

Building a sustainable EU-India partnership

Gauri Khandekar

»» After nearly a decade, the 'Strategic Partnership' between the European Union (EU) and India launched in 2004 still has to live up to its name. The free trade agreement (FTA) has added a strategic dimension to the partnership, but long drawn negotiations soak up most of the attention and risk pegging the entire relationship to their success or failure. The volume of untapped overall potential appears to expand with time. There is a need to set the priorities for a renewed partnership that not only builds on progress made but also addresses the real needs of each partner. Trade is critically important. But beyond that, a new, forward looking partnership based on urbanisation, development and sustainable growth should be sought.

THE NECESSARY PREMISE: MUTUAL RECOGNITION

The past two years have witnessed a positive evolution in the EU-India relationship. The partnership has grown through new initiatives and political and diplomatic engagement from both sides has increased. Negotiations on the free trade agreement seemed to be coming closer to completion. The

HIGHLIGHTS

- While acknowledging each other as important global actors, in practice the EU and India do not see each other as real strategic partners.
- Long drawn FTA negotiations soak up most of the attention and risk pegging the entire relationship to their success or failure.
- A new, forward-looking EU-India partnership on urbanisation, infrastructure, development and sustainable growth is needed.



last bilateral summit held on 10 February 2012 in New Delhi showed clear efforts to move forward on the three priority areas of the partnership: trade, security and energy. A roadmap for reinforced security sector cooperation in the areas of counter-terrorism, cyber-security and counter-piracy was agreed and two important declarations were signed on enhanced Cooperation in Energy and on Research and Innovation Cooperation.

However, the EU-India relationship is still far from being strategic. While both partners acknowledge each other as important global actors, in practice they do not see each other as real strategic partners. Moreover, why or how either could be strategic to another's interests remains relatively undefined. Limited mutual understanding and an inadequate recognition of their respective potential are two critical brakes on the partnership.

The EU looks at India largely as a trading partner, but also as an important regional and multilateral foreign policy actor. However, it prematurely looks at India through the lens of its emergence, expecting perhaps too much at times, especially on foreign affairs. Overall, India remains a developing country with considerable levels of poverty. It is projected to be the world's third largest economy in less than two decades, but first it must overcome massive development challenges. In this sense, the shift of priorities of the EU-India relationship to economics and security has sidelined development far too quickly from the agenda.

India is also very much consumed by internal issues and will not begin to

develop a global foreign policy mindset until it has the solid economic base of a global power. The country's foreign policy is still relatively embryonic, prudent and constricted. It is driven by self-interest and based on the principle of non-interference.

India continues to struggle with the EU's post-modern complexities in what New Delhi sees as a Westphalian world. Such perception has been compounded by intra-European differences in addressing the eurozone crisis. India needs to learn how to manoeuvre through the fine lines of EU competences, without expecting more than the EU can actually deliver. The European Union is a *sui-generis* organisation and New Delhi should learn to deal with the EU without confusing it with 'Europe', a classic state power or an inter-governmental organisation. Assuming that it will overcome the current crisis, the EU holds much potential as a major economic partner and a global actor that can contribute to the stability of the international system. In short, both partners' lack of real mutual understanding has led to an overall under-performing partnership.

STRATEGIC MISMATCH

The EU and India have expanded cooperation in areas broadly considered as strategic by the two sides, but without really addressing respective strategic priorities. For example, after the Mumbai 2008 bombings, the EU and India embarked on bilateral and multilateral security cooperation. While the two partners share similar perceptions of



traditional and non-traditional security threats at the international level, they do not firmly contribute to addressing respective security concerns. While Pakistan features very high on India's list of external security threats, the EU has preferred to adopt a neutral position between the two neighbours. While India sees China's rise with suspicion, the EU and its member states prioritise relations with Beijing. India's biggest threat, however, comes from 'naxalism' (Maoist militant groups operating in a number of Indian states) at home, as well as separatist movements spread across the country where cooperation with the EU offers little added value. On the multilateral stage, the EU's inability to support India's biggest strategic foreign policy goal – permanent membership of the United Nations Security Council – has led to much disappointment in New Delhi.

For its part, the EU would like India to cooperate more on international maritime security and piracy. India has one naval warship, the INS Sukanya, in the Gulf of Aden and cooperates with the EU through SHADE (Shared Awareness and De-confliction), an *ad hoc* arrangement established in Bahrain in December 2008. However, India deploys independently and is not part of Operation Atalanta (EU Naval Force Somalia) or the other two multinational maritime coalition operations: CTF-151 and Operation Ocean Shield. India diverges strongly with the EU and the West in general on operations within Somali territory, which it considers as interventionist. The EU as a security actor is seen by India through the prism of NATO and New Delhi remains

unwilling to expand cooperation with any military alliance or operation not sanctioned by the UN. As an emerging country, it also no longer wishes to play the role of 'junior partner' in a 'Western-led' approach.

On bilateral counter-terrorism cooperation, beyond the existing joint working group, collaboration will remain limited for the foreseeable future. A Europol-India Agreement, which has been in the pipeline for a few years, would not grant India access to sensitive material, especially given that intelligence-sharing within Europol is very limited. It also provides no evident added value to India's existing Interpol membership. Plans to explore an EU-India Mutual Legal Assistance Treaty (MLAT) and an EU-India Agreement on Extradition appear to have been abandoned. On cyber security, reluctance on the EU's side to pursue capacity-building in India has held up cooperation.

The EU also lacks visibility in India. There is significant activity between India and individual member states, but most of such cooperation takes place outside any EU framework. Joint ventures on renewable energy between European and Indian firms are increasingly commonplace. Recent examples include the joint venture between Italy's energy services company NewEn and India's Kolkata-based Enfragy Solutions to develop innovative software tools to monitor and model energy consumption in a factory; or the one between Belgium-based Ikaros Solar and Indian Pune-based Intellux Electronics to build photovoltaic grids. Germany has loaned India €250 million to build one



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of the world's largest solar photovoltaic power plants at Sakri in the Indian state of Maharashtra, the total cost of which is €370 million. Under a memorandum of understanding signed by Nuclear Power Corporation of India Ltd (NPCIL) and Areva in February 2009, France is currently constructing six nuclear reactor plants in Jaitapur, Maharashtra, and has committed to providing a lifetime fuel supply for the units. The UK is set to begin negotiations with India on a bilateral civil nuclear deal, which would facilitate the entry of British companies into India's emerging atomic power sector and foresees technology transfers from the UK to India. Bringing such cooperation under an EU framework could help improve the perception of the partnership in India.

Conflicting international energy policies within the EU have also had a major bearing on the EU-India partnership. After years of negotiations, the EU-India Agreement for Research and Development Cooperation in the Peaceful Uses of Nuclear Energy could be signed at this year's summit. It would not be surprising however if New Delhi continues to prioritise cooperation with individual member states like France, which ensures the actual sale of nuclear fuel and technology to India. The EU also faces considerable competition from other countries. The historic 2008 US-India Civil Nuclear Agreement opened the door for India's cooperation with the world on civil nuclear energy. Canada and Australia are engaged in uranium sales to India and Russia has committed to constructing 12 nuclear plants across the country. Indian officials compare the EU-India energy

dialogue to the US-India energy dialogue, which was inspired by the former but has far outperformed it. Unless a competitive package can be offered at the EU level, energy cooperation between the EU and India will continue to be fragmented, with member states dealing individually with New Delhi instead.

Strengthening the bilateral partnership is possible but both sides must be realistic as to what each can deliver and about their respective capacities and willingness to respond to the real strategic interests and priorities of the other. While looking at the future potential of each partner, the partnership needs to be better tuned to the current economic and political context in both India and the EU.

PARTNERING ON SUSTAINABLE URBANISATION

Europe needs to enhance growth and generate jobs and India needs to overcome its massive development challenges. Development as a priority has been sidelined far too quickly in the EU-India partnership. With its own external aid programme of \$11.3 billion, New Delhi has of recent refused international development aid. EU aid to India (which totalled €365 million during the period 2007-2013) will be discontinued thereafter, while aid from some member states like the UK will stop by 2015. EU-India cooperation on development has targeted in particular the environment, climate change, poverty reduction and the Millennium Development Goals (MDGs), with over 100 projects worth €350 million



Comprehensive development should become a cornerstone in the EU-India relationship

since 2000. While aid is an important aspect of development, for massive mid-income emerging countries like India and China development encompasses a much broader set of issues, including urbanisation and modernisation. Poverty reduction

in these countries is underscored by the provision of better opportunities for self-sustenance and growth, which can directly raise the standards of living of the population. India's main challenges include better wealth distribution, better infrastructure and planning, attracting foreign direct investment (FDI), and technological innovation, which can help it manage its expanding cities and growing population more effectively. Conversely, addressing India's development and urbanisation challenges would open up considerable business opportunities for the EU and would fit in well with the the EU's priorities concerning sustainable development. The two partners must shape a new sustainable development agenda.

By 2030, India is projected to become the third largest world economy with a GDP of \$13.7 trillion (PPP, and \$7.9 trillion at MER, according to PricewaterhouseCoopers estimates), almost three times more than its current GDP of \$4.5 trillion (PPP, and \$1.8 trillion at MER). But first it must overcome its massive development challenges. Between 2011 and 2030, an additional urban population of 250 million will require around 700-900 million m² of commercial and residential

space a year, according to Mckinsey Group International (MGI). MGI projections show India's urban population soaring from 340 million in 2008 to 590 million in 2030 and a 300 per cent rise in the country's middle class to 91 million households. The same study estimates that India will need \$1.2 trillion in capital investment to meet the needs of infrastructure building (equivalent to \$134 per capita per year, almost eight times today's level of spending): between 19,000 and 25,000 kilometres of road lanes will need to be paved annually (equal to nearly all road lanes constructed over the past decade), 7,400 kilometres of subways and transportation constructed, in addition to the provision of adequate water, food and energy resources. According to the study, 'India would need to build a city the size of Chicago every year for the next 20 years in order to create enough commercial/residential space'. Goldman Sachs estimates India's infrastructure investment requirements to the tune of \$1.7 trillion between 2010 and 2025. The Indian government is looking at the private sector to provide half of that investment (36 per cent of \$514 billion earmarked under infrastructure investment in the Eleventh Five Year Plan 2007-2012 came from private sector investments).

Comprehensive development should become a cornerstone in the EU-India relationship. The EU could make use of this opportunity; supporting India's development and urbanisation could help growth and job creation in Europe. Addressing development concerns would flow into economic and trade relations, employment and the social sector, as well as energy and climate change.



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Tangible achievements attributable to the partnership would boost its strategic value.

The EU-India partnerships could draw from good practices and innovation in other important relationships. At the 2012 EU-China Summit, an EU-China Partnership on Urbanisation was signed. This comprehensive urbanisation plan offers a platform for EU member states to tap into the opportunities of China's path to modernisation. It also adds an EU-China urbanisation forum to the EU-China annual summit. The partnership engages a wide range of stakeholders, from experts and the private sector to city mayors and other politicians around issues such as climate change, low carbon economy, city planning and business. As envisaged in the Joint Declaration adopted in May 2012, the partnership aims to tackle urbanisation in a comprehensive way including public services, infrastructure investment and financing mechanisms, urban housing, urban industrial economy, energy supply and demand management, urban mobility, green buildings, low carbon framework, and urban-rural integrated development, amongst other issues.

The Sino-EU Sustainable Urbanisation Park set up by Euro-Sino Invest and the EU Chamber of Commerce in China is a pilot project in the context of the new partnership. EU companies can establish themselves in the business park compound and showcase their model of sustainable urbanisation, all the while enabling the transfer of sustainable high technology, quality and standards to China. Another collaborative project funded by the EU's seventh framework programme is

Urbachina, a research project that assesses China's urbanisation trends for the next 40 years and provides possible scenarios.

The EU and India could expand their partnership along similar lines. An EU-India 'infrastructure and urban development roadmap' could include projects on green growth, green buildings, infrastructure development and construction, urban transport and city planning. A pilot project could be envisaged to turn an Indian village into a model town, complete with a clean energy grid, elastic infrastructure (which can expand with future growth), green buildings, and cutting edge technology. Such a project could be initiated by the EU, open to EU member states (public and private sector) and partnered/contracted with/by the Government of India. If successful, the project could be replicated on a larger scale. A second initiative could consist of twinning Indian cities with European ones and creating an EU-India mayors' forum, as developed in the EU-China partnership. Such a forum could become the basis for mayors to debate directly about infrastructure projects and link private or public enterprises to city councils in India.

An EU-India partnership on urbanisation could significantly advance the strategic value of the relationship and bring EU member states under an EU platform for a European initiative. The EU-India partnership on urbanisation and development could also have an external dimension, building on India's emerging, if as yet limited, role as a donor country. Cooperation between the two sides could



produce relevant lessons and best practices for sustainable urbanisation elsewhere in the developing world, for example in Africa.

CONCLUSION

So far the EU-India relationship has lacked the spark of a truly strategic partnership. Part of the problem has been the inability of both sides to recognise each other as real strategic partners to fulfil respective interests. Trade is a crucial priority, but negotiations over the FTA have overshadowed other aspects of the relationship. A partnership on development and urbanisation is a long-term investment that could contribute to

enhancing the perception of the EU and India as strategic partners in each other's eyes and be mutually beneficial. The EU would tap into considerable business opportunities and would confirm its commitment to promoting sustainable development in India. New Delhi would make strides to reconcile growth with social and environmental concerns. Such cooperation could also provide a basis to enhance dialogue on international development cooperation, given India's growing role as an international donor.

Gauri Khandekar is researcher and head of the Agora Asia-Europe programme at FRIDE.

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