

# The European Union and the Indo-Pacific: Exploring the Nexus

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## Summary

*On 19 April 2021, the European Union (EU) released the ‘EU Strategy for Cooperation in the Indo-Pacific’. This strategy, encapsulated in a 10-page document, is the first of its kind, representing a common EU approach to the Indo-Pacific. It is a testament by the EU to the increasing geopolitical importance of the Indo-Pacific region. Following its European partners, the regional bloc is also looking to assume greater responsibility for regional and maritime security. This paper examines the new EU Strategy, the strategic convergence between the EU and India, and the prospects and challenges for EU-India relations.*

## Introduction

The Indo-Pacific region has become a centre of debate over the last decade. Especially in the last few years, many actors have come up with specific approaches denoting their tilt towards the Indo-Pacific and desire to vie for influence in the region. The European Union (EU) is no exception. On 19 April 2021, the ‘EU Strategy for Cooperation in the Indo-Pacific’ was released publicly, representing the first common EU approach to the region. Indeed, the increasing geopolitical relevance of the Indo-Pacific could no longer be ignored by the EU, which was previously opposed to the idea of an EU Indo-Pacific strategy.<sup>1</sup> There is now a realistic assessment of contemporary geopolitics and how the EU, as a significant and sizeable institution, needs to acquire important stakes and influence in the region.

After defining China as a “systemic rival” in 2019, the EU began to find like-minded partners to balance China’s influence. India, a long-time partner of the EU, is one of the key maritime players in the Indo-Pacific, and its huge markets and strong economic potential could not be neglected. However, unlike the United States (US) or the other Quad states, the EU is regarded as a normative rather than military power, which implies that it may rely more on soft power and multilateral cooperation to gain influence in the Indo-Pacific. As stated in its new Indo-Pacific strategy, the EU “intends to reinforce its role as a cooperative partner in the Indo-Pacific, bringing added-value to relations with all its partners in the region.”<sup>2</sup> Interestingly, the document did not mention China at all, and to the media, the EU has

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<sup>1</sup> Frédéric Grare, “The EU’s Indo-Pacific strategy: A chance for a clear message to China and Europe’s allies”, *European Council on Foreign Relations*, 22 April 2021, <https://ecfr.eu/article/the-eus-indo-pacific-strategy-a-chance-for-a-clear-message-to-china-and-europes-allies/?fbclid=IwAR3xhACZ874qsDkDsUPDMDKcfzyxfvzYMjlggnWhY6tMNzklE7WDpCEIaM>.

<sup>2</sup> “EU Strategy for Cooperation in the Indo-Pacific”, *The Council of the European Union*, dated 16 April 2021, publicly released 19 April 2021, <https://data.consilium.europa.eu/doc/document/ST-7914-2021-INIT/en/pdf>.

explicitly expressed that the strategy is “not anti-China”, reflecting its unwillingness to confront its largest trading partner directly.<sup>3</sup>

## **The EU’s Interest in the Indo-Pacific**

Since the term ‘Indo-Pacific’ was popularised, this term had not really entered the EU’s focus until late 2020. The EU’s maritime operations have been traditionally focused on the “two oceans” (consisting of the Atlantic and Arctic oceans) and “four seas” (comprising the Mediterranean Sea, the Black Sea, the Baltic Sea and the North Sea). France, Germany and the Netherlands are the main drivers for the adoption of an EU Indo-Pacific strategy, among which France is the most active. Since 2018, France had incorporated the term ‘Indo-Pacific’ in its public discussions and released a slew of papers in 2019 delineating the French defence strategy in the region. France, in particular, is a resident power of the Indo-Pacific. Due to their own interests, the French have pushed for the adoption of the term ‘Indo-Pacific’ and held discussions at the European level. Subsequently, Germany and the Netherlands published their own national Indo-Pacific strategies in September and November 2020 respectively.

The EU’s new focus on the region is largely driven by economic interests and, to a lesser extent, geostrategic considerations. With the departure of the United Kingdom from the EU following Brexit, the latter has become more ambitious in defending its economic interests. Since Asia is the EU’s second largest export destination and home to four of the EU’s top 10 trading partners, it is natural to deepen economic engagement with this partner. The Indo-Pacific, which is home to 60 per cent of the world’s population and accounts 60 per cent of global gross domestic product, has been identified by the EU as vital for its economic growth, and it has elucidated the need to “strengthen its strategic trade position and level the playing field in the Indo-Pacific”.<sup>4</sup>

## **Seeking an EU-India Economic Partnership**

With the shift of geoeconomics to the Pacific and Indian Oceans, there is now a stronger push for the EU to seek free trade agreements (FTA) with countries in these areas to diversify trade partners and keep economic resilience. Particularly, the EU has sought to enhance trade linkages with India. The two sides began negotiations on a comprehensive FTA in 2007. However, disagreements on trade issues like tariff, intellectual property protection and data protection standards led to the suspension of talks in 2013. Since then, the EU and India have continued to express their willingness to restart the negotiations. The EU-India summit in July 2020 saw the establishment of a High Level Dialogue mechanism for both sides to address multilateral issues of trade and investment relations. The first dialogue was subsequently held in February 2021. Shortly after, the resumption of FTA negotiations was announced during the EU-India leaders’ virtual summit on 8 May 2021. India’s External Affairs Minister, S Jaishankar, who had previously described the talks as potentially the

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<sup>3</sup> “EU sets out Indo-Pacific plan, says it’s not ‘anti-China’” *Reuters*, 19 April 2021, <https://www.reuters.com/world/china/eu-sets-out-indo-pacific-plan-says-its-not-anti-china-2021-04-19/>.

<sup>4</sup> “EU Strategy for Cooperation in the Indo-Pacific”, *The Council of the European Union*, dated 16 April 2021, and publicly released 19 April 2021.

world's "most difficult" negotiations, conveyed that there would be "more than [a] decent possibility" of success.<sup>5</sup>

In fact, the absence of a trade agreement has not hindered the development of bilateral economic relations. The EU is already India's biggest trading partner. Moreover, the COVID-19 pandemic has exposed the vulnerabilities of the EU and India's supply chains, driving them to diversify supply chains and reduce dependence on China. Senior EU officials admit that India plays an important role in the post-COVID-19 world and is an important player in global supply chains. As the world's two biggest markets, the EU and India can tap into each other's huge markets and manufacturing capabilities. The two are expected to explore more avenues for trade.

### **Cultivating the EU-India Connectivity Partnership**

The EU-India leaders' virtual summit on 8 May 2021 witnessed discussions on EU-India plans for a "connectivity partnership" to build joint infrastructure projects in energy, digital and transport sectors, linking Europe and Asia.<sup>6</sup> The EU's desire to build regional connectivity across the continents was previously stated in its adoption of 'Connecting Europe and Asia – Building Blocks for an EU Strategy' in 2018. Furthermore, the bloc published 'Connectivity and EU-Asia Relations' in January 2021 to illustrate the blueprint of connectivity partnerships. While the official rhetoric espoused is that it is not against any other country or region, analysts have observed that the move is primarily to compete with China's Belt and Road Initiative (BRI).

The EU and India can contribute to regional connectivity, especially by investing in ports and infrastructure, particularly in small states. As small states within the region are seeking funds to update infrastructure for economic development, the EU, with its deep historical and cultural connections with the region and sufficient funding, emerges as an important partner for India. The EU and its member states have invested in many ports in Africa while India has invested considerably in neighbouring or extended neighbouring states through the 'Sagarmala' and 'Neighbourhood First' initiatives.

### **EU-India Strategic Convergence in Maritime Security**

Significantly, the EU Indo-Pacific strategy acknowledges that "a meaningful European naval presence" in the Indo-Pacific is important for the future. This stance largely follows the previous publication of the EU's Maritime Security Strategy (EUMSS) in 2014 and Global Strategy in 2016 where maritime issues have been an important component of the EU's agenda.

Notably, there is a strategic convergence between the EU and India on the importance of 'freedom of navigation' and the mutual aspirations of becoming a maritime security

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<sup>5</sup> "Europe's hedge bet: India", *Politico*, 9 May 2021, <https://www.politico.eu/article/europe-eu-india-trade-negotiations-subrahmanyam-jaishankar/>.

<sup>6</sup> Mihir Swarup Sharma, "On Infrastructure, Europe Should Think Bigger Than India", *Bloomberg Opinion*, 7 May 2021, <https://www.bloomberg.com/opinion/articles/2021-05-07/europe-and-india-should-think-bigger-on-infrastructure-finance>.

provider. The Indian Ocean is an important space for the EU and India, where most bilateral maritime cooperation is rooted. Since 2008, the EU and India have enhanced cooperation in terms of anti-piracy and states' capacity building in the western Indian Ocean. In multiple reports such as the 'EU Strategy on India 2018' and 'EU-India Strategic Partnership: A Roadmap to 2025', the EU has consistently called for enhanced convergences and working together to maintain peace, stability, safety and security in the Indian Ocean and the Pacific. The deepening engagement led to the first maritime naval passing exercise between the Indian Navy and the EU Naval Force in October 2017. In 2018, the Indian Navy escorted the ship of the World Food Programme to Somalia in support of the EU's 'Operation Atalanta' for the first time. Both sides launched the inaugural India-EU Maritime Security Dialogue in January 2021, seeking mutual interests in the maritime security domain.

Amongst the EU member states, France is the one working most actively with India in the Indian Ocean. Its interest in the Indian Ocean region has a long history. In May 2018, France proposed the Paris-Delhi-Canberra axis to strengthen defence partnership in the Indo-Pacific.<sup>7</sup> This proposal was given a boost in September 2020 with the first India-Australia-France dialogue on enhancing cooperation in the region.<sup>8</sup> The Indian and French navies have held the annual Varuna exercise in the Indian Ocean since 1983 to strengthen interoperability. In April 2021, the Indian Navy joined in the French-led La Pérouse naval exercise in the Bay of Bengal for the first time.

## Prospects and Challenges

The EU and India have much space for cooperation in the near future. As for opportunities, a promising area of cooperation between the EU and India is on 5G connectivity and financial technology. India and the EU share mutual concerns regarding data governance and security. An interesting example is Huawei. India conducted stringent security assessments on Huawei and allowed Huawei's participation in 5G network tests despite US reservations. However, with the deterioration of China-India relations and the subsequent ban on Chinese apps, India's attitude towards Huawei is likely to be cautious or even hostile in the foreseeable future. The EU is divided in its attitudes towards Huawei. The European Commission has recommended its member states to "avoid dependency on suppliers considered to be high-risk" and to diversify 5G suppliers. Although India and the EU have not banned 5G technology from China, the sensitivities of digital connectivity being dominated by Beijing propelled the EU to reach out to India, a prominent service and tech provider, to set 5G standards. Thus, we may see a tech alliance between the EU and India as well as the Quad states soon.

Additionally, with the identification of the health sector as a "new crucial area for cooperation" in its Indo-Pacific strategy and the need to secure medical supplies, the EU is actively looking to diversify its health-related industrial supply chains. India, being the world's pharmacy, emerges as a crucial partner for the EU. The EU Civil Protection

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<sup>7</sup> "Macron wants strategic Paris-Delhi-Canberra axis amid Pacific tension", *Reuters*, 3 May 2018, <https://www.reuters.com/article/us-australia-france/macron-wants-strategic-paris-delhi-canberra-axis-amid-pacific-tension-idUSKBN1I330F>.

<sup>8</sup> "India, France, Australia Hold First Trilateral Dialogue With Focus On Indo-Pacific", *The Wire*, 9 September 2020, <https://thewire.in/diplomacy/india-france-australia-trilateral-meeting-indo-pacific-focus>.

Mechanism was recently activated to send aid to India, who is tackling the second wave of the pandemic. After India recovers from the pandemic, the EU and India may work together to provide sufficient vaccines to Indo-Pacific states. The EU can offer funding and technology to help India speed up production.

Some obstacles remain in the quest for deeper EU-India relations. As the EU is not a single actor but a platform that coordinates its members' national interests and policies, there may not be an easy way to achieve a common approach to the region. Except for France, the rest of the EU states have relatively scarce access to bases and ports in the Indo-Pacific. Even though some states have sent warships into the region to increase their naval presence, it is difficult for them to do it regularly. Europe's overall marginal presence in the Indo-Pacific may result in limited engagement and it raises doubts concerning the bloc's credibility in the region. Consequently, maritime security cooperation may still largely focus on the Indian Ocean. As control over access to the Indian Ocean becomes more securitised, the states that can permit or deny access to the Indian Ocean will accrue a strategic premium.

## Conclusion

The next step moving forward in the EU focus on the Indo-Pacific is a joint EU communication on cooperation in the Indo-Pacific. It is set to take place by September 2021. It would be interesting to see how the 27 European countries can work together in the evolving discussion on the Indo-Pacific. Meanwhile, it may be difficult for India to shift resources and attention towards external affairs as it struggles with the pandemic. Till the domestic situation improves, India may refrain from taking substantive measures to cooperate with the EU. Besides, considering the Indian tendencies of protectionism domestically, the FTA negotiations may continue to meet hurdles as fundamental disagreements remain unresolved. The launching of Indo-Pacific Strategy is only the first step, while ensuring cooperation with India and managing differences will be a major test for the EU.

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