



Emerging Dynamics of India-France Relations

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In his quest for strengthening economic ties and expanding defense cooperation, President of France Francois Hollande visited India on 14-15 February 2013. Hollande's visit was particularly important at the time of persisting European economic crisis, recent big ticket economic reforms in India, Arab Spring, security transition in Afghanistan, French intervention in Mali etc. Although New Delhi and Paris discussed several issues of global, regional and bilateral importance ranging from Afghanistan, Mali, Indo-Pacific, international terrorism and cyber security, the emphasis was on expanding the bilateral cooperation in the economic and defense sectors. Both countries explored the possibilities to further enhance cooperation in the areas of defense, civil nuclear energy, space, counter-terrorism, infrastructure development, energy etc. In the light of the current economic crisis and the likelihood of France not being able to achieve its economic growth target of 0.8 percent, India and France need to expand their economic relations.

Economic ties are the primary determinant of the India-France relations. During the visit, several issues were discussed and new avenues of cooperation were explored by the two sides to give economic ties a push and to boost the bilateral trade. India's trade with France increased to 7.46 billion euro in 2011 but it declined by 3.71 per cent in the first ten months of 2012. Today, as both countries are exploring possibilities to expand economic engagement, they need to

diversify their business basket and create new opportunities to expand trade linkages. President Hollande invited Indian entrepreneurs for investment in France. India is the 13th largest foreign investor in France. On the other hand, France is the 9th largest investor in India.

Defense and civil nuclear energy are important areas where India and France held discussions on expanding cooperation. Both the countries reaffirmed their commitment to implement the landmark agreement on civil nuclear cooperation signed in 2008. India and France have already signed the Memorandum of Understanding (MoU) in 2009 for setting up of six 9900-MW nuclear reactor units at Jaitapur in the State of Maharashtra. Despite opposition from civil society organizations on techno-economic grounds and safety issues of nuclear plant in Jaitapur, India and France have decided to continue with the projects.

Defense cooperation is a major area of India-France partnership. India and France are negotiating one of the largest defense deals, Rafale, that accounts for \$ 10 billion. The project will be immensely helpful in modernising Indian Air Force. On the other hand, it will be a big boost to defense industry in France. India and France reiterated their desire to cooperate in high technology programmes, joint research and development, and transfer of technology. At the global level, India and France agreed to cooperate on counter terrorism, piracy, Afghanistan and Mali.

As business has been high on the agenda, India and France should explore areas such as infrastructure development, solar energy, information and communication technologies, and joint research and development programmes to expand their economic engagement. Indian IT companies are actively looking to increase their base as service providers in European markets, particularly in France and Germany. As the current economic conditions are not good in Europe, European companies are trying to minimize their expenses, and this would provide opportunities for Indian companies to penetrate into the European market.

French companies are interested in infrastructure and renewable energy sectors in India. India's urban population grew from 290 million in the 2001 to 340 million in 2008 and is expected to soar to 590 million by 2030. As Indian economy is targeting high growth, it needs to develop new infrastructure, and it is expected that up to one trillion US dollar is required to set up infrastructure in the Indian cities. India is expecting investment from private sectors during

the 12th Five Year Plan (2012-17). Accordingly, India has also reformed its regulatory framework which allows 100 per cent FDI in most of the infrastructure sectors. Infrastructure development would provide a good opportunity for investment by French companies under the public private partnership (PPP).

India has also emerged as a strategic market for global solar companies. Rising demand, abundant sunshine, conducive political atmosphere and regulatory framework, are a catalyst for India's solar market. The National Solar Mission under the National Action Plan on Climate Change aims to deploy 20,000 MW of grid-connected solar power generation and 2000 MW off-grid applications by 2022. With a wider portfolio of customers, a growing manufacturing base and an effective supply chain, the Indian renewable energy sector is an attractive destination for investment. French companies should look for viable technological and business solutions to tap the Indian market, particularly in rural areas.

To sum up, President Hollande's visit provided an impetus to Indo-French strategic partnership. India was his first destination to Asia, which shows that New Delhi is a priority of French foreign policy. In the light of economic crisis, he rightly pressed for boosting trade and economic relations that will spur economic growth and create employment opportunities in his country. Recent trends reflect that India and France would like to develop synergies for expanding economic and defense ties. Both India and France should work further to expand ties in the areas of education, tourism, cultural exchanges that will create an appropriate social and political environment for vibrant business opportunities. Raising people's awareness would also help to expand ties beyond the government to government level.

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