Indian and European artists as well as universities and training

institutes in various fields, and encouraging people-to-people initiatives and dialogue among civil society organisations.

The EU should also pay more attention to the explanation of its foreign policy. A good lesson could be learned from how the Ukraine crisis has been perceived in South Asia. India widely subscribes to the Russian narrative of the crisis – notably that the EU has pushed its borders eastwards and Russia can do nothing but defend its sphere of influence. The EU should ensure that its voice is heard when its actions and policies are discussed.

Promoting track 2 and 1.5 dialogues.¹⁶ To facilitate the identification of common interests, improve understanding and generate new ideas for how the EU-India partnership could evolve in the future, track 2 and track 1.5 initiatives should be promoted. EU-India forums should proliferate, including boosting the one sponsored by the EU Institute for Security Studies in its capacity as the Union's agency. These forums should reach out to a much wider range of Indian actors and raise awareness of EU actions in the security realm and possibilities for cooperation. The track 2 and track 1.5 initiatives, coupled with improved think tank and academic exchanges, would also go a long way towards helping European industry to understand Indian foreign and security policy.

In addition, youth and research mobility should be increased. Scholars' mobility should be facilitated in the context of Erasmus+ and Marie Curie programmes to encourage careers based on knowledge of the EU system; currently only a handful of Indian scholars have expertise and knowledge of the EU's institutions and functioning.

¹⁴ See World Bank, "Gross domestic product 2014, PPP"; the figure for the European Union is calculated by the sum of individual countries.

¹⁵ Bruce Stokes, *The Modi Bounce*, Pew Research Center, Washington, D.C., September 2015.

¹⁶ Track 2 diplomacy refers to unofficial dialogue and problem-solving activities aimed at building relationships and encouraging new thinking that can inform the official process. Track 2 activities typically involve influential academic, religious and NGO leaders and other civil society actors who can interact more freely than high-ranking officials. Track 1.5 diplomacy denotes situations in which official and non-official actors work together to resolve conflicts.

Encouraging Indian media coverage. Indian media tend to focus more on the EU's financial crisis and its multicultural problems than its success as an institution.¹⁷ This is partly because much analysis of the EU rests on secondary source assessments from a Eurosceptic British press.¹⁸ The EU should therefore encourage the Indian media to set up foreign correspondents in Brussels, following EU affairs from a headquarters perspective and increasing institutional understanding.

5.3 Create a political space

To strengthen the partnership, the EU should not only improve the perception of its potential, but also create a political space with India – similar to what the US and Israel have created – leading to a closer, more beneficial partnership and an enhanced capacity to politically leverage the dialogue with the Indian government. The upcoming EU–India Summit is certainly an opportunity to prove the European interest in stepping up the engagement with India through a number of possible actions, as elaborated below.

Increasing high-level visits. The frequency and magnitude of exchanges should be intensified. As India entertains regular and frequent exchanges with numerous member states and non-EU countries, the EU should also engage in equally frequent high-level meetings and high-profile visits – primarily by the HR/VP, whose last visit dates back to January 2012.¹⁹ These meetings have the potential to create the political space conducive to a stronger partnership.

To boost the EU's credibility as a global security actor, the chairman of the EU Military Committee (EUMC) should also be regularly

present at high-level meetings. The immediately recognisable role and expertise of the EUMC would facilitate India's defence counterpart in engaging and smoothing the security dialogue and cooperation.

High-level meetings should encompass all areas of cooperation; therefore, it is fundamental that the European Commission promotes more visits by its commissioners to discuss specific matters, such as trade and investment, energy, the environment, urban development, transport, IT research and so on. As an example, a yearly economic summit at ministerial level would foster a better environment for European investment by providing a political impetus to remove the several barriers that European investors face when entering India's market.

Further developing policy dialogues. The EU–India partnership could be revitalised by proactively extending areas where cooperation is already established and where India recognises the EU as an effective partner. This happens in both multilateral contexts (e.g. counter-piracy missions, such as the Contact Group on piracy off the coast of Somalia) and bilateral ones, such as the EU–India Human Rights Dialogue.²⁰ In other fields, the EU and India have established a political dialogue where an agreement has yet to be reached, as in the case of migration. The significance of these dialogues cannot be underestimated: if India perceives the EU as a valuable counterpart in such delicate matters, it will gradually open up to cooperation in more fields (e.g. defence and security and climate change). Of course, expectations have to be carefully managed, because the success of these initiatives also depends on India's political interest and structural capacity for usefully conducting the discussions.

It would be desirable, however, for the upcoming EU–India summit to strengthen cooperation on issues of common concern – such as intensifying existing policy dialogues on

¹⁷ Gulshan Sachdeva, *Evaluation of the EU–India Strategic Partnership and the potential for its revitalization*, Directorate-General for External Policies, European Parliament, Brussels, July 2015.

¹⁸ See Saran (2014), op. cit.

¹⁹ Enrico D'Ambrogio, *India's bilateral relations: First year of the Narendra Modi era*, European Parliamentary Research Service, Brussels, July 2015.

²⁰ The EU is the only partner with whom India holds a dialogue on human rights.

disarmament, counterterrorism, counter-piracy and cyber security from bureaucratic exchanges to effective policy dialogues capable of delivering results.

Appointing a security advisor. A security advisor should be permanently posted to the EU Delegation to liaise with the Indian military and defence sector. The security advisor would be the initial contact point for interaction and guidance on security cooperation. In conjunction with bilateral embassies – which often task their military, trade or defence attachés with promoting their domestic defence industry and support it during negotiations – the EU security advisor would similarly support the European defence industry and consortia in negotiations with India. In addition, a security advisor is a prerequisite for asserting the EU's stance as a security actor, and for institutionalising EU-India security cooperation and discussions on potential collaboration on EU missions and operations.

6. Conclusions

In essence, in its relations with India the EU needs to enhance its added value for the member states and show India the benefits of dealing with the EU as a collective counterpart. It should reinvigorate the currently stagnating relations into a partnership capable of deeper cooperation when needed. To do so, the EU's soft power should be leveraged by valorising its strengths, boosting public diplomacy, better explaining its foreign policy, promoting track 2 and 1.5 dialogues, facilitating youth and research mobility and encouraging the Indian media to set up foreign correspondents in Brussels. In addition, a conducive political space should be created through increasing the frequency and magnitude of high-level exchanges, further developing policy dialogues and appointing a permanent security advisor to the EU delegation. These actions would also help European industry to access India's expanding domestic market.

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