

Development and the India-EU Strategic Partnership: Missing incentives and divergent identities

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» India has neither a strong inclination nor sufficient incentive to make international development a priority issue of its strategic partnership with the European Union (EU), whether in third countries or at global fora. While some collaboration is taking place in specific locations and in response to concrete issues, it is unlikely that in the medium term the EU-India strategic partnership will significantly expand bilateral or trilateral development engagement. Despite sharing some features with Brazil¹ and China² in this regard, there are a number of factors that make development cooperation even less tractable with India than with other rising powers.

DEVELOPMENT WITHIN THE EU-INDIA STRATEGIC PARTNERSHIP

The EU-India strategic partnership was launched in 2004. Since then, a series of meetings including annual summits have been organised and agreements have been signed, including the 2005 and 2008 Joint Action Plans and other issue-specific collaborations. However, the partnership is widely considered to be underwhelming. Many see the action plans as 'long on shared fundamentals and abstract political objectives but short on specifics

HIGHLIGHTS

- India rejects Western-led development agendas and avoids association with traditional donors.
- There is little incentive for India to risk its 'southern' identity by collaborating with the EU on development.
- As some European donors move closer to South-South cooperation models this could foster convergence between European and Indian approaches.



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and deliverables, and devoid of timelines'.³ In the case of India, it is suggested that while the strategic partnership has facilitated the widening and deepening of dialogue beyond trade and commerce, the two sides 'have not been able to transform shared values into shared interests and shared priorities due to a big disconnect in world-views, mindsets and practical agendas, because the two are at different levels of socio-economic development, come from two different geo-political milieus and have different geographical and geopolitical priorities'.⁴

Development cooperation featured heavily in the initial EU-India strategic partnership dialogue.⁵ First, the focus was placed on development within India, with the 2004 strategic partnership agreement proposing 'development cooperation in order to enable India to achieve the Millennium Development Goals'.⁶ Attention then shifted towards greater recognition of India's external role as a development partner. The 2008 Joint Action Plan includes commitments to 'join efforts in international fora in using expertise in global development policy to promote the achievements of the Millennium Development Goals and aid effectiveness' and to 'conduct a dialogue on issues relevant to cooperation with third countries'.⁷

This change of direction reflects a wider transition from seeing India and other emerging powers as poor countries to acknowledging their role as donors/partners. The EU first attempted to engage China on development cooperation dialogue,⁸ but now it also sees partners like India and Brazil as potentially influential actors in global development. In 2003, India ejected all but its largest donors and paid off many of its outstanding international

debts.⁹ While the EU was one of the donors that remained at that time, it officially ended bilateral development cooperation to India in 2014, although ongoing projects are still being completed.¹⁰

INDIA'S DEVELOPMENT COOPERATION

India has been a provider of development assistance since the early 1950s. The last decade has witnessed an acceleration of India's development cooperation flows.¹¹ This demonstrates both growing capacity and renewed recognition of its strategic value in supporting geo-economic and diplomatic interests. However, the complex nature and multi-institutional management of India's development cooperation mean that caution needs to be exercised when projecting figures. The best available data suggests that Indian expenditure on foreign technical and economic cooperation constituted a historic high of 59.5 per cent of all the Ministry of External Affairs (MEA) spending in 2012-3, having generally hovered around 35-40 per cent since 1997-8. It is reported that in 2013-4, the Government of India put aside \$1.3 billion for foreign assistance, a figure that excludes the much larger lines of credit (LoC).¹²

India's development cooperation activities have traditionally focused on its South Asian neighbours. In 2012-3, Bhutan received 36 per cent (\$213 million) of India's technical assistance budget, mostly focused on generating hydropower, of which India buys back a substantial proportion; and Nepal received 8 per cent (\$49 million).¹³ Afghanistan is an increasing priority and India has invested substantially in roads,



energy and social programmes, and helped build Kabul's new parliament building.¹⁴ India has also established longstanding development partnerships with many African countries, the number of which is expanding both through flagship technical assistance programmes, such as the pan-Africa e-network,¹⁵ and very notably through LoC. Energy-rich West and Central African countries are a growing focus of official partnerships.¹⁶

India's development cooperation claims to draw lessons from its own experience of many of the social, environmental and market conditions shared by partner countries. Examples include training in organising elections in low literacy regions, capacity-building in information and communication technologies (ICT) in poorer contexts, and promoting suitable agrarian technologies to dry and sub-tropical soils and climates. Another important characteristic shared with other Southern development partners is India's claim to respond to partners' priorities instead of imposing policy conditionalities.

India's fragmented institutional framework for development cooperation is currently being adjusted. The MEA is nodal, but the Ministries of Finance and Commerce and the EXIM Bank play a growing role. The Indian Technical and Economic Cooperation (ITEC) scheme, launched in 1964, is a central part of India's development cooperation architecture. ITEC's main focus is on providing training in areas as diverse as small and medium enterprises, rural credit programmes, food processing, information technologies (IT), textiles and women's entrepreneurship. It is present in over 150 countries and has a budget of around US\$11 million annually.¹⁷

India's EXIM Bank manages official LoC, through which the Indian government provides capital and lowers risk for Indian investors by guaranteeing loans and providing interest subsidies. Like other aspects of India's development cooperation, these LoC are tied heavily to the purchase of Indian goods and services. While 'traditional' donors criticise India for blurring the lines between aid, geopolitics and commerce, others argue that this blended approach provides a more effective bundling of financing and technical assistance.¹⁸ India's total LoC commitments in 2012 were estimated at \$US7.7 billion, comprising 153 LoC in 94 countries.¹⁹ Projects financed include rice production in Senegal, power plants in Belarus, and IT training centres in Mongolia.

Discussions have been underway since 2003 regarding stronger institutionalisation of Indian development cooperation. In 2012 the Development Partnership Administration (DPA) was established within the MEA to enable more effective and streamlined development cooperation. However, both the MEA and DPA suffer from a lack of personnel, which is likely to remain a problem, especially given the growing depth and complexity of bilateral and multilateral relationships with which they are dealing.²⁰

Alike all donors/development partners, India also derives a series of direct and indirect economic benefits from its development assistance. Indirectly it can contribute to improved international and regional relations, warming the ground for Indian trade and business. Development cooperation programmes and investment in Bangladesh and Myanmar, for example, contribute to deepening diplomacy, trade and investment.



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India's technical assistance and LoC (to support transport and energy infrastructure in particular) help build the connective tissue of regional economic integration, from which Indian firms can benefit. Roads and pipelines in Afghanistan and Nepal, for example, enable the transit of coal, gas and electricity, as well as the movement of goods and services. LoC also help Indian companies move into risky markets in Africa and elsewhere. By tying a substantial percentage of these loans to the purchase of Indian goods and services, they help stimulate the Indian economy. These incentives are firmly couched as part of a mutually-beneficial, win-win relationship.

India's complex security interests also play a part in its development cooperation priorities. Some of these are resource-related, with development cooperation playing a part in India's energy security and access to commodities. India also has varied national security interests in neighbouring countries such as Afghanistan, Nepal and Bangladesh that shape its development cooperation in these countries. ITEC, for example was created in part to counter China's expanding influence through its development partnerships.

India in multilateral development frameworks

India is becoming a larger and arguably more powerful creditor to a number of organisations such as the International Monetary Fund (IMF) and World Bank, and is increasing its commitment to several initiatives such as the World Food Programme (WFP). For example, India has gone from being a net recipient of food aid in 2000 to becoming one of the larger donors to the WFP, and it has remained so even during difficult production years.²¹ How-

ever, India engages in international development on its own terms and shows little interest in 'traditional' donor-led initiatives, such as the Global Partnership for Development Effectiveness. India is very cautious about the post-2015 development agenda, insisting on its right to determine its own domestic development priorities, on the distinctiveness and autonomy of South-South cooperation, and on the need to re-balance and democratise global decision-making power.²² While India by no means seeks to actively undermine the post-2015 agenda, it will vigorously guard what it views as its 'national' interests regarding this agenda.

India is more active within rising power formations, such as IBSA (with Brazil and South Africa) and the BRICS (with Brazil, Russia, China and South Africa), although these are still finding their identity and rationales. The

long-awaited New Development Bank (NDB, formerly the BRICS Development Bank) has now been agreed, and an Indian will become its first president. Although there are still many uncertainties regarding how the NDB will operate and in what ways it might shape the future relationships among the BRICS, it is clearly a strong signal of their growing initiative, voice and impact.²³

The strategic rationales for Indian development cooperation are multiple. The earliest and most

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enduring has been South-South solidarity in a context of a deeply uneven distribution of world power. India has been a leading voice in this struggle, including through the Non-Aligned Movement (NAM), demands for a new international economic order, and the G77 grouping at the United Nations (UN). South-South cooperation policies and programmes have been a material and symbolic element of this foreign policy identity and agenda for decades. However, beyond the moral discourse, this has never been an ‘idealist’ stance alone, but also a pragmatic recognition that weaker states can find power in numbers. India has strengthened its relationships with Western powers in recent years and has become a G20 member, but it continues to invest heavily in southern bilateral, regional and emerging power relationships – for example through the South Asian Association for Regional Cooperation (SAARC), the India-Africa Forum Summits, BRICS and IBSA. Indian development cooperation therefore remains a means of continuing to assert Southern identity and loyalty.

POTENTIAL FOR EU-INDIA COOPERATION ON DEVELOPMENT

The EU-Indian strategic partnership is unlikely to leverage significantly enhanced bilateral or trilateral international development cooperation for a number of reasons. These fall into three broad and inter-related categories.

EU development institutions and norms

For the last decade, the EU and some of its member states have been at the forefront of the aid effectiveness agenda. Formalised around the Paris Declaration

(2005) and the Accra Agenda for Action (2008), this global development ‘consensus’ centred on poverty reduction (rather than economic growth *per se*), with a strong emphasis on good governance and social inclusion. Notwithstanding claims to being country-led, the aid effectiveness agenda represents the last in a series of Western-led development paradigms that can be seen as interfering in the sovereign space of partner countries, in terms of their economic and political systems and the promotion of human rights and social welfare.

This raises several red flags for India. Historically, many in the global South, including India, have sought to resist Western interference in their domestic affairs. With its growing economic and political muscle, India has begun to take a stronger line. A 2014 report by India’s Intelligence Bureau to the Prime Minister’s Office reportedly stated that foreign-funded NGOs are ‘actively stalling’ India’s economic growth and that Western donors raise human rights related concerns in order to serve their own interests and keep India under-developed.²⁴ While much of Indian civil society rejects such an extreme view, it illustrates some major disjunctures between elite level European and Indian assumptions about development cooperation. Similar dynamics can be seen in relation to democracy promotion. While India provides technical support for electoral systems in some partner countries and will engage in ‘democratic assistance’,²⁵ it is ‘deeply suspicious of and resistant to the EU’s apparent enthusiasm both for external democracy promotion and “intervention” in the affairs of others’.²⁶ In sum, many of the EU’s international development norms and practices remain deeply contentious for many Indian observers.



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A second set of issues concerns visibility, legitimacy and credibility. The EU is not a particularly visible donor in India. In a 2009 study of news coverage, researchers found hardly any articles on the EU as a donor to India. This lack of visibility was also reflected in elite interviews.²⁷ This attests to broader challenges facing the EU in projecting itself as a coherent foreign policy actor and inevitably decreases its attractiveness as a desirable partner. More critically, as an assemblage including many former colonial powers (specifically the UK) and as an emblematic part of the post-1945 Western-led international order, the EU is part of an international development regime that is criticised in India. In the eyes of India, it would risk eroding its long-standing claims to South-South solidarity if it appears to be co-opted by 'traditional' development powers. This is why India resists being labelled a 'donor', and shows little interest in developing bilateral or trilateral relations with Northern partners.

Global trends

A 'perfect storm' has challenged the coherence of the global development framework led by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), international financial institutions (IFI) and the UN. Growing competition from emerging economies, the global financial and Eurozone crises, the changing geographies of wealth and poverty, and increasing public and political discontent towards 'foreign aid' have led to major shifts in norms, modalities and the architecture of international development. The authority of Western-led fora such as the OECD-DAC has been eroded. Meanwhile, new initiatives such as the Global

Partnership on Effective Development, the UN's Development Cooperation Forum and the post-2015 agenda have failed to attract widespread buy-in among Southern actors. At the same time, most Western donors in fact seem to be moving closer to some elements of the 'Southern' model, including the use of blended finance (the complementary use of grants and loans), a stronger focus on economic growth, and a more clearly stated commercial agenda.²⁸ Within this context, there is little incentive for India to limit its policy space by committing to a fracturing regime.

India's scepticism about reforms to the global development regime does not only stem from concerns that these reforms reflect western agendas.²⁹ India is also concerned that such reforms could make it easier for developing countries to hold it to account regarding its development cooperation. India, China and Brazil have not been fully supportive of the UN's recently established Development Cooperation Forum, precisely because it does have greater democratic legitimacy.³⁰ While India has credible grounds to refuse to conform to Western development norms, it would face greater challenges in a more representative development forum where its Southern 'developing' partners might seek to hold it to account.

Indian factors

India is (for some good reasons) acutely sensitive to the subject of sovereign respect. Many Western commentators overlook how attractive the South-South solidarity and non-interference discourse is in India, despite its growing geo-economic capacities and interests. Although this non-interference narrative does not always translate into reality (India unquestionably interferes



in the domestic affairs of its neighbours), India continues to insist on this principle. This narrative is very much appreciated by countries with which India seeks to do business and build diplomatic relationships (even if they are aware of its limits in practice). In most cases, it is simply not in India's interest to compromise on this for the sake of closer cooperation with the EU. That said, there have been examples of cooperation with Western actors in exceptional circumstances, such as in Afghanistan and Nepal, where India has security and economic interests, and in response to the 2004 tsunami, where the scale of the disaster clearly required rapid coordination.

A rather different set of inhibiting issues concerns India's development infrastructure. Although growing and changing, the potential for cooperation with the EU on development is restricted by the limited capacity of the small and over-worked MEA, within which the DPA is still finding its feet. MEA personnel tend to have limited development experience, and find dialogue processes, participation in global fora, and other mechanisms for building cooperation time-consuming and somewhat alien. Within most partner countries, India's diplomatic personnel generally has little space or incentive to coordinate with the wider international development community.³¹

CONCLUSION

Compared to emerging powers such as Brazil, China and South Africa, India appears least likely to establish a meaningful cooperation with the EU on development. While it is prepared to selectively engage in

those multilateral frameworks that appear to be more genuinely open to Southern representation and leadership,³² India remains reluctant to be associated with the 'traditional' donor community. There are exceptions, such as Afghanistan, and it is here, perhaps, that the EU should focus its efforts to build bridges with India.

EU officials, diplomats and development actors need to grasp the extent to which many of their normative assumptions about international development are questioned or rejected by Indian policy-makers. This is not to advocate that progressive EU principles be abandoned in order to build a partnership with India, but to make the point that 'development' is a problematic area in which to assert shared values.

Perhaps a more positive outlook stems from efforts by some important EU member states, including the UK, Germany and The Netherlands to move closer to South-South cooperation approaches. This includes a focus on economic growth as opposed to poverty reduction alone, on infrastructure and productivity, a growing role for the private sector, the relative decline of official development assistance (ODA) and rise of various forms of 'blended finance'. This arguably more 'realist' approach to international development from some European donors might bring India and the EU closer together and create new opportunities for European-Indian collaboration, for example in sectors such as infrastructure or agriculture. Alternatively, however, it could drive deepening competition and a race to the bottom in terms of environmental and labour standards.

International development will continue to be an area of EU-Indian dialogue. Despite



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the difficult context, the EU should continue to seek opportunities for collaboration that draw on the relative strengths of both actors in achieving economic growth, social welfare, human rights and peacebuilding. However, as it stands, the disappointing EU-India strategic partnership seems unlikely to provide a strong basis for such dialogue and collaboration.

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ENDNOTES

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The ESPO project on Development and EU Strategic Partnerships is kindly supported by the Ministry for Foreign Affairs of Finland.