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14th EU-India Summit in New Delhi Strengthens Partnership

Patryk Kugiel

The EU-India Summit in New Delhi on 6 October showed an increasing convergence of views on major regional and global issues and boosted the strategic partnership established in 2004. Yet, the lack of a breakthrough in negotiations of the Broad-based Trade and Investment Agreement (BTIA) proves it remains a major challenge, along with the negative effects of Brexit, on EU-India relations. If the negotiations are protracted, the EU may consider a separate deal on investments alone. Poland should consider more actively participating in shaping EU policy on India and using existing mechanisms of dialogue to strengthen its bilateral cooperation.

The 14th EU-India Summit was attended by Donald Tusk, president of the European Council, Jean Claude Juncker, president of the European Commission, and Narendra Modi, prime minister of India. The leaders adopted a joint statement and declarations on counter-terrorism, climate and energy, and a partnership for smart and sustainable urbanisation. The European Investment Bank announced a record loan for India of €500 million to support construction of the second phase of the Bangalore metro and an €800 million loan for investments in renewable energy in the country. The summit brought forward cooperation within the India-EU Agenda for Action 2020, a guiding document endorsed in the previous meeting in Brussels in March 2016. There was no progress, however, in talks on the ambitious free trade agreement (BTIA). The negotiations began in 2007 and the deal is intended to better regulate the flow of trade, services, capital, and professionals between the parties. The leaders only noted efforts to “re-engage actively towards timely re-launching negotiations.” The EU recommitted to support India’s modernisation agenda and participate in flagship projects such as “Make in India” and “Digital India.”

Strategic Convergence. Changes in U.S. policy under President Donald Trump and rising concerns about China’s recent actions facilitated an increased convergence of views by the EU and India on major international challenges. Both sides vowed to support the “rules-based international order” and to work together on United Nations reform, “including the comprehensive reform of the UN Security Council.” The leaders condemned North Korea’s latest nuclear test and its missile programme and called for “the complete, verifiable, irreversible denuclearisation of the Korean Peninsula.” They expressed deep concern at the recent spate of violence in the Rakhine state of Myanmar, recognised the need for ending the violence, and urged the Myanmar authorities to implement the Kofi Annan-led Rakhine Advisory Commission’s recommendations. Previous disagreements concerning the situation in Libya or Syria no longer play a divisive role. The sides underlined their strong support for a diplomatic solution to the conflict in eastern Ukraine through the “full implementation of the Minsk Agreements.”

In contrast to the U.S., the EU and India “called for the full and effective implementation” of the nuclear deal with Iran, reassured their view of “the importance of enhancing free, fair, and open trade,” and reaffirmed their “commitments under the 2015 Paris Agreement”—thus differentiating themselves on climate and trade policies from the new American administration. The Union stated it “appreciated the positive role being played by India in extending development assistance in Afghanistan.” The EU and India

also have drawn closer because of their apprehensions about China's activities in the South China Sea and doubts regarding its Belt and Road Initiative (BRI). Without naming China directly, the joint statement "underlined the importance of freedom of navigation, overflight, and peaceful resolution of disputes" and repeated India's concerns regarding BRI, expressed ahead of the Belt and Road Forum in Beijing in May.¹ Both the EU and India called for stronger antiterrorism cooperation, including against people and organisations—listed in detail for the first time—launching attacks from Pakistan. India's democratic system and shared values with the EU have started to weigh heavier on the relations, particularly against the growing assertiveness of China and Russia.

Challenges and Risks. The BTIA negotiations remains the major rift in EU-India relations. Talks have been suspended since 2013 over such issues as tariffs on European cars and spirits, access to the public procurement market in India, and the mobility of Indian professionals to work in the EU. Moreover, the "Make in India" programme and other trade policies shows India's growing interest in protecting its domestic market, which does not augur well for the agreement negotiations. That India has terminated bilateral investment treaties with many countries, including European ones, increase the risks for new investors.

Despite these changes, the EU remains India's largest trading partner. Trade in commodities stood at €78 billion in 2016 (balanced between exports of €37.7 billion and imports of €39.2 billion). However, turnover is lower than in 2011, and the EU's share of India's trade has shrunk systematically (from 26% in 1997 to 14% in 2016) to the benefit of China and the U.S. Similarly, the position of EU investors in India is decreasing. The BTIA is thus seen by the EU as an opportunity to reverse these trends. According to a recent assessment by the German think tank Ifo Institute for Economic Research, the deal could lead to doubling the trade volume in 10–12 years and the EU economy could gain 0.14% GDP, amounting to €21 billion, annually, while even more benefits would accrue to India. According to one study, the biggest winners in Europe would have been the UK and Germany, which supports the deal.

However, a challenge to improved EU-India economic relations is Brexit. The UK accounts for 20% of EU exports to India and 14% of imports. It is the main destination for Indian investment in Europe. It has the largest Indian diaspora in the EU, including the most Indian students. The UK strives to negotiate its own FTA with India, though without much progress yet. Brexit will weaken the traditional links between the EU and India and could decrease the attractiveness of the Union as an economic partner and make India less prone to compromise. Paradoxically, it could ease the EU-India negotiations, since British interests concerning lower tariffs on Scotch whisky and resistance to additional visas for Indian professionals have been major sticking points in the talks.

Conclusions and Recommendations. Fluctuations in the global order have made India and the EU more like-minded partners in the defence of free trade and a liberal order based on international law. The future of the partnership will depend on whether both sides can translate this general convergence on strategic issues into tangible cooperation in a multilateral forum (i.e., counterterrorism, UN reform) and concrete projects in third countries (e.g., development assistance in Afghanistan, Myanmar, or Africa, or joint military exercises). It is also worth working to develop additional connectivity between Europe and India as a complement to the BRI.

On Brexit, Union will lose its position as India's largest trade and investment partner and traditional links will be weakened. This makes it more urgent to kickstart the BTIA negotiations and rejuvenate cooperation across sectors. However, the lack of progress in the BTIA talks should not negatively influence the whole partnership, which extends beyond just economic cooperation. In case of a continued impasse in the negotiations, the EU should consider a less ambitious free-trade agreement or go for a separate investment agreement alone. Indian modernisation programme and structural reforms have cleared enough room for closer cooperation for European companies. There is still the untapped potential of economic cooperation, as shown by the fact that the 13 Member States that have joined the EU since 2004, and which have about a fifth of the Union's population, only account for a combined 5% of EU-India trade.

Poland can more actively shape EU policy on India, dominated thus far by the largest members—Germany, UK, and France. One can note growing interest of India in Central Europe, partly the result of China's stronger engagement in this region through its "16+1" platform and BRI and partly because of the Three Seas Initiative (TSI) being developed in Central Europe, which received more visibility after Trump's visit to the TSI Summit in Warsaw last summer. Poland should support closer EU-India cooperation on strategic issues, India's modernisation programmes, and the BTIA negotiations, and use the existing EU-India dialogue forums and platforms to strengthen bilateral cooperation.

¹ P. Kugiel, "Growing Rivalry in Asia: India Steps Away from China's Silk Road Project," *PISM Bulletin*, no. 61 (1001), 26 June 2017.