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EU-India: Starting a More Adventurous Conversation

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ABSTRACT

Twelve years after they launched their strategic partnership, the EU and India appear ready to take their relationship into new and potentially more adventurous, exciting and mutually beneficial directions. The summit in March 2016 marked the beginning of a more mature and politically relevant dialogue between the EU and India. Implementation of the different priorities set out at the March summit, however, will require time, energy and effort to keep up the momentum. High-level summits should be held regularly – instead of at four-year intervals – so that leaders can maintain contacts and build better relations. New areas of cooperation, including in the security sector, must be strengthened and quickly lead to real action. Given their different histories, identities and priorities, the EU and India will continue to disagree on many issues. Such differences, however, must not become an obstacle to better relations.

European Union | India | Summit



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by Shada Islam*

Introduction

Sometimes in foreign policy, the meeting really is the message. Such is certainly the case for the 13th EU-India Summit hosted in Brussels on 30 March 2016.¹

Held after a break of four years, the meeting did not result in a much-needed breakthrough on negotiations on a Broad-Based Trade and Investment Agreement (BTIA). However, it has helped to revitalize other aspects of the increasingly multi-faceted relationship. By spotlighting a commitment by EU leaders and Indian Prime Minister Narendra Modi to work together on a range of old and new issues, the meeting provided a strong basis for reinvigoration of EU-India relations.

The hope is that both sides can now pave the way for a more ambitious, dynamic and adventurous EU-India relationship. It is time to move from speeches to policies and from words to action.

The good news is that the EU and India are taking a fresh look at each other, replacing tired misperceptions and clichés. There is a greater understanding of each other's strengths and weaknesses. Significantly, the summit in March endorsed a long list of new areas of cooperation which can give added "oomph" to the relationship while also anchoring it more firmly in the foreign policy agenda of each side.

¹ Council of the European Union, *EU-India Summit*, Brussels, 30 March 2016, <http://europa.eu/!nc38bU>.

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· Paper presented at the roundtable on EU-India Security Dialogue held in Mumbai on 7 November 2016 within the framework of the project "Moving Forward the EU-India Security Dialogue: Traditional and Emerging Issues" led by the Istituto Affari Internazionali (IAI) in partnership with Gateway House: Indian Council on Global Relations (GH). The project is part of the EU-India Think Tank Twinning Initiative funded by the European Union.

1. The new conversation therefore has the potential for being more adventurous and going beyond an exclusively trade agenda

If the long list of potential synergies articulated in the Agenda 2020² adopted at the summit is implemented by both sides, the EU-India strategic partnership will meet its avowed aim of deepening political dialogue and cooperation, bringing together people and cultures, enhancing economic policy dialogue and cooperation and developing trade and investment.

The partnership has the institutional architecture required to achieve these aims. The annual summits (starting in 2000) and ministerial meetings are the most visible feature of an ongoing political dialogue. Senior officials meet regularly to discuss broad foreign policy issues, and regular dialogues are held on issues of common concern such as security, counterterrorism, human rights, migration and mobility, trade and development, science and technology and environment and energy matters.

Political will to make the relationship more dynamic and vibrant has been lacking, however. The case of the Italian marines who allegedly killed two Indian fishermen off the coast of Kerala in 2012 became an obstacle in the two sides' efforts to reinvigorate the relationship, including attempts to organize a bilateral EU summit.

The broader relationship has also been impacted negatively by lack of progress in negotiating the BTIA. Negotiations on the deal opened in 2007 but talks quickly stalled as disagreements emerged over an array of issues including EU calls for lower tariff barriers, increased access to public procurement and stronger protection of intellectual property rights in India. Delhi, meanwhile, has said it wants greater temporary mobility for its skilled professionals in Europe and is urging the EU to grant its world-class IT companies "data security" status, thereby improving business prospects with and within Europe.

2. Going forward, three important drivers – economics and trade, India's modernization needs and geopolitics and security – will determine the content and contours of EU-India relations

Economics: Trade, investment and business will continue to be the backbone of the EU-India relationship. With growth rates of 7.5 percent, India now has a more dynamic economy than China. The Indian government's demonetization drive in November 2016 will have an immediate negative impact on economic growth but economists predict that over the longer term, as more of the informal economy becomes formal and the Goods and Services Tax comes into effect, the move could

² EU-India Agenda for Action 2020, 30 March 2016, http://www.consilium.europa.eu/en/meetings/international-summit/2016/03/20160330-agenda-action-eu-india_pdf.

help propel growth into double-digit levels. Another benefit could be a reduction of banks' non-performing assets, a critical constraint that is holding up the flow of bank credit for private sector investment in the country. The unexpected Indian move should not therefore impact India's strong long-term economic outlook or EU-India economic ties.

The EU, despite its current economic difficulties, will continue to have a strong interest in exporting and investing more in India. As noted by the Europe India Chamber of Commerce (EICC), "improving economic relations between the EU and India is essential for Indian and European companies, whose business links extend beyond import and export to include alliances and partnerships in supply chains, joint research projects and significant direct investments."³ The EU has the technology India needs for its modernization drive, including in areas like energy, urbanization and preventing environmental degradation.

Creating jobs for India's young population demands an increase in foreign investments, including from Europe. The Indian government has taken steps to make India an easier place to do business, for example by widening the scope of FDI norms in defence, civil aviation, broadcasting services and pharmaceuticals. But other barriers to trade and investment, including lack of intellectual property protection and enforcement, continue to act as a deterrent for potential European investors.

India must work harder to modernize and reform economic governance and improve its ease of doing business, says the EICC, adding that action is needed to update the "intellectual property regime so that technology and innovations have adequate safeguards, ensur[e] transparency, predictability, and consistency in its corporate tax code, and provid[e] for an efficient system of adjudicating disputes."⁴

Modernization and development: India's new economic programme opens up fresh avenues for increased EU-India synergies that go beyond the two sides' traditional interaction. In the next decade, as India pursues its modernization drive and the "Make in India" initiative, the government hopes to see substantial investment flowing into energy (generation, distribution and transmission), mining, water, waste treatment and ports infrastructure. It also wants to attract FDI into advanced communication, visuals, automobiles, biotechnology and healthcare. The defence sector is also one of the 25 areas identified as part of the "Make in India" campaign.

³ Europe India Chamber of Commerce (EICC), *Europe and India – Anchors of Economic Stability in Today's Chaotic Times*, working paper for the Trade and Investment Partnership Summit (TIPS) 2016, Brussels, 8 November 2016, p. 2, <http://eicc.be/wp-content/uploads/2016/10/TIPS2016WorkingPaper.pdf>.

⁴ *Ibid.*, p. 7.

Cooperation between the EU and India is therefore expected to expand to cover areas where both sides have a strong economic interest such as infrastructure investments, sustainable urbanization, renewable energy, innovation and synergies between “Digital India” and the EU’s agenda for a Digital Single Market.

Although it is important to move beyond trade, there is no denying that negotiations on the BTIA need to speed up. Such an agreement would certainly help ease the concerns of some European companies as they seek out manufacturing venues and projects in India. So far, however, the talks have been like an unending obstacle race, with new problems emerging at every twist and turn. The EU wants a reduction in India’s tariffs on cars, wine and spirits and a stronger regime for the protection of intellectual property. India is unhappy about EU restrictions on temporary movement of skilled professionals and wants data security status so that the thriving IT sector can do more business with European firms.

European investors are willing and eager to enter the Indian market, and India’s new global companies are setting up shop across Europe. With two-way trade estimated at around 72.5 billion euros in 2014 while the EU’s investment stock in India was 34.7 billion euros in 2013, there is certainly ample room for improvement. Agreement on the BTIA will require that both sides summon up the political will to look beyond the array of technical issues to the deeper strategic importance of their relations.

Security and geopolitics: Whether the context is violence and war in the Middle East, global terrorism or continuing instability in Afghanistan, the EU and India have a converging interest in working together in areas such as cybersecurity, counter-terrorism, maritime security, non-proliferation and disarmament. As such it is time for a more serious conversation on refugees, peace and security in Asia, Africa and the Middle East as well as on wider questions such as the “Blue Economy.”

While EU-India cooperation in the security sector is still in its infancy, there is a strong potential for increased synergies. The summit in March stressed the two sides’ shared concerns and interests vis-à-vis a number of countries or regions, including Afghanistan, Pakistan, Nepal, North Korea, Iran and West Asia/the Middle East – in particular Syria.

In the maritime sector, the first EU military naval mission EUNAVFOR, also known as Operation Atalanta, has already cooperated on anti-piracy operations with Indian naval units in the Indian Ocean. The EU and India could now broaden that contact by establishing a regular high-level official dialogue on maritime security to build trust and explore avenues for further cooperation in areas such as search and rescue, humanitarian and disaster relief operations, tackling sea-borne crime such as smuggling or illegal fishing, and potentially joint maritime or evacuation exercises.

Significantly also, the EU-India Summit in March adopted a joint declaration on the fight against terrorism,⁵ opening a potentially important and mutually beneficial dialogue on questions like terrorism financing, justice and police cooperation, designating groups as terrorists and efforts to increase the effectiveness of the UNSC sanctions regime against terrorist organizations. The declaration also calls for the EU and India to develop bilateral and multilateral cooperation in information and communication technology to tackle online radicalization.

3. The challenge ahead

Twelve years after they launched their strategic partnership, the EU and India appear ready to take their relationship into new and potentially more adventurous, exciting and mutually beneficial directions. The summit in March marked the beginning of a more mature and politically relevant dialogue between the EU and India. Agenda 2020 could therefore herald a new and more dynamic era in EU-India relations.

Implementation of the different priorities set out at the March summit, however, will require time as well as energy and efforts to keep up the momentum.

In order to stay the course, both sides will have to avoid being *distracted* by other priorities and concerns. The fall-out from the Brexit referendum will continue to weigh heavily on the EU for several years to come. Tackling the refugee crisis and the challenge posed by the rise in populist parties will be other key concerns for the EU. For India, dealing with a troubled and troublesome neighbourhood and with myriad domestic challenges will remain a major concern. In addition, both the EU and India will also have to adjust and adapt their policies to the election of Donald Trump as the next US president.

In order to keep their relations vital and relevant, the EU and India must continue to *dialogue* on all important matters of bilateral, regional and global concern. Negotiations on the BTIA must continue but they should not be allowed to dominate the agenda. High-level summits should be held regularly – without an interval of four years as was the case this time – so that leaders can maintain contact and build better relations. New areas of cooperation, including in the security sector, must pick up pace and lead quickly to real action.

Given their different histories, identities and priorities, the EU and India will continue to disagree on many issues. But differences must not become an obstacle to relations. In a rapidly changing global environment, both sides should ditch old stereotypes and clichés and take a fresh look at each other. As such, unavoidable *differences* must be managed in a mature fashion.

⁵ India-EU Joint Declaration on the Fight against Terrorism, 30 March 2016, http://www.consilium.europa.eu/en/meetings/international-summit/2016/03/20160330-joint-declaration-terrorism_pdf.

Finally, having worked hard to establish the groundwork for a stronger and more diversified relationship, India and the EU must now demonstrate a *determination* to move forward and engage with each other over a sustained period. European member states have already recognized the importance of India, both as a regional actor and an influential global player. It is heartening that the EU institutions are also shedding their reservations and engaging with India as an increasingly powerful 21st century partner. Equally importantly, India is recognizing that while relations with national European governments are valuable, the EU also has much to offer. Both sides have much to gain from deepening their association so that the full potential of EU-India relations can be explored, tapped and realized.

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