



## Indo-French Relations: Key Outcomes of President Hollande's Visit

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### Introduction

French President Francois Hollande paid a three-day state visit to India from 24 to 26 January 2016. President Hollande was the chief guest at India's 67<sup>th</sup> Republic Day celebrations. A French military contingent also participated in the Republic Day Parade. France was the first country to which India bestowed such an honour.<sup>1</sup> During the visit, India and France discussed important political, security and economic issues to expand their cooperation at the bilateral and global levels. A number of agreements and MoUs to take their partnership to a new level were signed. Multi-pronged cooperation in the fight against terrorism is crucial for India and France. The French President's visit was considered significant in finalizing the defense deals and cooperation in other areas, such as infrastructure, urban development, smart cities, energy, nuclear, and science and technology. France provides the necessary political support to India's endeavour to get the membership of UNSC and international export control regimes.

France is one of the key strategic partners of India. Relations between the two countries have evolved through recognizing each others policy priorities and political and security concerns. Historically, French policy towards India was not aligned to the bipolar system of the Cold War. France independently approached the legitimate political and

security concerns of India. In the contemporary world order, a vision for multi-polar world order is common in the foreign policy objectives of both countries. The French approach was 'distinctly progressive'<sup>2</sup> to India's nuclear test conducted in 1998.

Today, the European Union (EU) faces a slew of external and internal challenges. Political instability and socio-economic crises in the European neighbourhood have put unprecedented stress on the EU member states. Although the EU is taking steps to control migration, it would be difficult to resolve the causes of migrant and refugee crisis. The European countries do not find such a heavy level of migration flow sustainable. It would have serious implications for European economy, polity and society. The demand to suspend the Schengen zone for some period is arising or there is an extreme view forwarded by Eurosceptic parties to end passport free travel. Amid the migrant crisis and security concerns, the EU is finding it difficult to maintain the status quo on the Schengen agreement.<sup>3</sup> Western military strikes might have harmed the Islamic State (IS) in Syria and Iraq, but the IS is reportedly expanding in Libya.<sup>4</sup> The IS expansion in another neighbourhood country is a matter of concern for the EU. The EU economy has shown signs of recovery, though it varies from country to country. Germany has reported 'budget surplus',<sup>5</sup> while on the other hand, France has declared 'economic emergency'.<sup>6</sup> The hostile relations with Russia after the Crimean crisis are putting pressure on defence spending of European countries, particularly that of the Central and European countries. Recent trends indicate that these countries would spend more on defence in future.<sup>7</sup> The EU was able to reach a deal with the UK and agreed to the demand of reform.<sup>8</sup> The referendum will be held on 23<sup>rd</sup> June to decide the fate of UK membership in the EU. However, prevailing politics over UK membership has created considerable uncertainty. British Prime Minister Cameron noted that Brexit would be a 'leap in the dark'.<sup>9</sup> In this broader regional and global development, the paper examines the key outcomes of President Hollande's visit to India and how it will impact the future course of their bilateral partnership.

### **Fight against International Terrorism**

India and France have been victims of international terrorism. Both countries have faced severe terror attacks, which caused damage to human lives and property. France has

witnessed several terror attacks in 2015. The country is in a state of emergency after terror attacks in Paris in November 2015.<sup>10</sup> French President intensified the diplomatic efforts to create a global alliance against the IS. India and France have also been enhancing their cooperation in the fight against international terrorism. India-France cooperation on international terrorism is ranging from bilateral defence cooperation, joint working groups, joint military exercises to cooperation at the multilateral forums. The Joint Statement on cooperation on international terrorism noted that terrorism is not acceptable in any circumstance. Both countries called for early conclusion of negotiations and adoption of the Comprehensive Convention on International Terrorism in the United Nations, which is perceived to be 'an ideal platform for a global alliance of nations against international terrorism'.<sup>11</sup> They welcomed the UNSC resolution 2249, which calls for necessary measures against the threats of the Daesh or IS. The Joint Statement on Counter Terrorism calls for comprehensive measures ranging from ending terror financing, dismantling terror infrastructure and preventing the supply of arms.<sup>12</sup> It calls for decisive actions against the Lashkar-e-Tayibba, Jaish-e-Mohammad, Hizb-ul-Mujahideen, Haqqani Network and other terrorist groups.<sup>13</sup> India and France recognized that the terrorist activities from across Afghanistan borders pose serious threats to peace, security and stability of Afghanistan.

### **Defence Cooperation**

Modernization of Indian defence forces is the priority of the Narendra Modi government. Prime Minister Modi has promised to speed up the defence procurement and indigenization of defence manufacturing. The 'Make in India' programme aims at 'promoting self-reliance, indigenisation, technology upgradation and achieving economies of scale and developing capabilities for exports in the defence sector.'<sup>14</sup> India is likely to invest more on defence in the future. According to a report from Information Handling Services (IHS) Jane's Defence Budget, India would become the fourth biggest defence spender by 2020. It will be only behind the US, China and Russia and ahead of France, Japan and the UK. The IHS Jane's Defence Budget also projects that India's defence spending would reach US \$65.4 billion in 2020.<sup>15</sup> India is a major market for international defence industry. The geostrategic environment and the 'parlous state of much of its inventory'

points out that the country would be investing in new fighter aircrafts, attack helicopters, howitzers, submarines and aircraft carriers and other programmes.<sup>16</sup>

Defence cooperation is thus a crucial area of cooperation between India and France. Enhanced political relations between the two countries helped to develop defence cooperation. During Cold War era, France sold weapons to India. It was basically a 'buyer-seller'<sup>17</sup> relation. After the Cold War, India-France defence cooperation has gradually expanded. The strategic partnership calls for extensive defence cooperation between the two countries. India and France relations have expanded in the areas of joint military exercise, arms sales, research & development. For instance, technological cooperation in the areas of light aircraft engines, tank technology, etc have been developed.<sup>18</sup>

During the visit of President Hollande, there was talk on Rafale deal. Prime Minister Narendra Modi said that he had ordered 36 'ready-to-fly' Rafale fighter jets to modernize Indian warplane fleet.<sup>19</sup> France is also negotiating with Saudi Arabia and Egypt to sell the Rafale fighters.<sup>20</sup> Prime Minister Narendra Modi said, "We have completed an inter-governmental agreement for the purchase of 36 Rafales, with the exception of the financial aspects."<sup>21</sup>

Cooperation with France will be helpful in enhancing the defence manufacturing base in India. Defence manufacturing is the key to 'Make in India' programme. For instance, French company, DCNS, is reportedly in negotiations with the Indian companies for collaboration in manufacturing in India.<sup>22</sup> France has shown interest in intensification of cooperation in collaboration in defense technologies and research and development. Apart from defence cooperation, India and France have frequent military exercises, which are highly appreciated. Their recent military exercise included the component of countering terrorism.<sup>23</sup>

### **Trade and Investment**

Just a week before his departure to India, President Hollande declared that France is under a 'state of economic emergency'.<sup>24</sup> The country appears to be in a difficult phase. The

unemployment rate is above 10 per cent, marginally higher than 9.8 per cent EU average. French economy registered economic growth in 2015, which broke the stagnation of three years. Economic growth of one per cent is unable to absorb the young and fulfil the employment opportunities.<sup>25</sup> The European neighbourhood remains unstable. The spill-over effect of crises in the adjacent areas has been putting unprecedented pressure on the EU, including France. India is likely to remain one of the fastest growing economies. Economic reforms have further improved the business environment in the country. Although two crucial reform bills - GST and land acquisition have not been passed so far, the overall business climate is improved in the country. French President, among others, needs to look for ways to create jobs for some 3.6 million people back home. He has a presidential elections coming up in 2017. In short, he is up against some real immediate tasks.

Trade and investment remains another top priority for the countries. India's trade in goods with France was 7879 million Euros in 2014. Trade has registered a growth of around 10 per cent from the previous year. Bilateral trade in goods in 2013 was around 7088 million Euros. There are fluctuations in bilateral trade in goods. However, bilateral trade in services has been constantly growing. Trade in services was 1992 million Euros in 2011; it reached around 2922 million Euros in 2013.<sup>26</sup> France is an important partner in terms of investment. It was the ninth largest investor in India in 2014. The total French FDI inflows in India were around US\$ 4.41 billion in 2014. On the other hand, with cumulative FDI inflows amounting to € 410 million, India ranked 47<sup>th</sup> largest foreign investor in France in 2013.<sup>27</sup>

The major emphasis is on the 'Make in India' programme. France has promised to support India's ambitious programme in the manufacturing sector. In the Business meeting with industry leaders, both Modi and Hollande advocated for harnessing the economic opportunities of 'Make in India' programme. Regular business interactions may help to develop understanding about the business environment and facilitate greater economic linkages. France and India have also launched the CEO forum. In the Joint Statement, both leaders appreciated the first meeting of the CEO forum, which was held in a short

timeframe of nine months.<sup>28</sup> As part of 'Make in India' initiative, an agreement was signed between Airbus Group and Mahindra to manufacture helicopters.<sup>29</sup>

### **Infrastructure, Urban Development and Clean Energy**

French President Hollande arrived first in Chandigarh. The master plan of the city was prepared by French architect Le Corbusier. The MoUs for cooperation were signed between Indian and French companies in areas of urban development, urban transport, water and waste treatment and solar energy. Three MoUs were signed under the 'Smart City' theme for city-specific urban development between French Development Agency (AFD) and the governments of Maharashtra, Union Territory of Chandigarh, and Union Territory of Puducherry for the cities of Chandigarh, Nagpur and Puducherry.<sup>30</sup> India and France also signed MoUs to expand cooperation in areas of renewable energy. The agreement between the French Alternative Energies and Atomic Energy Commission (CEA) and Green Ventures was signed for solar projects in the rural areas in India. Another agreement between the CEA and Crompton Greaves was also signed to explore opportunities in solar PV system with storage function for Indian airports.<sup>31</sup> Apart from solar energy, energy efficiency attracts the French businessmen as well. Energy efficiency is helpful in not only saving the energy, but also reducing the consumption of energy. European countries have achieved high level of energy efficiency; thus, their experience would be highly relevant for India.

Railways has been an area of cooperation. Indo-French technological cooperation in the area of railways began in sixties. Both countries cooperated in the areas of electric lines, designs of substations, ancillary facilities and the manufacture of electric locomotives. India has been trying to modernize its railway infrastructure. Indian Ministry of Railways and French National Railways signed protocol for cooperation in April 2015. India and France have identified high speed and semi-high speed trains, station renovation and operations, modernization of current operations and infrastructure and suburban trains as areas of cooperation.<sup>32</sup> French multinational, Alstom has been picked to supply 800 electric locomotives and will also build an electric locomotive factory in Madhepura, Bihar for US\$ 3 billion. The Government of India plans to invest US\$ 137 billion to modernize the railways by 2020.<sup>33</sup>

## Science and Technology

India-France cooperation in science and technology is expanding. Both countries have deepened their partnership in several areas. France could be a crucial partner in nuclear technology as it has advanced nuclear technology and produces 75 per cent electricity through it. France is very active in developing nuclear technology.<sup>34</sup> Nuclear energy would diversify the energy basket and enhance energy security of the country. Although there are challenges in nuclear cooperation between the two countries, France sees India as a potential market for its nuclear technology. Prime Minister Modi and French President Hollande 'encouraged industrial companies to conclude techno-commercial negotiations by the end of 2016 for the construction of six nuclear reactor units at Jaitapur.'<sup>35</sup> The MoU was signed between Nuclear Power Corporation of India Limited (NPCIL) and Areva, France in 2009. The NPCIL and Areva signed General Framework Agreement and Early Works Agreement in 2010. Rehabilitation package agreement has been signed between NPCIL and Maharashtra government in 2010. The MoEF accorded the environmental clearance and Coastal Zone clearance in 2010.<sup>36</sup> The French role would be crucial for India's membership in export control regimes. France has provided support for India's entry into international export control regimes.<sup>37</sup> India and France signed MoUs for expanding cooperation among the institutions engaged in scientific research.

## Conclusion

President Hollande's visit was an important step towards growing cooperation between India and France. Political interactions on crucial issues of security may facilitate greater synergies in their response to global and regional crises. Threats of terrorism and extremism are rapidly growing and a multilateral effort is *sine quo non* for effectively addressing the root causes of the menace. India and France rightly called for denouncement of all forms of terrorism irrespective of their ideologies, religion and political motive. India is focused on modernizing defence and expanding defence manufacturing base. France has the potential to be a crucial partner in defence manufacturing as well as modernization of Indian armed forces. Defence forces of both

countries participate in the bilateral military exercises. These trends reflect a high level of maturity of defence partnership.

Today, France is facing stiff economic challenges. As economic growth is contracted and unemployment rate is high, in this scenario, economic linkages with India would considerably increase. With constant emphasis on economic reforms and making the economic environment more business friendly, India remains an attractive destination for investment. With increasing social base of middle class, India is an important market for France. India is taking up big infrastructure development projects. It is building smart cities and making efforts to provide access to energy to people at affordable price. France is a likely partner to India's development efforts. Cooperation in these areas has the potential to facilitate growth and generate employment opportunities in France.

Science and technology are long-standing areas of cooperation. Both countries are making efforts for expanding cooperation in areas of space and nuclear technologies. India needs to harness all possible legitimate sources of energy to meet the growing requirements. On the other hand, France is eyeing India's nuclear sector. Both countries have made efforts to expand civil nuclear cooperation. On the issues of global importance, Indo-French cooperation is crucial at the multilateral forums and international organizations. France has already extended its support for India's permanent membership of UNSC and membership of multilateral export regimes. France and India also show the commitment for expanding cooperation at the EU level. The joint statement calls for negotiations on the BTIA. The visit of French President has provided impetus to India-France bilateral cooperation as well as it has been helpful in broadening the understanding on global and regional issues of mutual importance.

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*The views expressed are that of the Researcher and not of the Council.*

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## Endnotes

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