



India and Central-Eastern Europe: Building a Synergized Relationship

*Dr. Dinoj K Upadhyay and Patryk Kugiel**

Introduction

India and Central-Eastern Europe (CEE)¹ have witnessed significant political and strategic changes since the end of the Cold War. They have recalibrated their foreign policy to appropriately address the challenges of the new global order and domestic changes, particularly economic reforms. Strategic dynamics of the bipolar system, ideological proximity and compatible world view had played a crucial role in nurturing a close partnership between India and the CEE countries during the Cold War. New Delhi shared a multifaceted and dynamic relationship with the Eastern bloc of Europe in the Soviet era, which seems to be missing in the 21st century.

As a part of the European Union (EU), the Eastern European countries do not have leading role in shaping the India-EU strategic partnership, which is itself 'underperforming'.² At the bilateral level, India and Eastern European countries have not figured high on their respective foreign agenda for the last two decades. However, economic reforms in the CEE as well as India offer numerous opportunities for cooperation. Although current geostrategic developments in the European landscape have complicated the political scenario at the global level, this issue brief argues that both India and the CEE countries need to reenergize their partnership to harness the potential in various spheres.

Dynamics of India-CEE Relations

India and CEE countries nurtured their relations on the basis of shared values and mutually beneficial trade and defence partnership. There was no serious conflict of interests between them. As a friend of the erstwhile Soviet Union, India developed vibrant trade, defence, and cultural and educational linkages with CEE countries during the Cold War. A. Olshany noted that trade and economic cooperation between the CMEA members and India was based “on respect for sovereignty, on equality, mutual benefit and non-interference in internal affairs.”³ The end of the Cold War and the subsequent changes in the international order had transformative impact on India-CEE relations. Traditional camaraderie and the socialist ideals have, however, disappeared after the disintegration of the Soviet Union. Post-communist states entered the phase of systematic transition and gradual integration with the North Atlantic Treaty Organization (NATO) and the EU. Developing countries, including India, offered little strategic and economic interests for CEE countries. Special relations between state-owned companies, planned trade and interactions underpinned by rupee clearing agreements ceased to exist causing significant decrease in trade relations and economic cooperation in the 1990s. Further, the economic growth of CEE also stagnated.

On the other hand, India also witnessed economic and political changes in its domestic politics and the process of economic reforms started in 1991. The year 1991 was also considered as a ‘turning point’⁴ in the Indian foreign policy. New Delhi sought to expand its cooperation with the West. India and the EU signed strategic partnership in 2004 to foster comprehensive cooperation at the bilateral level and better policy coordination at the multilateral level. This has yielded limited success in harnessing potential areas of mutual cooperation. The thirteen CEE countries have joined the EU since 2004, but it hasn’t brought positive changes in the relationship with New Delhi. Although EU-13 countries like to underline their membership in the unified European power to raise their international standing, India soberly assesses the weak influence of new members on European external policy and prefers to talk about India-EU relations with the strongest countries of the ‘old Europe’, namely Germany, the UK and France. Relations conducted once in the shadow of India-USSR partnership are now, probably, developing under the India-EU relations umbrella.

India-CEE political and economic interactions are relatively less frequent and limited. India has diplomatic relations with all EU-13 members, and all of them have their Embassies in Delhi. Although the political framework with EU-13 has gradually expanded with most of the countries and India being engaged regularly in foreign office consultations. However, the talks seldom take place at the highest level. There are quite low-level and irregular political interactions between India and CEE countries. It is also noted that the Indian Embassies in CEE countries are understaffed.

The economic engagement is the ‘core of India-EU strategic partnership’.⁵ The Western Europe holds majority of India’s trade and investment. It remains a more attractive destination for Indian students as well as tourists. India’s trade with EU-13, which reached 3.9 billion Euros in 2013, accounts for only 5.4 per cent of the total EU-India trade, which was 72.7 billion Euros in 2012-13. The volume of trade is below the potential of the region, which has one fifth of the EU’s population. It’s share in the EU-28 trade is almost nine per cent.⁶ The EU-13, unlike ‘old Europe’ is not seen as a potential source of investment and advanced technology to India. Despite growing interest of Indian Inc., the region still gets a small share of Indian investments in entire Europe.⁷ The CEE gets only 6.3 per cent of Indian tourist arrivals in Europe; on the contrary, Western Europe attracts 63 per cent of Indian tourists.⁸ None of the countries from CEE is among India’s top 50 trade partners. Poland ranks at 65th, the Czech Republic ranks 66th, Malta positions at 70th and Romania is placed at 73rd position. Similarly, India is not considered as a major trade destination for any of EU-13 member states. Their economic engagement primarily occurred with the EU member states. The region is not a source of strategic and mineral resources or high-tech products.

Exploring New Horizons in India-CEE Relations

Changes in the global and regional landscapes in Europe and the domestic scenarios in India and CEE have opened up new vistas for cooperation. Economic reforms in the Indian and Central-Eastern economies have unleashed latent potential of development. Consequently, India and CEE countries have achieved remarkable economic growth over the last two decades. CEE countries are pursuing a systematic reform process to further integrate with the global economy and the new government led by Narendra Modi has been pursuing a proactive policy of economic reforms as

well as economic diplomacy. It has highlighted the importance of Europe in its foreign policy agenda. In his address to the Joint Session of Parliament, the Honourable President of India, Shri Pranab Mukherjee said, “India (also) values its broad-based cooperation with Europe. The government will make concerted efforts to achieve progress in key areas with the European Union as well as its leading members.”⁹ It is important now that India should look beyond the largest EU states from the Western Europe and utilize the latent potential of cooperation in the CEE countries.

Political Cooperation

Traditionally, CEE countries and India used to present similar perspectives in major international forums and often extended support for each other’s initiatives. Their interests also resemble on global issues, such as climate change. In the broader context, based on the democratic principles, both India and CEE envision a multi-polar world order. They share a vision for peace and prosperity through democratic means and rule based global system. In order to augment its presence in the region, India should develop a regional approach and strengthen political interactions with CEE countries. Frequent meetings with CEE country leaders at the global forums, such as EU-India summit, United Nations General Assembly, other multilateral forums would create an atmosphere for enhancing the cooperation. Frequent visits by political leaders to Eastern Europe should be encouraged. India may seek and get support in the EU-13 countries on crucial global issues, such as UNSC reform, climate change, international terrorism, peace and stability in politically restive regions, such as Afghanistan, etc.

Economic Cooperation

Economic and commercial linkages would be the primary factor for strengthening India-CEE relations in the 21st century. As discussed above, economic engagement between India and CEE remains untapped so far. As India has traditionally focused on Western Europe, it can pay more attention to the “new Europe”. It is worth noting that combined EU-13 member states have a population of 105 million, but its combined size of GDP was US\$ 1350 billion in 2012.¹⁰ This region’s total merchandise export was US\$ 719 billion in 2012. The EU-13 has achieved faster growth in the EU. The region is considered as one of the most attractive FDI destination. Accession to the EU and steady inflow of structural funds helped these countries to build stable political

systems, improve infrastructure and introduce strong regulatory framework, transparency and business friendly environment. As observed by Indian companies present in the region, “(The) power of purchase of the EU market can be exploited by locating in CEE markets and the rate of return on investment was significantly higher in the CEE than in Western Europe.”¹¹ Indian IT companies see opportunities for ‘talent and captives’ in Eastern Europe. As majority of business opportunity comes from Western Europe, Indian IT companies use Eastern Europe as ‘a delivery location to cater to Western European countries’.¹² It has also been realized that Eastern Europe has strong engineering talent base, so the Indian IT major would also be interested in utilizing this human resources base.¹³

India and CEE have much to offer to each other. Both regions have maintained resilient economic performance despite global economic turmoil. There are many complementarities of interests and mutual benefits and dependencies. Both India and the CEE region's economic fundamentals remained strong and the infrastructure development and power sector are on a fast track mode, opening up business opportunities.¹⁴ A report from McKinsey Global Institute noted that CEE countries have ‘stable macro-economic environment, highly educated yet affordable workforce, favourable business environment and strategic location’; therefore, they are more attractive destinations for investment.¹⁵

There is a need for business groups from CEE to become stronger in the India-EU economic interactions through formal mechanisms and ad hoc initiatives. The India-EU Broad-based Trade and Investment Agreement (BTIA) could not conclude 15 rounds of negotiations since 2007. Prime Minister Narendra Modi and Herman Van Rompuy, the President of European Council discussed the BTIA in a meeting at Brisbane.¹⁶ They discussed the India-EU FTA, which has the potential to enhance the economic and commercial relations, and as part of the EU, CEE countries can benefit from the FTA between India and the EU.¹⁷ The EU-13 countries, which have still more to gain than to lose from broad India-EU FTA, could possibly form united position within the EU to press for a swift conclusion of negotiations. The region has still important comparative advantages, i.e., skilled and cheaper labour force to get larger share in India’s economic cooperation.

India and EU-13 countries may also consider establishing a Joint Working Group or Special Task Force to examine widely existing potential to increase trade, investment and movement of people. This body should be composed by high level representatives from ministries responsible for economic cooperation and business from CEE countries and India. This can localize priority sectors for cooperation and propose new instruments and ideas for strengthened economic cooperation. Another idea worth exploring is a regular regional India-CEE Economic Forum to discuss comprehensively prospects for new initiatives in different fields. First, such a forum, the India-Central Europe Business Summit (ICEBS), was already organized on 25-27 March 2014 in New Delhi. There are plans to make it an annual meeting of businessmen and policymakers from both regions.¹⁸ If it is properly managed and is able to provide implementable recommendations, it can be a useful mechanism to enhance economic interactions.

Energy, defence, and infrastructure can be major areas of cooperation between India and CEE countries. Poland, for instance, as a prominent economy of Europe, has a lot to offer in areas of defence and energy cooperation. Coal will remain the primary energy source for India. India-Polish cooperation in the areas of coal, mining and related technologies has immense potential. Energy efficiency, capacity building, renewable energy, etc. are also crucial areas in which India and Poland can expand their cooperation. India-Poland cooperation can also be useful in shale gas. The new government in India has raised the FDI cap in the defence sector. India has also emphasized on the development of a national manufacturing base. The new government in India has also cleared big defence projects. India and Poland had defence cooperation in the past. Hence, it would be imperative for both to harness the opportunities available in this through joint ventures, investment and technology transfer.

People-to-People Contacts – Educational, Cultural and Scientific Cooperation

Academic exchanges, civil society interactions and people-to-people contacts need to be promoted to develop a symbiotic relationship. In comparative terms, awareness about the CEE as well as EU in India is still limited. Similarly, knowledge about India is very low in the CEE countries. The CEE region has rather small Indian Diaspora of less than ten thousand people.¹⁹ There is little media coverage of Eastern Europe in Indian media and vice versa. Although India and Europe are

expanding interactions among the universities and academic research institutions, Indian and EU research programmes should be interlinked on issues of pharma, agriculture, food processing, climate change, renewable energy and clean technology. The India-EU cooperation should be aimed at developing advanced technology at an affordable cost. Dinkar Khullar, the then Secretary (West), Ministry of External Affairs, Government of India, also opined that India and Central European countries can mutually benefit by focusing on science and technology, innovation and research and development.²⁰ India is taking initiatives to promote its culture in the CEE countries, though there is still place for more systematic and regular activities to strengthen India's image across the region. Moreover, India's cultural centres and Indian Council of Cultural Relations (ICCR) chairs in universities and institutions across the region would be a useful initiative. In addition, India and CEE countries should form a joint forum for cooperation in science and technology.

India and CEE countries should also engage in serious dialogue on easing visa restrictions to facilitate frequent and easy people-to-people interactions. Direct flights between New Delhi and regional capitals would facilitate travel as well as send a symbolic signal underlining the importance of the region. More collaboration between journalists and media persons or filmmakers would help to raise general awareness about the partners and overcome old stereotypes. Finally, academicians and experts also have a role to play in explaining similarities and differences between them.

Concluding Remarks

Today, there is greater desire to enhance the multifaceted partnership between India and the CEE countries. A proactive policy approach from both sides would be crucial in expanding the relations and economic and social linkages. India's Europe policy needs to be reenergized, and should be appropriately balanced in terms of East and West Europe. Current political frictions between Russia and the EU over Ukraine would have implications on broader trade and economic engagements with Europe, but its strategic implications would be beyond Europe and Russia. When the new government in Delhi emphasizes on economic diplomacy to build the infrastructure, spur economic growth and promote inclusive development, it seems to be an appropriate moment for reviving India's interaction with the CEE countries and the EU.

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

*Patryk Kugiel is a Senior Research Fellow at the Polish Institute of International Affairs, Warsaw.

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

Endnotes

¹ There is no universal definition of Central Eastern Europe (CEE). In this paper, the CEE refers to 13 countries of Central Eastern Europe, which joined the European Union in 2004 and have several historical and political similarities. In this paper, Balkan states, post-Soviet states have not been included within the ambit of Central Eastern Europe.

² Solana, Javier. “The European Union and India”, *Brookings*, India-US Policy Memo, September 2014. <http://www.brookings.edu/research/opinions/2014/09/23-european-union-india-solana> (Accessed 24 September, 2014).

³ Olshany, A. “India and CMEA”, in Bhatia, Vinod (ed.) *India and the Socialist World: New Trends in Trade and Economic Cooperation*, (New Delhi: Panchsheel Publishers, 1988), p. 20.

⁴ Mukherjee, Rohan and David M. Malone. “Indian Foreign Policy and Contemporary Security Challenges”, *International Affairs*, 2011, 87 (1), p. 89.

⁵ Sachdeva, Gulshan. “India-EU Economic ties: Strengthen the Core of the Strategic Partnership”, in Peral, Luis and Vijay Sakhuja (eds.) *India-EU Partnership: Time to Go Strategic*, EUISS and ICWA, 2012.

⁶ “Eurostat, Easy Comext”. International Trade Dataset. <http://epp.eurostat.ec.europa.eu/newxtweb/> (Accessed October 20, 2014).

⁷ Goyal, Tanu M. and Arpita Mukherjee. “Indian Investment in Eastern Europe: Prospects, Issues and the Way Forward”, *CARIM-India RR 2012/18*, Robert Schuman Centre for Advanced Studies, San Domenico di Fiesole (FI), European University Institute, 2012. http://cadmus.eui.eu/bitstream/handle/1814/24840/CARIM-India_RR2012-18.pdf?sequence=1 (Accessed November 5, 2014).

⁸ Gopalan, Sasidaran. “Mapping India-EU Tourism Flows”, *CARIM-India RR 2013/15*, Robert Schuman Centre for Advanced Studies, San Domenico di Fiesole (FI): European University Institute, 2013.

⁹ Address by the President of India, Shri Pranab Mukherjee to Parliament at the Central Hall of Parliament, New Delhi, President’s Secretariat, 9 June 2014, <http://pib.nic.in/newsite/erelease.aspx?relid=105494> (Accessed November 5, 2014).

¹⁰ World Development Indicators, World Bank, Last Updated: October 17, 2014.

¹¹ The First India-Central Europe Business Forum, March 27 and 28, 2014, New Delhi, The Outcome Report, FICCI, Ministry of Commerce and Industry, Government of India, 2014, p. 15. <http://www.ficci-indiace-businessforum.com/> (Accessed November 5, 2014).

¹² Nandakumar, Indu and Jochelle Mendonca “Indian IT Companies Look to Eastern Europe for Talent, Captives”, *The Economic Times*, April 30, 2014. http://articles.economictimes.indiatimes.com/2014-04-30/news/49523646_1_continental-europe-ulrich-meister-eastern-europe (Accessed November 5, 2014).

¹³ Ibid

¹⁴ The First India-Central Europe Business Forum, March 27 and 28, 2014, New Delhi, The Outcome Report, FICCI, Ministry of Commerce and Industry, Government of India, 2014. <http://www.ficci-indiace-businessforum.com/> (Accessed November 5, 2014).

¹⁵ McKinsey Global Institute. “New Dawn: Reigniting Growth in Central and Eastern Europe”, December 2013. http://www.mckinsey.com/insights/economic_studies/a_new_dawn_reigniting_growth_in_central_and_eastern_europe (Accessed November 5, 2014).

¹⁶ 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 November 18, 2014).

¹⁷ Sachdeva, Gulshan. “In Economic Terms, the EU Should Matter a Lot More”, *The Hindustan Times*, October 26, 2014. <http://www.hindustantimes.com/comment/analysis/in-economic-terms-the-eu-should-matter-a-lot-more/article1-1279158.aspx> (Accessed November 10, 2014).

¹⁸ Ministry of External Affairs, Government of India, *Annual Report, 2013-2014*, New Delhi, p. XIII.

¹⁹ Ministry of Overseas Indian Affairs, Population of Overseas Indians, As on May 2012. [http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data\(15-06-12\)new.pdf](http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data(15-06-12)new.pdf) (Accessed November 10, 2014).

²⁰ FICCI. “FICCI-MEA Join Hands to Host India-Central Europe Business Forum”, Press Release, February 7, 2014. <http://www.ficci-indiace-businessforum.com/PressRelease.pdf> (Accessed November 5, 2014).
