India and prospects for closer EU ties

SUMMARY

The EU and India – two multicultural democracies with a constitutional structure containing elements of federalism – potentially have much in common. However, they face different geopolitical concerns; the fact that each party’s attention is focused on its own neighbours (in the case of New Delhi, this translates into a 'Chinese obsession’), has prevented them from developing the strategic partnership they had agreed upon in 2004. The stalemate in negotiations for a free trade agreement, which started in 2007 and reached deadlock in 2013, has also hindered progress towards closer relations.

In India, although the EU does not get much media coverage, it is generally viewed positively. Both the Indian leadership and the general public have a stronger perception of individual Member States than of the EU as an entity, whereas the Indian elite is more aware of the European Union. Several Indian observers regret the EU’s attitude of 'preaching and finger pointing’.

Even though the latest EU-India Summit held in 2016 did not succeed in making a breakthrough in the negotiations for a free trade agreement, it endorsed the EU-India Agenda for Action 2020 as a common roadmap aimed at reviving the strategic partnership between the two parties. While waiting for economic relations to develop further, the two could focus on other possible areas of cooperation such as maritime security and coordination of activities in the Middle East and Afghanistan.

In this briefing:
- India’s perceptions of the EU
- Priorities of India’s foreign and domestic policy
- EU-India relations
- Developing ties between the EU and India
India’s perceptions of the EU

According to a study requested by the European Commission, the EU has limited coverage in the Indian media, which tend to provide news about Europe as a whole instead. The EU has more visibility than other international bodies (except the World Bank), but less than individual countries such as the USA and Japan. News reports on the EU are mostly focused on political and economic affairs; despite there being a strong scientific cooperation between the EU and India, it is hardly ever mentioned. The EU is generally viewed positively, though less so when the reports are dealing with the EU-India Bilateral Trade and Investment Agreement (BTIA) talks or anti-trust cases. Nevertheless, according to analyst Florian Britsch, 'general perceptions and public opinion have been influenced by US and British media, which often portray a rather Eurosceptic view'.

Ordinary Indians tend to be more aware of the EU Member States — considered primarily as an attractive holiday destination — than of the EU as a political entity. The European Parliament and the European Central Bank are the most frequently mentioned EU institutions and the euro is the image most closely associated with the EU. Public opinion does not perceive environmental protection and the fight against climate change as domains where the EU is prominent enough to be mentioned.

The elite, on the contrary, is quite familiar with the EU, though less so with its supranational system or the way it shares competences with its Member States. Some members of the elite are acquainted with the EU in its capacity of a normative power. While the elite knows about the EU’s educational programmes (for instance, Erasmus Mundus), most ordinary Indians do not. That said, they are aware that Europeans have a high level of education as a whole.

Several Indian observers regret the EU’s 'preaching and finger pointing'; this, together with the perception of Brussels' decision-making process as being slow and the EU as having limited relevance to India with regard to many issues, makes the Indian leadership quite eager to pursue bilateral relations with individual EU Member States that are key to New Delhi instead. This is the case of France, a major Indian partner in defence, space and nuclear energy, as shown for instance by the purchase in September 2016 of 36 Rafale fighter jets produced by the French company Dassault Aviation, following a long negotiation process. Paris has a clear stake in the Indian Ocean, where besides its military presence, 1 million French citizens inhabit its overseas territory islands, Réunion and Mayotte. Germany is New Delhi’s top EU trade partner, and the two countries conduct biennial intergovernmental consultations on trade, investment and strategic relations. The United Kingdom – home to a major Indian diaspora – has a historical relationship with India and some media are already speculating on a possible post-Brexit bilateral trade agreement.
Priorities of India's foreign and domestic policy

Narendra Modi and India's increased presence in the global arena

India is a nuclear power with a traditional 'No First Use' policy. In 2010, it announced that this policy had evolved towards the concept of 'Credible Minimum Deterrence', targeted exclusively at nuclear powers, and that 'No First Use' was from now on to target all the rest. India is not a member of the Nuclear Suppliers Group (NSG) on trade in civil nuclear technology, following China's opposition to its admission. In previous decades, India had been leader of the Non-Aligned Movement. Its foreign policy had been guided by an idealistic attitude (including active participation in the movement for disarmament and decolonisation) and the principle of non-interference. It had never entered into formal alliances since its independence in 1947. However, a transition towards a more pragmatic stance has been brought to completion under Narendra Modi, prime minister since May 2014. Committed to making India a global power, he has increased its presence in the global arena, travelled frequently abroad and succeeded in getting major powers to renew their interest in India. Through the 'Neighbourhood First' policy he has highlighted the need to revitalise relations with the countries in closest proximity to India. He has rebranded India's policy towards its south-eastern partners as 'Act East', engaged in regional groupings (for instance, BIMSTEC) and made India a reliable partner to ASEAN.

New Delhi has put new emphasis on its maritime policy and the Indo-Pacific region: today, India conducts about 90% (by volume) and 77% (by value) of its international trade by sea.

India's two main concerns: China and Pakistan

India's main foreign policy concern is its complex, often antagonistic relationship with its two biggest neighbours, Pakistan and China. Both are nuclear powers and their extensive shared borders with India are a source of long-standing disputes with it. India and Pakistan began to quarrel with each other from the moment they obtained independence from British rule. At the heart of their dispute lies the issue of control over the north-western Kashmir region – called 'Jammu and Kashmir' by India – which has prevented the development of closer ties in south Asia and provoked the SAARC (South Asia Association for Regional Cooperation) stalemate. Islamabad has nurtured ambiguous relations with terrorist groups that are based in its territory and seek to strike Indian targets; New Delhi has hinted at offering possible support to the rebels in the Pakistani region of Baluchistan. Indians perceive Pakistan as the biggest threat to their country.

However, the main issue confronting the Indian leadership today is Beijing's rising profile in south Asia and the Indian Ocean region, threatening New Delhi's traditional supremacy there. China's massive 'Belt and Road' connectivity and cooperation initiative, its military activity in the Indian Ocean, its assertiveness in the Himalayan region (including its involvement in the dispute regarding Bhutan's Doklam Plateau from June 2017) and its growing ties with India's land and sea neighbours (especially with Pakistan, mainly in connection with the construction of the China-Pakistan Economic Corridor, CPEC, across Kashmir) have given New Delhi a sense of 'encirclement'. Yet, despite this rivalry, trade relations are solid: China is India's second-largest trading partner after the EU. China also supported India's membership (along with Pakistan's) of the Shanghai Cooperation Organisation (SCO) as of June 2017. Furthermore, India is the second-largest shareholder (7.5%) of the Beijing-guided Asian Infrastructure Investment Bank (AIIB).

Forging relations with the USA and Japan, while keeping ties with Russia

Sharing similar concerns about China's global ascent and its territorial ambitions, India and Japan have elevated their relationship to a 'Special Strategic and Global Partnership',...
covering economic and security cooperation. This partnership is welcomed by the USA; consequently, in 2016 India expanded its annual Malabar bilateral naval exercise to include Japan. Tokyo's economic assistance allows for ambitious projects, providing a competitive alternative to China on critical Indian infrastructure projects.

Prime Minister Modi envisages developing ties with the USA to counter China. When then US President Barack Obama visited New Delhi in January 2015 to attend the Republic Day ceremonies as chief guest, the partners signed a 'US-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region', followed in June 2015 by a 10-year Defence Framework Agreement. The summit between Prime Minister Modi and US President Donald Trump in June 2017 confirmed the principles established in 2015, and added a clear reference to terrorism originating in Pakistan. According to subsequent statements by the US President in August 2017, it is issues related to terrorism that have pushed China to overtly defend its ally, Pakistan. Meanwhile, India – the world's largest arms importer since 2010 – keeps good relations with Russia, its long-time key supplier of military equipment. In 2014, after the West isolated Moscow following its annexation of Crimea, New Delhi clearly declared its intention not to apply sanctions. In December 2014, the two countries signed an agreement, under which Russian nuclear company Rosatom would build 12 nuclear reactors in India over the next two decades. In June 2017, the Ministries of Defence signed a protocol on military-technical cooperation.

India's multilateral relations
India maintains relationships in different configurations with a variety of countries for different purposes. It has long lobbied for a permanent seat in the UN Security Council (it is a member of the G4 together with Germany, Japan and Brazil) and maintains a pragmatic approach when voting in the UN General Assembly. It is also the second-biggest contributor to UN peacekeeping missions in terms of personnel. It is a member of the BRICS bloc (alongside Brazil, Russia, China and South Africa), and the eighth BRICS Summit took place in Goa, India, on October 2016.

India and human rights
India is the biggest democracy in the world. However, concerns have recently arisen about a number of issues, among them religious tolerance. While India is traditionally a secular country, Narendra Modi's ascent to power has galvanised the base of his party – the Bharatiya Janata Party (BJP) – around the idea of making Hinduism the core of Indian statehood. Mob violence against Muslims – who eat, slaughter and trade in beef – is on the rise. Although Modi has condemned the attacks, he has been criticised for not being vocal enough about the issue. It is worth mentioning that Muslims represent 14% of the Indian population and the country is set to have the world's largest Muslim community by 2050 (310 million, accounting for 18% of Indians).

Besides rising concerns about freedom of expression, multiple human rights abuses remain a fact of life in many parts of India, targeting among others members of the lower castes, women and LGBT people. Amnesty International has accused the authorities in Jammu and Kashmir of committing abuses against the population. Human Rights Watch has expressed dissatisfaction with India's voting record on rights issues at the United Nations. India still enforces the death penalty: while there were no executions in 2016, the number of death sentences increased from 70 in 2015 to 136 in 2016.

India and global trade
India's share in world merchandise exports was a mere 1.6% in 2015, while its share in world service exports amounted to 3.3%. India has a reputation of being a difficult, if not
an obstructionist country, when it comes to multilateral trade negotiations. Its resort to the World Trade Organization (WTO) dispute settlement process, mainly through anti-dumping actions against imports, has more than doubled between 2013 and 2016.\(^2\) India has concluded a number of trade agreements, primarily with Asian countries, and while it is actively negotiating with other countries mostly from Asia and South America, its negotiations with the EU are in deadlock. New Delhi is also negotiating a Regional Economic Comprehensive Partnership (RCEP), which includes the ten ASEAN members plus China, South Korea, Japan, Australia and New Zealand. A case has been filed against India in connection with its practice, sanctioned by its 2013 National Food Security Act, of distributing subsidised food grain to poor people in order to address malnutrition, as it put India at risk of violating its WTO obligations in agriculture.

**India and environmental policies**

India is the world's third-largest emitter of greenhouse gases (4.5% of global emissions, but it comes 128th in terms of per capita emissions). After initial reluctance, it formally joined the Paris Agreement on climate change from 2 October 2016, thus speeding up its entry into force a month later. The Paris Agreement granted India permission to double its coal production by 2020, prompting harsh criticism from Donald Trump, who later announced that his country would withdraw from the agreement. In May 2017, during his meeting with German Chancellor Angela Merkel in Berlin, Narendra Modi said that it would be an 'immoral and criminal act' to spoil the environment for future generations. In Paris, Modi's government had committed to increasing the share of electricity from non-fossil sources from 15% at present to at least 40% by 2030, which it raised to a more ambitious target of 57% in December 2016. In 2017, wholesale solar power prices reached a record low, increasing the likelihood of India meeting its renewable energy targets. Climate change tops Indians' international concerns more than the economy, terrorism and territorial disputes with neighbours.

**EU-India relations**

**Strategic partnership**

India has been one of the EU's ten Strategic Partnership countries since 2004. The partnership is based on four pillars: international cooperation through multilateralism; enhanced commercial and economic interaction; cooperation on sustainable development; and mutual understanding. A Joint Action Plan (JAP), revised in 2008, has been adopted. In 2007, negotiations began for an EU-India free trade agreement. Nevertheless, the strategic partnership has lost momentum, as relations are economy-based and India prefers to maintain bilateral relations with EU Member States. The 2012 Enrica Lexie international lawsuit involving the arrest of two Italian marines over an incident related to the killing of two Indian fishermen, has also contributed to the deadlock in bilateral relations. EU-India summits are supposed to take place annually, but this has not been the case since 2012.

**The EU-India Summit of March 2016**

The 13th EU-India Summit – the first in four years and the first to be attended by Narendra Modi – took place on 30 March 2016 in Brussels. While no breakthrough was achieved on the negotiations for a free trade agreement, the partners endorsed the EU-India Agenda for Action 2020 as a common roadmap aimed at reviving their strategic partnership. The agenda covers numerous areas of cooperation: foreign policy; security; human rights; trade and investments, business and economy; climate change; energy; environment; 2030 Agenda for Sustainable Development; urban development; research and innovation; information and communications technology (ICT); transport; space;
migration and mobility; skills, employment, social policy; education and culture; parliaments, civil society and local/decentralised authorities; and institutional architecture of the EU-India strategic partnership. The summit saw the adoption of several joint declarations: on the fight against terrorism, on a clean energy and climate partnership, on an India-EU water partnership and on a common agenda on migration and mobility.

**EU-India Bilateral Trade and Investment Agreement (BTIA)**

The EU is both India's biggest trading partner and its main foreign investor (€51.2 billion in 2015); India was the EU's ninth trading partner in 2016. Total EU-India trade in 2016 was €78.4 billion: the EU imported €39.2 billion and exported €37.7 billion. Even though EU-India trade is on the rise, its volume within total Indian trade has been decreasing constantly. Trade in services amounted to €28.1 billion in 2015.

In 2007, the EU and India began talks on a bilateral trade and investment agreement (BTIA). Arguably, such an agreement would boost the EU's GDP by 0.14 %, or €21 billion a year (though unevenly distributed among Member States), and India's GDP by 1.3 %, or €25.6 billion a year. However, negotiations have progressed slowly, due to several controversial issues. Discussions on deregulating the insurance and public procurement sectors have been particularly complex. The EU would like India to reduce its taxes on alcohol and dairy products, and the duty on automobiles. It has also asked New Delhi to liberalise its professional services sector, specifically accountancy and legal services. The inclusion of clauses on human rights, International Labour Organization core labour standards and sustainability is still under discussion. The EU also seeks to strengthen India's intellectual property rights regime, for instance, with regard to pharmaceuticals. Indian legislation bans both the 'evergreening' of patents (extending the time coverage of patents just before they expire, through minor changes to the product) and the exclusivity of test data (protection of clinical trial data), saying they jeopardise the sale of low-priced generic drugs and chemicals in its territory.

India is interested in liberalising the services trade, including the IT sector, and in obtaining a more liberal visa regime for its professionals. A major issue for India is to get recognised as a data-secure country by the EU; without such recognition, the flow of sensitive data can be hindered, thus increasing operating costs for Indian businesses operating in the EU. Meanwhile, following several liberalisations (August 2014, November 2015 and June 2016), India has eliminated or lowered some restrictions, such as the requirement to obtain the government's approval for foreign direct investment in several sectors: defence, civil aviation, railways infrastructure, private security agencies, pharmaceuticals, single brand retail trading, food retail and animal husbandry.4

In 2014, the EU banned the import of mango, aubergine, taro plant, bitter and snake gourd. Mango imports were readmitted to the EU market in February 2015 and imports of the other vegetables in January 2017. In May 2015, the EU followed a European Medicines Agency (EMA) recommendation to suspend the marketing of around 700 generic medicines over the alleged manipulation of clinical trials conducted by the Indian pharmaceutical research company GVK Biosciences. In March 2017, the EMA recommended suspending a number of nationally approved medicines for which bioequivalence studies had been conducted by Micro Therapeutic Research Labs at two sites in India. These issues have affected prospects of enhancing economic cooperation.
Developing ties between the EU and India

Ongoing EU-India cooperation

India is ineligible for bilateral assistance from the EU's Development Cooperation Instrument (DCI) since 2014, after becoming a middle-income country. It can, however, still benefit from DCI-funded thematic and regional programmes for Asia. As of October 2016, the EU was managing 130 contracts in India, with an overall value of over €400 million, focussing on business opportunities, energy security, research and innovation, higher education and skills development, and a range of thematic projects with civil society organisations.

Cooperation in research and innovation (R&I) is an area where EU-India collaboration has expanded significantly since 2002, when an Agreement on scientific and technological cooperation was signed – it was renewed in 2007 and 2016. Moreover, an Agreement between the European Atomic Energy Community (Euratom) and India in the field of fusion energy research was signed in 2009. Euratom and India also cooperate in the construction of the International Thermonuclear Experimental Reactor (ITER). In 2012, the European Commission and the Indian government signed a Joint Declaration on Research and Innovation Cooperation. They have also been cooperating on customs matters since 2004, when an Agreement on customs cooperation and mutual administrative assistance in customs matters was signed.

EU and India: untapped potential

India and the EU have many common values (democracy, multiculturalism, the promotion of values through foreign policy). Yet, their geopolitical concerns are not the same, and they have not been able to make much progress in liberalising trade; therefore, progress towards closer relations has been slow. For this reason, they have put emphasis on economic issues, more particularly on the resumption of negotiations for the BTIA, in deadlock since 2013. Once concluded, this would become one of the most significant trade agreements worldwide, touching the lives of 1.7 billion people. The EU would strengthen its role in global trade governance, having as a partner a country with a population of 1.3 billion and an economy that is outpacing China's. This is quite positive, despite some vulnerabilities experienced by India and difficulties of doing business in it (it occupies 130th place in the World Bank's 'Doing Business 2017' report and is home to around 270 million extremely poor people). The BTIA could give a boost to the 'Make in India' policy, aimed at turning India into a global manufacturing hub, and help the country attract more investment. However, the BTIA should not monopolise relations between the two partners, as has been acknowledged to some extent during the 2016 EU-India Summit.

Maritime cooperation

One of the most promising fields of cooperation is security, particularly in the maritime domain. The EU has had a maritime security strategy and an action plan since 2014; their importance was reaffirmed in its 2016 global strategy on foreign and security policy. The EU has been active in the western Indian Ocean since 2008 through Operation Atalanta (EU NAVFOR Somalia) aimed at countering piracy and protecting a key EU Sea Line of Communication (SLoC). France and the United Kingdom both have military installations in the central and western Indian Ocean. According to experts, the EU and India may jointly develop maritime cooperation in various ways: developing the EU-India high-level dialogue on maritime cooperation, following the example of the EU-ASEAN high-level dialogue; agreeing on a declaration of intent on maritime security, similar to the 2015 USA-India joint strategic vision for the Asia-Pacific and Indian Ocean Region; increasing...
coordination between EU NAVFOR and the Indian Navy and starting regular EU-India naval exercises; promoting cooperation under the framework of the Indian Ocean Rim Association (IORA); collaborating on capacity-building in the Indian Ocean region, and concentrating on issues such as disaster management, early warning systems, maritime tourism and the ‘blue’ economy.

**The Middle East and Afghanistan**

The Middle East is an area of interest to both the EU and India: 7 million Indians live and work in the six Gulf Cooperation Council (GCC) countries and almost two thirds of India’s total oil imports are from the Gulf region. New Delhi maintains good relations with both the Arab countries and Israel (a major arms supplier). On May 2016, India signed a trilateral deal with Iran and Afghanistan in order to develop the port of Chabahar in Iran and to build a transport-and-trade corridor through Afghanistan that could diminish the time and cost of trading with central Asia and Europe. Analysts have urged the EU and India to step up their trilateral coordination with Afghanistan so as to maximise their security, military, political and development efforts there, which would also help promote the region’s stability and prevent terrorism threats and refugee inflows.

**The European Parliament on EU political relations with India**

A report on ‘EU political relations with India’ (rapporteur: Cristian Dan Preda, EPP, Romania) will be submitted for adoption by the Parliament at its plenary session on 12 September 2017. Adopted by the Committee on Foreign Affairs (AFET), the report highlights that the partnership between the EU and India has not yet reached its full potential, and that stronger political engagement is needed on both sides to make the relationship more dynamic and valuable. The report expresses full support for a stronger and deeper partnership between the EU and India, which could contribute positively to fostering regional and international cooperation on global challenges. It also reiterates MEPs support for a free trade agreement between the EU and India. It underlines the importance of interparliamentary structured dialogue for the functioning of the strategic partnership, and asks the Speaker of the Indian Parliament to create an India-Europe Friendship Group, acting as a counterpart to the EP's Delegation for Relations with India (D-IN).

**Endnotes**

1 Australia and Japan participated in the Malabar exercise in 2007, provoking Beijing’s anger. Canberra asked New Delhi to participate again, but it refused, fearing another Chinese reaction. In 2015, the Indian and Australian navies started an annual exercise called AUSINDEX. An exercise including the above three countries and the USA would have been interpreted by Beijing as a strategic move, a ‘democratic quad’, aimed at constraining its growing power.

2 India has brought seven cases against the EU, one against the Netherlands and one against Poland. The EU has brought 10 cases against India. Source: WTO.

3 300 million Indians do not have access to electricity. Source: Draft National Energy Policy, 27 June 2017.

4 FDI in India is prohibited in lottery, gambling, atomic energy, real estate investment trusts and railway operations.

**Disclaimer and Copyright**

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.


Photo credits: © mrallen / Fotolia.

eprs@ep.europa.eu

http://www.eprs.ep.parl.union.eu (intranet)


http://epthinktank.eu (blog)