

## Major Highlights of the Europe India Chamber of Commerce (EICC) White Paper

### **“Re-imagining European Union – India Relations” In Pursuit for a Common Future**

The White Paper, a policy insight on EU-India relations, provides an analysis of perhaps one of the most important bilateral relationship and is devoted in establishing a platform for exchanging fresh thinking in the field of strategic partnership. It speaks about the complexities of EU-India relations with combination of knowledge and research and argues for a specific solution to make the EU-India partnership a living example. It outlines how the EU's New Strategy on India could alter the texture of the current relationship between the two and build a new roadmap for a comprehensive partnership in the 21st century. The WP pinpoints specific measures to strengthen the partnership because despite sharing a congruence of values and democratic ideals, India and the EU have both struggled to build a partnership that can be instrumental in shaping geopolitics and geo-economics of the 21st century.

On why EU-India relations needs re-imagining, the Paper states that it offers two largest democracies of the world working together to collectively change the geo-political and economic dynamics of the new global order. With a sense of re-imagination, the Paper, analyses the changing dynamics of strategic partnership in a new way with global perspective in focus, impact of which will be seen in the coming years. The WP raises several issues such as GSP, IPR which potentially divide EU and India. However, in the larger interest of India – EU relations, it states that differences and divisions on policy issues must not be allowed to become disputes.

On the key elements of evolution of EU-India relations, the Report states that even after India established its diplomatic relations with the EU in 1962, the relations remained stagnant and did not see significant progress for first one decade. It was not because India did not want to make new allies and friends in Europe, but because Europe failed to realise the strategic importance of India, its economic potentials and the country's determination to become a global power.

According to the Report, it is possible to imagine, and predict, with reasonable credibility that together India and EU are capable to create a dynamic future for their 1.8 billion people. Both EU and India have tools, models, and experience to construct a relationship which will keep on unfolding over the next decades.

On strategic context and relevance, the Paper states that for India, the growing realities in EU-India relationship offers more than a foundation of mutual benefit rather it offers a strong commitment for reinforcing a rules-based order in Asian region. The WP argues that it therefore makes sense for New Delhi to further establish a unique, multifaceted, and future-oriented relations with Brussels which can deliver a beneficial balance of power without the limits of a formal architecture.

One of the striking features of EU-India relations, the WP states that EU's relations with India is neither complex nor consequential but managing it requires a careful calibration with long term vision. Along with structural framework and policy mechanism of reimagining India's relations with the EU, there is something more than the institutional thinking: how India and Europe are re-imagining about each other.

The Author analyses EU-India relations through the prism of US-India relations and states that although US-India relation remains one of the “central pillars” of India’s foreign policy, there is growing realisation in New Delhi that a shared commitment on peace, security and development with Brussels will add more power to India’s quest of playing a larger global role.

*On Brexit, the White Paper has harsh words for both Britain and EU, and it says:*

Brexit has robbed Europe and European Union its most precious identity: The UNION. It has exposed EU's untold weakness that EU is not an evolution but is an imposition influenced and dictated by free market and democratic principles together with an interlinking system that supports them. It says that EU will last only as long as those who favour to retain the principles and values of the "EU Mission" will have the capacity to defend it.

Britain has failed to realise that joining the EU, the country reversed centuries of history as it embarked on a course that lead to legal, political, economic and social transformation of Britain. Although Brexit referendum was taken in 2016, Britain's dissenting voice on EU's collective decisions has been for long the manifestation of Britain's systematic withdrawal from engagement with EU, the WP adds.

In the context of India, the WP states that Brexit will have profound structural impact on the Indian business in UK. it is also an opportunity for India to reset the legal terms of its trade with the UK and EU, at the multilateral level, and through free trade agreements. Notwithstanding what happens in the EU-UK free trade negotiations, India should take advantage of this new reality and think more productively its trade relations with the former colonial master.

The Report further states that due to complicated structure of the EU while it was not possible to set up business advisory councils between EU and India to offer input into the FTA negotiations, it should be possible for Britain and India to move with setting up such councils which should go deep into the business and trade and tariff issues and jointly recommend to their respective governments how to address the issues that will come into the future negotiations of free trade agreements between them.

*On the state of the EU, the WP states:*

EU is one of the greatest economic history of the century. It has critics, but it has proved that it remains a stabilising model of Union, and an inspiration for many more to join the Club. The integration of the EU is just not an obligation but a credible commitment which has transformed the EU as an extraordinary successful machine for generating prosperity and helping the poorer member states to catch up. Challengers of the EU's values and vision; both from outside and inside; have realised the futility of directly taking on the EU and are instead using the vulnerability of the Union (Brexit is one example) to weaken EU. The Paper, however, says that EU today represents more an inspiration than a reality.

*On EU's new strategy on India, the WP says:*

The vision statement has the required objective to serve as a blueprint for a new dawn in the EU-India relations which goes beyond the realm of strategic partnership and opens the door for new partnership. It assumes higher degree of significance because the vision strategy outlines the common challenges and provides the policy framework for the EU's deeper and broader engagement with India over the coming years. The WP however states that the New Strategy on India has not moved beyond "declaration".

It is important that as EU shifts its strategic focus to India, New Delhi should heartily reciprocate this outreach with open heart and clear mind. Merely positioning itself as high valued strategic importance for EU to maintain peace, security and stability in Asia is neither sufficient nor enough for India to receive cooperation and support from EU in its endeavour to play a larger role in the global affairs.

India and EU can together create an economic and political force able to help change global trade geography to better meet the interest of the two continents. Just as India is called on to play a major role on the world stage, Europe is increasingly expected to assume new international responsibilities.

The WP speaks that there have been deliberate attempts in the European Parliament, legislative arm of the EU, to damage the EU-India strategic partnership, derail the speed of their cooperation and also change the direction of their relations.

On India's multidimensional relationship with the United States, the WP says that it is the most comprehensive of all its major power relationships as few other powers have been as positive as the US in addressing India's concerns on regional strategic issues, and US will remain its principal partner.

*On EU's security policy and India, the WP says:*

At a time when new economic and security architecture is evolving in Asia, EU's engagement in the continent is incomplete without partnering with India. In this sense, India becoming a member of the EU with special status and India joining NATO as an "Ally" with a special privileged status is not outlandish and its possibility cannot be ignored. The designation of "NATO ally" will significantly strengthen defence cooperation between EU, US and India. At the same time, India's presence in NATO would be helpful for the organisation to address some of the issues it is facing in the Asia region. The WP says that more than ever, India today needs NATO and NATO needs India. It however cautions that even if India is accorded "Ally" status by NATO, it should see the wider picture of its regional strategic balance and national interest if joining NATO would really help it in addressing geo-strategic and security issues and not jeopardising its relations with trusted non-NATO allies.

*On the issue of trade and economics; the core of the partnership, the WP states:*

The strategic partnership between EU and India remains perpetually handicapped because of trade relations between the two countries remains un-reformed and the goal of a free trade agreement remains a dream. While the EU-India relations has remained a hostage to the domains of trade and to a great extent the free trade negotiations, in the corridors of power in Brussels and in New Delhi there is now emerging a new thinking that sharing of strategic responsibilities is as important as economic issues. This factor is propelled and influenced by geo-political and geo-strategic shift in the priorities of Europe and India.

On the free trade negotiation, officially known as Broad-based Trade and Investment Agreement (BTIA) the WP states that negotiating a successful trade deal which will impact the lives of 1.8 billion people is a complex and complicated exercise and therefore it requires a careful calibration of the difficult issues involved. The FTA could be a win-win for both EU and India but to reach an agreement will need flexibility, creativity, accommodation and re-imagination which will require courage at the highest political levels in India and EU states.

The WP hopes that with the re-election of Modi government in New Delhi, a new Commission and a new European Parliament in Brussels, new-pathways can be found to "defreeze" the FTA talks. This, however, will require bold leadership capable to take difficult decisions with visionary and balanced approach where "rigidity" has no place and "compromise" becomes the *mantra* of the negotiating mechanism.

On the importance of FTA for India, the WP suggests that India must approach FTA from a geo-strategic perspective and long-term strategic benefits and warns that withdrawing from the "table" by either party will send shock waves to the countries who are engaged in negotiating regional or bilateral trade agreements, and more than that this will be seen as failure of the trade diplomacy by both parties.

The WP asks both EU and India to resolve free trade issues with policy shift in their approach to the FTA negotiations - plucking low hanging fruits first and leaving thorny trade issues to be resolved with incremental approach. This approach should become new norms for both India and EU and to move forward and craft a favourable geo-economic order. The Author has also offered some negotiating tricks to the Indian negotiators when EU insists on bringing Automobile sector in the FTA.

A critical analysis of the state of EU-India relations reveals that traditional barriers to stronger economic ties are slowly disappearing because of pro-active economic policy reforms in India during last decade. Also, the bureaucratic jungle and grinding colonial regulations from which India has suffered from is now changing. India needs more trade and not less; India needs more and more investment from EU and not less. India needs more and more reforms and less and less of bureaucracy.

*On India's economic reforms:*

The Author has made in-depth analysis of the progress in the economic reforms in India over the last two decades and states that it has created a private-sector-led development alternative to China's state-led model. If India is successful in expanding steadily the economic growth process to benefit its very large population of poor people, it will be a powerful counter example to China's approach in the global debate over which economic development model – liberal or authoritarian – delivers the greatest overall benefit for its people.

The Author gives big thumps-up to the policies of Prime Minister Modi and says that the PM cannot afford to succumb to the political pressure if he wants to make India 5 trillion dollar economy by 2024. Further, opening up the market, trade and investment are the key to success and if Modi succeeds in concluding the free trade negotiations, he will go down in the history as a man who seized a desperate moment and turned into a huge opportunity - the key to leadership greatness.

In return for demonstrable progress in the direction of shared values and effective implementation of political, economic and institutional reforms, India and EU can offer each other a stake not only in the EU's internal market but also a broader access to the four freedoms - goods, capital, services and persons, the WP argues.

The Author adds that Europe may sometimes become frustrated by the long time frame and slow process of reforms that India takes to decide on some policy issues, but it needs to understand that it is dealing with a continent which is not autocratic but a democratic nation and any major policy reform that will affect the lives of 1.3 billion people will have to go through a political process; how rigorous and time consuming it may be.

The White Paper calls upon Government of India to strengthen its economic diplomacy in Brussels by setting up a separate Mission to the European Union. A separate Mission to the EU with "exclusivity" will help India to take full advantage of dialogue on strategic issues with EU, help India to focus on EU's trade and external policies and enhance its institutional importance.

The future holds lot of promises for European Union and India relations and if EU and India wish to make their relation a successful partnership, they must not look back at the failures of the past, but what together they can achieve in pursuit for a common future.

-----

For more information about the White Paper, author of the Report Sunil Prasad, Secretary General of Europe India Chamber of Commerce, can be contacted by E-mails: [sunil.prasad@telenet.be](mailto:sunil.prasad@telenet.be); [info@europeindia.eu](mailto:info@europeindia.eu); Tel. 0032 2 469 2677, 0032 2-840 2800 and GSM: 0032 472 207 338.