



India and Europe: Scope for Breaking New Ground

*Dr. Dinoj K Upadhyay**

Introduction

To provide a much-awaited fillip to India's interaction with Europe, Prime Minister Narendra Modi visited two key member states of the European Union (EU) – France and Germany – from 9 to 12 April 2015. His visit took place in the backdrop of slowdown of India-EU strategic partnership and recent cancellation of India-EU summit. Although New Delhi, reportedly, initiated the process of holding the India-EU summit, it was cancelled due to EU's no response to India's suggestion on dates.¹ 'Logistical reasons'² as given by the European Commission is unlikely, as reports point out that the Italian marine issues and 'future personal ambitions' led to the cancellation. Such approach of the European Commission was criticized within the political establishment of the EU. Neena Gill, Vice-Chair, Delegation for Relations with India, European Parliament, said, "Any deterioration in (India-EU) relations is incredibly unfortunate, given that India is leapfrogging towards major importance on the global scene."³ Scholars point out that the EU's approach to Italian marine case happened to be 'spoilsport' in the India-EU partnership.⁴

There is also an observation that India-EU strategic partnership is 'underperforming'⁵ and India and the EU are not able to arrive at a mutually acceptable solution. As expected, Prime Minister Modi's visit to France and Germany has had more of a 'bilateral'⁶ agenda, but it was appropriate to discuss the current state of India-EU strategic partnership with the two

prominent Member States of the EU. India should convey to its European strategic partners that its judicial process must be honoured, for instance, the Italian marine case is sub-judice. The extra-judicial strategic intervention, therefore, would undermine the virtues of the rule of law and free and fair justice system, which are supposed to be the normative basis of India-EU relations. In such a context, the issue brief argues that Prime Minister Modi's visit to Europe offers scope for breaking new ground in their relationship.

Emphasis on Greater Economic Engagement

Expanding economic engagement and sharing advanced technology were high on Prime Minister Modi's agenda. On his visit to these nations, Prime Minister Narendra Modi himself tweeted, "My France, Germany and Canada visit is centred around supporting India's economic agenda and creating jobs for our youth."⁷ After coming to power, the Prime Minister has emphasized on his reform agenda to revive growth and create an enabling environment for better business prospects in the country. Narendra Modi once argued, "I believe a strong economy is the driver of an effective foreign policy... We have to put our own house in order so that the world is attracted to us."⁸ His programmes ranging from hike in FDI cap in defence and insurance sectors, building smart cities and new infrastructure, *Swachh Bharat Abhiyan*, skill development to urban development are intended to facilitate the comprehensive and overarching 'Make in India' initiative. The 'Make in India' programme has immense potential to revive economic growth, harness demographic dividends and open huge business opportunities and international collaborations as well. On the other hand, the primacy of geo-economic factor has further been enhanced in external relations of the EU and its member states; their domestic economic scenario - internal austerity measures - of the EU and its member states pushes for more external trade promotion.⁹

In the broader ecosystem of contemporary foreign policy, he rightly emphasizes on the 'Look East, Link West' policy, which pushes for the country's greater integration in global value chain,¹⁰ larger and sustained investment and advanced level of technological cooperation. India has been criticized for cumbersome bureaucratic process and 'policy paralysis'. Today, qualitative change in business environment of the country has been well

recognized.¹¹ The credit rating agency, Moody's has upgraded India from 'stable' to 'positive'.¹² During G-20 summit in Brisbane, Herman Von Rompuy, the then President of the European Council, discussed the India-EU Broad-based Trade and Investment Agreement (BTIA) and how it was stalled due to 'lack of political will'. Referring to major reform initiatives taken by his government to push economic growth and create an out-looking approach, Prime Minister Modi said, "There is a new wind of change. Test it for yourself."¹³ In the west as well, India is considered as a 'bright spot in the global economy'.¹⁴

India already shares a vibrant and dynamic relationship with these countries. India and France have been expanding their cooperation in a number of areas ranging from space technology, civil nuclear cooperation to the defence sector. During the visit, a wide range of issues including space cooperation, tourism, international terrorism, smart cities, defence manufacturing, etc. were discussed. As the key element of 'Make in India' initiative, defence manufacturing is an important area of cooperation. With regards to the MMRCA deal, offsets and life cycle cost and technology transfer were the major issues in the disqualification of other contenders. Negotiations on Rafale deal have been stuck on these issues. India and France have, now, decided to buy 36 fighter planes in flyaway condition. Considering urgent operational requirements of the Indian Air Force, India decided to go for government to government deal for speedy delivery of Rafale jets.¹⁵ New Delhi and Paris also moved a step ahead on nuclear energy cooperation. Both countries attempted to bring clarity on all technical aspects of the Jaitapur plant related to price and provisions for risks.¹⁶ India also made an attempt to attract French businessmen to invest in India. Although the figure is not high as Japan, France also announced an investment of two billion euros in the country.¹⁷ French President Hollande extended his support for partnering in infrastructure and urban development.¹⁸

Germany is the largest trading partner in Europe and a major source of advanced technology to India. It has been the 8th largest foreign direct investor in India since 2000.¹⁹ Total German investment in India accounts for approximately \$3.9 billion since August 1991.²⁰ When India embarked on the path of new economic process in early 1990s, Berlin figured as an 'important component' in the larger India-EU framework.²¹ Today, more than

two decades of beginning of economic reforms, Germany would be considered a crucial partner in India's renewed efforts to usher new growth momentum, and consequent socio-economic transformation. The 'Make in India' initiative offers new avenues to expand cooperation in multiple spheres. Germany has strong technological base and vibrant inventive system, which provide huge impetus to its industrial growth. German expenditure on research and development is higher than that of the EU's average. German small and medium-sized enterprises – 'Mittelsand' – are very productive and offer large employment opportunities. Apart from investment, India-Germany cooperation in technology, capacity building, research and development, and promotion of SMEs would be crucial for enhancing prospects of growth in the Indian manufacturing sector and generating more employment in the country. European countries have made substantial progress in the field of cyber security, innovation, start-ups, digital governance, e-governance, etc., in which India can benefit from their experience.²² Both Prime Minister Modi and German Chancellor Angela Merkel called for deepening economic cooperation between the two countries. It is pertinent to note that Germany-India trade accounted for 15.9 billion Euros in 2014, far behind that of Germany and China, which was estimated at close to 154 billion Euros.²³ The German Chancellor Merkel favoured re-launching talks on India-EU FTA. It is perceived that the FTA between India and the EU would have the potential to expand the trade between India and the EU. India has also expressed its readiness to start the negotiations on FTA²⁴, but prospects for its conclusion, as Anand Menon argues, seem to be 'very slim'.²⁵

India's call for pushing the manufacturing sector has not only a favourable domestic environment, but also suits the changing dynamics of global manufacturing centres. For instance, as Zhao Gancheng, Director of South Asia Studies, Shanghai Institute for International Studies, argued, "...the roaring labour costs and stricter environment regulations in China have pushed enthusiastic investors to look away and eye India as a more desirable destination, particularly those from small and medium sized businesses. And the widespread English proficiency in India also gives a fillip to their interest...."²⁶ New Delhi's political message to global investors is loud and clear that 'Make in India' is not a 'mere slogan' for the government. The global business community is getting assurance from the highest political level that the regulatory regime is much more transparent, responsive and stable.²⁷

Strategic Dimension of 'Link West'

Prime Minister Modi's visit was primarily dominated by economic and commercial issues. The strategic issues and current security and humanitarian challenges from West Asia to Afghanistan are also crucial in the relationship with Europe. Although economic engagement will form the 'core' of the India-Europe relations, New Delhi should be also looking towards developing greater synergies at the global level as well as addressing the regional humanitarian and security challenges. India is also keen to expand this relationship beyond economic engagement. The support of France would be crucial in the permanent membership of the UNSC, facilitating greater role for India in the global forums. India has long been a victim of international terrorism. Multicultural societies of India and Europe are anxious about the rise of extremism, fundamentalism and international terrorism. The French President criticized the Mumbai attack mastermind Zaki-ur-Rehman Lakhvi's release by Pakistan.²⁸ Both India and Europe have fundamental political and economic interests in West Asian and African regions. Growing instability, terrorist activities and violence in the African continent and West Asia are matters of great concern for both the countries, which warrant a common approach to effectively deal with these challenges. New Delhi will be hosting Africa Summit this year and wishes to further widen its engagement in West Asia. C Rajamohan argues, "If geographic regions are one way of organising foreign policy, there is no substitute for boosting bilateral ties to a few pivotal countries around the world."²⁹

The Prime Minister's visit to Germany and France raises hope for reenergizing India's interaction with Europe. After assuming office in May 2014, Prime Minister Modi has been proactive in recalibrating India's foreign policy. His foreign visits ranging from the South Asian countries, Japan, Australia and the US, to Indian Ocean Countries or participation in the multilateral and regional summits were considered to be successful in enhancing India's relations with the respective countries. Intellectual discourses on the Europe-India interactions reflect that Prime Minister Modi's tour to Europe was a positive development in shaping the future course of relations. A vibrant 'Link West' policy would effectively complement the 'Act East' policy³⁰ in facilitating the country's economic development, technological advancement and political stature on the international arena. The growing middle class in the country wishes more global exposures in areas of education, skill

development, professional activities, tourism, etc. The European economy would be greatly benefitted if they adopt a judicious approach with a viable business model in harnessing such business potentials and shaping the aspiration of the Indian society. Agreements signed with France and Germany from education to skill development to urban development have much relevance to social and professional aspects of younger generation of the country.

Conclusion

The European Central Bank has raised this year's eurozone growth forecast to 1.5 per cent, up from one per cent,³¹ and the German government annual report says that economy is also in a 'good state'³². But there would be diversity in economic performance in eurozone. Considerable change has already been noticed in the political trends in Europe. The rise of Eurosceptic and far-right parties in elections to the European Parliament 2014 was termed as a "political earthquake".³³ The political base of traditional parties seems to be shifting. Geo-political competition between Russia and the EU over Ukraine adds strategic concerns in the region. How New Delhi will shape its relationship with Europe amidst such political and strategic scenarios will depend on its policy objectives and future synergies in its approach towards regional and global issues. Both countries – France and Germany – are of significance not only in contributing to economic transformation of India, but also in facilitating India's aspiration for greater role at the global stage. India's democratic credentials, demographic dividends and economic vibrancy would be imperative in developing greater compatibility with European political and economic values and policies at both the bilateral and global levels. Expanding the economic linkages with emerging markets offers substantial opportunities for European nations to spur their economic growth. An European Commission paper on trade, growth and jobs explicitly notes that trade has become 'an important means of achieving much needed growth and creating jobs without drawing on public finances' in current economic crisis. '... (Trade) links Europe to the new global growth centres and is a unique source of productivity gains.'³⁴ India could be a major market with huge middle class populace and governed by the democratic system based on liberal values, which are similar to the West. Prime Minister Modi's visit has given big boost to the 'Link West' policy. The agreements signed and commitments expressed in the negotiations have potential for

breaking new ground in India's partnership with Europe, but their effective and speedy transformation into reality would hold the key.

**Dr. Dinoj K Upadhyay is Research Fellow at the Indian Council of World Affairs, Sapru House, New Delhi.*

Disclaimer: Views expressed are of author and do not reflect the views of the Council.

Endnotes

¹ Haidar, Suhasini, "Modi Scraps Brussels Visit", *The Hindu*, 16 March, 2015. <http://www.thehindu.com/todays-paper/modi-scraps-brussels-visit/article6997080.ece> (Accessed April 5, 2015).

² O'Brien, James, "Deterioration of EU-India Relations would have 'Dire' Consequences", *The Parliament Magazine*, 24 March, 2015. <https://www.theparliamentmagazine.eu/articles/news/deterioration-eu-india-relations-would-have-dire-consequences> (Accessed April 5, 2015).

³ Ibid.

⁴ Mukherjee, Bhaswati, "Italy Plays the Spoilsport", *The Tribune*, April 28, 2015. <http://www.tribuneindia.com/news/comment/italy-plays-the-spoilsport/73097.html> (Accessed April 29, 2015); Sindhu, WPS, "Narendra Modi Engages Europe, Sans the Union", *Livemint*, April 26, 2015. <http://www.livemint.com/Opinion/h17gtBQPTDj2vgpb2hPEeN/Modi-engages-Europe-sans-the-Union.html> (Accessed April 28, 2015).

⁵ Solana, Javier, "The European Union and India", India-US Policy Memo, Brookings, September 2014. <http://www.brookings.edu/~media/research/files/opinions/2014/09/23%20us%20india%20policy%20memo/23%20eur%20ocean%20union%20india%20solana.pdf> (Accessed December 29, 2014).

⁶ Ram, Vidya, "Business as Usual with Europe", *Business Line*, 1 April, 2015. <http://www.thehindubusinessline.com/opinion/columns/vidya-ram/business-as-usual-witheurope/article7058202.ece> (Accessed April 2, 2015).

⁷ Prime Minister Office, Government of India, "PM Tweets about His Upcoming 3-Nation Tour", March 28, 2015. http://pmindia.gov.in/en/news_updates/pm-tweets-about-his-upcoming-3-nation-tour/ (Accessed April 3, 2015).

⁸ Brookings, "Experts Discuss Historic BJP and Narendra Modi Victory in India's Elections", May 19, 2014. <http://www.brookings.edu/blogs/brookings-now/posts/2014/05/experts-discuss-historic-bjp-narendra-modi-victory-india-elections> (Accessed April 5, 2015). Sahoo, Niranjana, "Decoding Modi's Foreign Policy", *The Carnegie Endowment*, September 23, 2014. <http://carnegieendowment.org/2014/09/23/decoding-modi-s-foreign-policy> (Accessed March 7, 2015).

⁹ Youngs, Richard, *The Uncertain Legacy of Crisis: European Foreign Policy Faces the Future*, Carnegie Endowment for International Peace, Washington, 2014, p. 51.

¹⁰ Mishra, Asit Ranjan, "Narendra Modi Says India Should Link West, Look East", *Live Mint*, September 26, 2014. <http://www.livemint.com/Industry/PE5PkzPctbNXPe7njhTppM/Narendra-Modi-says-India-should-Link-West-Look-East.html> (Accessed April 6, 2015).

¹¹ The observation is based on various interviews with industry and business leaders and CEOs, published in national dailies after Prime Minister Narendra Modi came to power in May 2014.

¹² Choudhury, Suvashree and Dasgupta, Neha, “Moody's Raises India Outlook to 'Positive', Edges toward Ratings Upgrade”, *Reuters*, April 9, 2015. <http://in.reuters.com/article/2015/04/09/india-moody-s-idINKBN0N004S20150409> (Accessed April 15, 2015).

¹³ Iyer, P Vaidyanathan, “Meanwhile, He Tells EU: Wind of Change, Test It”, *Indian Express*, November 15, 2014. <http://indianexpress.com/article/india/india-others/meanwhile-he-tells-eu-wind-of-change-test-it/> (Accessed April 2, 2015).

¹⁴ “IMF Chief Hails India as ‘Bright Spot’ in World Economy”, AFP, March 16, 2015. <http://www.businessinsider.com/afp-imf-chief-hails-india-as-bright-spot-in-world-economy-2015-3> (Accessed April 10, 2015).

¹⁵ “India to Buy 36 Rafale Jets in Ready Condition”, *The Hindu*, April 10, 2015. <http://www.thehindu.com/news/national/prime-minister-narendra-modis-visit-to-france/article7090006.ece> (Accessed April 11, 2015).

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Sanjai, P R, “Narendra Modi Orders 36 Rafale Jets, Signs 17 Agreements with France”, *Live Mint*, April 10, 2015. <http://www.livemint.com/Politics/j2pvz6bOAL6DUz9lnUnmxM/India-expects-progress-in-Rafale-deal-talks-with-France-as-M.html> (Accessed April 12, 2015).

¹⁹ Ministry of External Affairs, GoI, India-Germany Relations, December 2014. http://www.mea.gov.in/Portal/ForeignRelation/Germany_Dec2014.pdf (Accessed April 16, 2015).

²⁰ Embassy of the Federal Republic of Germany, “German Investment in India”, http://www.india.diplo.de/Vertretung/indien/en/10__Economy/bilateral/German__Investment__in__India.html (Accessed May 8, 2015).

²¹ Kapur, Harish, *Foreign Policies of India's Prime Ministers*, New Delhi: Lancer International, 2009, p. 307.

²² The Economic Times, “India, European Union Strike new 'Digital India' Partnership”, April 15, 2015. http://articles.economictimes.indiatimes.com/2015-04-15/news/61180377_1_india-inc-technology-and-innovation-smart-cities (Accessed May 6, 2015).

²³ DW, “Modi, Merkel Seek Deeper Trade Ties at Hannover Messe”, April 13, 2015. <http://www.dw.de/modi-merkel-seek-deeper-trade-ties-at-hannover-messe/a-18377297> (Accessed April 15, 2015).

²⁴ Euractiv, “India Ready to Revive Trade Talks with the EU”, March 24, 2015. <http://www.euractiv.com/sections/trade-society/india-ready-revive-trade-talks-eu-313191> (Accessed April 15, 2015).

²⁵ Ram, Vidya, “Business as Usual with Europe”, *Business Line*, 1 April, 2015.

²⁶ Krishnan, Ananth, “Modi's Europe Trip Could Lure Investors Away from China, Says Beijing Scholar”, *India Today*, April 9, 2015. <http://indiatoday.intoday.in/story/modi-europe-trip-could-lure-investors-away-from-china/1/429361.html> (Accessed April 15, 2015).

²⁷ Mukhopadhyay, Priyam, “Join Our National Movement of Make in India: Modi”, *The New Indian Express*, April 13, 2015. <http://www.newindianexpress.com/business/news/Join-Our-National-Movement-of-Make-in-India-Modi/2015/04/13/article2762170.ece> (Accessed April 15, 2015).

²⁸ NDTV, “Deeply Shocked at 26/11 Mastermind Zaki-ur-Rehman Lakhvi's Release: French President Francois Hollande”, April 11, 2015. <http://www.ndtv.com/world-news/deeply-shocked-at-26-11-mastermind-zaki-ur-rehman-lakhvis-release-french-president-francois-hollande-754014> (Accessed April 12, 2015).

²⁹ Rajamohan, C, “Modi and the Middle Powers”, *Indian Express*, April 9, 2015. <http://indianexpress.com/article/opinion/columns/modi-and-the-middle-powers/> (Accessed April 14, 2015).

³⁰ Chaulia, Sreeram, “Complementing 'Act East': PM Modi's Visit to Europe & Canada an Opportunity to Push 'Link West' agenda” *The Economic Times*, April 12, 2015. http://articles.economictimes.indiatimes.com/2015-04-12/news/61066324_1_pm-modi-act-east-narendra-modi (Accessed April 14, 2015).

³¹ BBC, “ECB Raises Eurozone Growth Forecast to 1.5% for 2015”, March 5, 2015. <http://www.bbc.com/news/business-31750117> (Accessed March 25, 2015)

³² Thomas, Andrea, “Germany Raises 2015 Growth Forecast on Jobs, Consumption”, *The Wall Street Journal*, January 28, 2015. <http://www.wsj.com/articles/germany-raises-2015-growth-forecast-on-jobs-consumption-1422442887> (Accessed April 2, 2015).

³³ BBC “Euro-sceptic ‘Earthquake’ Rocks EU Elections”, May 26, 2014. <http://www.bbc.com/news/world-europe-27559714> (Accessed April 2, 2015).

³⁴ European Commission, “Trade, Growth and Jobs: Commission Contribution to the European Council”, February 2013. http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_151052.pdf (Accessed April 20, 2015).
