

ISAS Brief

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India and the European Union – Poised for Partnership Scale-up

On 6 October 2017, the 14th annual summit between India and the European Union (EU) took place in New Delhi, India, with the stated aim of deepening their strategic partnership and advancing collaboration in India's priority sectors for growth. Aside from reaffirming shared principles and values, three important pacts were signed. The India-EU relationship has evolved gradually over 55 years of diplomatic engagement. In 2004, India became a strategic partner of the EU and the two sides launched free trade negotiations in 2007. However, stalled negotiations led to an impasse in 2013 and a summit was held in 2016 after a four-year hiatus. Following the meeting in 2017, there is reason for cautious optimism about putting the partnership to work.

Jivanta Schoettli¹

India and the European Union: Loudest Voices for Free and Fair Trade

At a press conference after the India-European Union (EU) Summit in New Delhi, India, on 6 October 2017, Jean-Claude Juncker, President of the European Commission, identified a number of commonalities between the two partners, including the commitment to free trade.

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He stated, “We are – India and the European Union – the loudest voices in the world for free and fair trade.”² However, the convergence in values has, so far, not enabled the conclusion of a free trade agreement (FTA), from which both sides stand to gain.

The EU (which will have 27 countries after Britain exits the organisation in 2019), is the world’s second-largest economy, treated as an integral unit, and it has the third-largest population, after China and India. The EU, as a collective entity, is India’s biggest trading partner, with the two-way trade in goods and services in 2016 amounting to over €100 billion (S\$160 billion).³ The EU is also the largest destination for Indian exports and a key source of foreign direct investments and cutting-edge technologies. India received around US\$83 billion (S\$112.05 billion) foreign direct investment (FDI) flows from Europe during 2000-17, approximately 24 per cent of total FDI inflows into the country in that period.⁴ India, meanwhile, was the EU’s ninth largest trading partner in 2016 and Indian exports accounted for 2.2 per cent of overall EU trade.⁵

The negotiations, launched in 2007, for a FTA or Broad Based Trade and Investment Agreement, as it is known, covered a wide range of topics, including tariff reductions, market access for services, intellectual property rights and investments. Among the sticking points have been the EU’s demands that India eliminate duties on European goods, such as automobiles, wines and spirits, and further liberalise the rules governing the presence of European companies in retail, banking, legal services and insurance.

India seeks an easing of norms on the temporary movement of skilled workers to allow professionals access to the EU labour market, enabling them to send higher remittances back home. Furthermore, a key demand by the EU has been a ‘data secure’ business environment, important for its information technology sector, which would enable free flow of data between India and the EU, and augment business process outsourcing and knowledge process outsourcing opportunities. The EU has been firm that India needs to follow “EU rules” on

² Remarks by President Jean-Claude Juncker at the joint press conference with President Donald Tusk and Prime Minister Narendra Modi on the occasion of the 14th EU-India Summit, 6 October 2017. www.europa.eu/rapid/press-release_SPEECH-17-3747_en.pdf Accessed on 13 October 2017.

³ EU Commission, Press Release 6.10.2017. See europa.eu/rapid/press-release_IP-17-3728_hu.htm. Accessed on 16 October 2017.

⁴ 14th India-EU Summit, New Delhi, 6 October 2017. http://mea.gov.in/press-releases.htm?dtl/28988/14th_IndiaEU_Summit_New_Delhi_October_6_2017. Accessed on 16 October 2017.

⁵ See India-EU Trade Statistics: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113390.pdf. Accessed on 16 October 2017.

issues such as intellectual property and data protection.⁶ This is driven by European pharmaceuticals, nervous about suspicions regarding Indian companies' tendency to reverse-engineer generic drugs to sell them in India and the developing world (mostly Africa) at much cheaper rates than their European counterparts.

A Multi-Faceted Partnership

Another way of injecting momentum into the India-EU relationship is to identify other areas of cooperation. In his opening speech at the summit, India's Prime Minister Narendra Modi referred to the relationship as a multi-faceted partnership. This is in line with the 2016 summit which established a much broader canvas for cooperation, with the EU-India Agenda for Action 2020 covering foreign policy; security; human rights; trade and investments, business and economy; climate change; energy; environment; 2030 Agenda for Sustainable Development; urban development; research and innovation; information and communications technology (ICT); transport; space; migration and mobility; skills, employment, social policy; education and culture; parliaments, civil society and local/decentralised authorities; and the institutional architecture of the EU-India strategic partnership.⁷

The drive to expand and extend the relationship continued in 2017 with concrete steps: a joint declaration between the Interim Secretariat of the International Solar Alliance, an Indian initiative launched in association with France at the climate change conference in Paris in December 2015, and the European Investment Bank; an implementation agreement for funding Indian researchers hosted by the European Research Council and a finance contract for the Bengaluru Metro Project, Phase 2 for €300 million (S\$480 million) out of a total loan of €500 million (S\$800 million).⁸ On security, greater coordination and collaboration have been advocated, especially in the area of naval cooperation. Reference was made to recent joint manoeuvres between the Indian Navy Ship INS Trishul and the Italian flagship ITS Fasan, off the coast of Somalia. This also marked the improvement in relations between India

⁶ These continue to be evolving fields. For EU Trade Policy and Intellectual Property, see <http://ec.europa.eu/trade/policy/accessing-markets/intellectual-property/>. For latest regarding EU regulations on Personal Data, see https://ec.europa.eu/newsroom/document.cfm?doc_id=41157. Both accessed on 16 October 2017.

⁷ EU-India Summit, Brussels, 30 March 2016: EU-India Agenda for Action-2020 www.consilium.europa.eu/en/meetings/.../20160330-agenda-action-eu-india_pdf/. Accessed on 16 October 2017.

⁸ <http://pib.nic.in/newsite/PrintRelease.aspx?relid=171463>. Accessed on 16 October 2017.

and Italy, which had been frosty after two Italian marines were arrested in a case relating to the killing of two Indian fishermen and an international lawsuit was launched against India in 2012.

The desire and need to look beyond issues of trade and economic relations to include cooperation in the areas of security and foreign policy have acquired additional relevance in 2017, apparently in the wake of the assertiveness demonstrated by China in the South China Sea and the uncertainties surrounding United States (US) President Donald Trump's foreign policy. Under these circumstances, India and the EU have a shared interest in the desire for, and in demonstrating, as well as carrying out, the responsibility to foster a multi-polar, rules-based international order. While in 2016, the Joint Statement had cast India primarily as a regional power, with specific reference to the need to stabilise Afghanistan and South Asia, the 2017 document goes far beyond the regional remit of action.

This reflects a recent recognition of India's enhanced capacity, its greater willingness to be active and relevant on the global stage. It is also the result of changes within the EU designed to make the union a more coherent and capable global actor. A resolution in April 2016 outlined the objectives and role of the EU in a more connected, contested and complex world and, in June 2017, a "Global Strategy for the EU's Foreign and Security Policy" was issued. In this overarching context, both sides have agreed to work together "in the Indian Ocean and beyond", referring to collaboration on maritime security, the blue economy and freedom of navigation.

Poised for Progress

There has been concerted effort to identify and address the existing gap in communication, perception and demands on both sides. In early 2017, three delegations of the European Parliament visited India (the Committee on Foreign Affairs, the Committee on Internal Market and Consumer Protection and the Standing Delegation for relations with India), comprising over 20 members from diverse backgrounds, nationalities and political parties. In 2017, Modi visited Europe thrice, including the first prime ministerial trips to Portugal and Spain in three decades, raising awareness about India and securing political capital. His close

political rapport with Chancellor Angela Merkel of Germany is also seen as a bridging factor in India's links with Europe, equally important, if not entirely replacing the older connection through the United Kingdom.

While no announcement was made to officially re-start the trade negotiations, it was decided that the chief negotiators would sit down in November 2017 to chart a way forward. Furthermore, in his keynote speech at the India-EU Business Forum, on the side-lines of the bilateral summit, Juncker revealed that there was room to cross the previous stumbling blocks, stating that "If India's standards of data protection are converging with those of the European Union, the aim should be for the EU to recognise the adequacy of India's rules – conformity does not mean full identity with European rules but bringing together values, norms, systems."⁹

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⁹ http://europa.eu/rapid/press-release_SPEECH-17-3751_en.htm Accessed on 16 October 2017.